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Supporting Trade Capacity Building Worldwide

# Trade Policy, Trade Negotiations & Trade Agreements

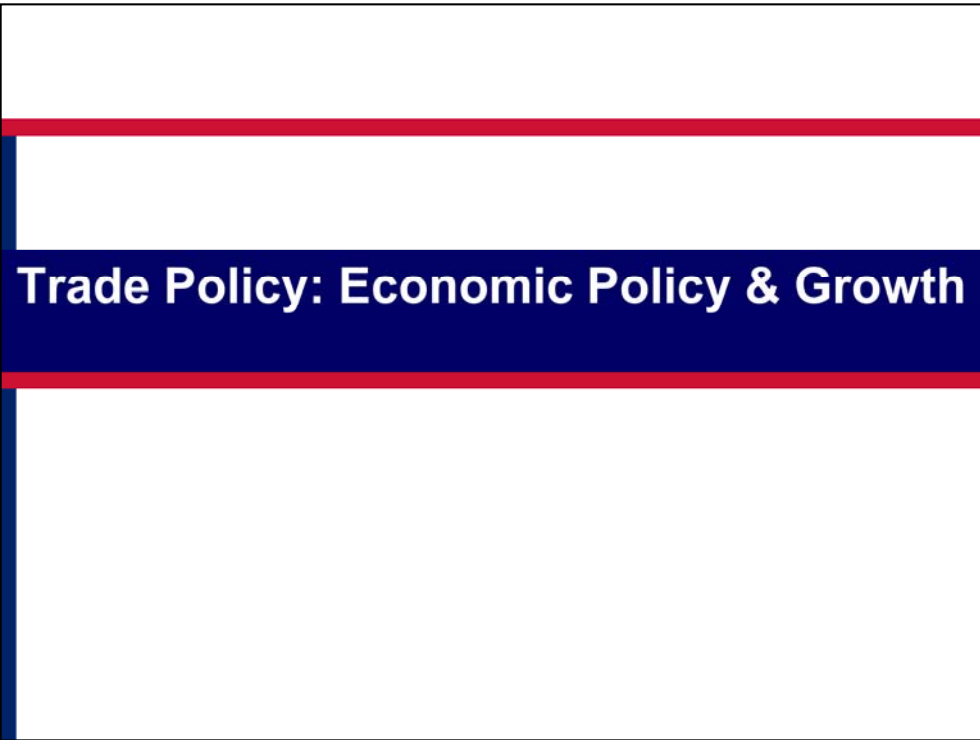
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Trade and Investment Training:  
Programming for Greater Impact  
Bangkok, Thailand  
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## Overview

- Trade Policy
- Trade Negotiations
- Trade Agreements: Global, Regional, Bilateral
- Programming for Greater Impact





# Trade Policy

## • Key Features

- Open trade supports increased economic activity
- Principle Drivers of Trade Policy
- Trade Issues



### **Open trade:**

Expands market; provides access to inputs, technology, know-how, and broader range of consumer goods

Contributes to lower price pressures, improves productivity

### **Drivers:**

Principle Drivers of Trade Policy: comparative advantage, declining costs, different tastes, and different tasks

infant industry; adjustments to competition

### **Trade Issues**

Trade Issues: infant industry; adjustments to competition

Trade -- not a power ministry: politics and protection

## Trade Policy (cont)

*Trade is a Privilege, not a right*



- Global Depression Resulted from High Tariffs
- Economic Growth Policies Negotiated Bilateral Tariff Reductions
- General Agreement on Tariffs and Trade (GATT)

**Trade:** Privilege, not a right

**Global Depression:** High Tariffs

**Economic Growth Policies:**

Negotiated Bilateral Tariff

Reductions

**General Agreement on Tariffs  
and Trade (GATT)**

## Trade Negotiations and the WTO

## The Basics about the WTO

- **Reason:** Viable, durable multilateral trading system
- **Objectives:** Raise standard of living, employment, increase trade and more
- **Operation:** Rules based, agreed by consensus, and legally enforceable
- **Activities:** Trade negotiations, policy discussions and analysis



## WTO: Membership Requirements

- Full obligation to general rules of
  - GATT,
  - General Agreement on Services (GATS)
  - Trade Related Intellectual Property Rights (TRIPS)
- Market access commitments (goods and services)
- Adherence to other specific agreements
- Adherence to Dispute Settlement Understanding
- Participation in Trade Policy Reviews



Discuss Accession briefly. Long process requiring significant concessions.



## Other Specific Agreements

- Agriculture
- Textiles and Clothing
- Trade Related Investment Measures
- Customs Valuation
- Pre-shipment Inspection
- Import Licensing
- Sanitary and Phytosanitary Measures
- Technical Barriers to Trade
- Anti-Dumping
- Rules of Origin
- Subsidies and Countervailing Duties
- Safeguards



Discuss TRIPS (intellectual Property Rights protection), anti-dumping and SPS/TBT

## MFN and National Treatment

- Application of GATT Principals in WTO:
  - Most-favored-nation – Benefits extended to one member must be extended to all members
  - National Treatment – Treat foreign goods, services and intellectual property on terms no less favorable than such or similar local products, services and intellectual property



Exceptions to MFN:

Permitted to raise tariffs/restrictions on certain products from certain countries

Antidumping and countervailing duties

Safeguard action to address injury to an industry caused by increased imports

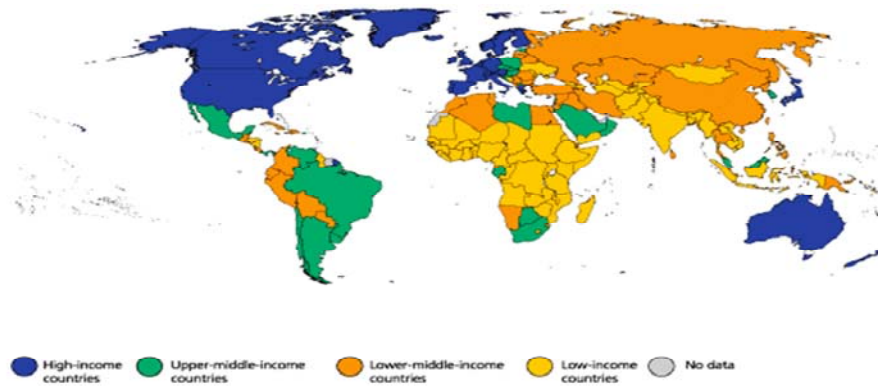
Measures to protect balance of payments

National security

General Exceptions (e.g. health, safety, environment, public morals)

## The WTO and Developing States

- Special rights and differential treatment for developing countries



- 1) Longer time periods for implementing Agreements and commitments
- 2) Measures to increase trading opportunities (unilateral trading preferences)
- 3) WTO members required to safeguard trade interests of developing countries
- 4) Support for developing countries in WTO

## Trade Arrangements: Exception

- Customs Unions and Free Trade Agreements permitted if:
  - Interim agreement for agreement to be finalized in a “reasonable length of time”
  - Cover “substantially all trade”
  - Not to be more restrictive “on the whole”
- Flexibility for developing countries

**Doha Development Round:  
What's Next?**

## Doha Development Agenda

- Work continues on broad agenda
- Previous actions sought by:
  - The United States
  - European Union
  - Developing countries



US: reduction of agricultural subsidies;

EU: lower agricultural tariffs and fewer exemptions;

Developing countries: lower applied tariffs on goods and fewer exceptions

## No Doha: Possible Implications

- Trade liberalization Bicycle Theory
- WTO Credibility
- New Emerging Issues
- More activity on:
  - Trade Facilitation
  - Regional Trade Agreements/FTAs



- 1) Trade liberalization Bicycle Theory: if not moving forward, moving backward
- 2) Question WTO and negotiation structure
- 3) New Emerging Issues: climate change and trade

**Regional Trade Agreements:  
Dramatic Rise**



## Regional Trade Agreements

- Dramatic Growth
  - 1948-1994: 124 notifications to GATT
  - 1995-Present: 300 notifications to WTO
  - 30 in Africa



## Regional Trade Agreements (2)

- Reasons
  - Faster than the WTO
  - Geographic
  - Comparative Advantage
  - Cultural
- Second Best Option
  - Small economies
  - Spoke and hub
  - More trade rules (spaghetti/noodle bowl)



Reasons:

Regional agreements aim to reduce barriers faster than would be done under WTO

Agreements among countries in a geographic region to reduce/remove tariff & non-tariff barriers to the free flow of goods, services & factors of production with each other

Comparative advantage – freer trade within regions will produce gains for all

Critics worry that there will be a world where regional trading blocs compete against each other

## Stages of Economic Integration

- **Free trade area**
  - All barriers to trade of goods/services are removed
  - Each country allowed to determine non-member policy
- **Customs Union**
  - Eliminates trade barriers between member countries
  - Adopts common external trade policy
- **Common Market**
  - No barriers to trade among member countries
  - Common external trade policy
  - Allows factors of production to move freely among members
- **Economic Union**
  - Free flow of products & factors of production
  - Adoption of common external trade policy
  - Requires common currency, harmonization of tax rates, common monetary & fiscal policy
- **Political Union**
  - Central political apparatus coordinates economic, social & foreign policy of members (US)

•No discriminatory tariffs, quotas, subsidies or administrative impediments are allowed to distort trade between members

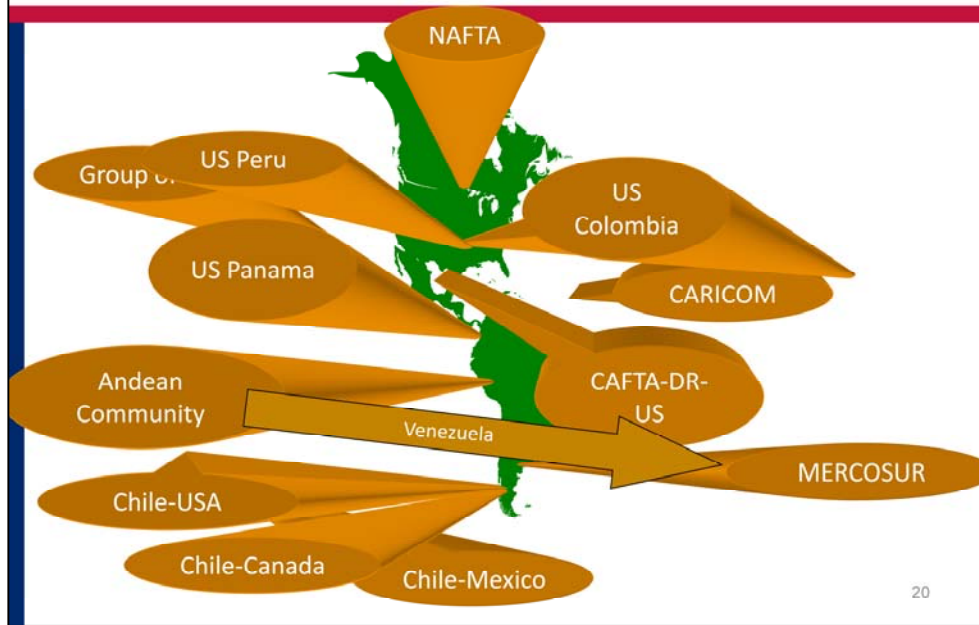
•Customs Union - Adoption of common external trade policy necessitates significant administrative machinery to oversee trade relations with non-members

•Common Market – Labor and capital are free to move because there are no restrictions on immigration, emigration, or cross-border flows of capital

•Common Market demands a significant degree of harmony & cooperation on fiscal, monetary and employment practices

•Economic Union requires a high degree of integration and demands a coordinating bureaucracy and sacrifice of a significant degree of national sovereignty

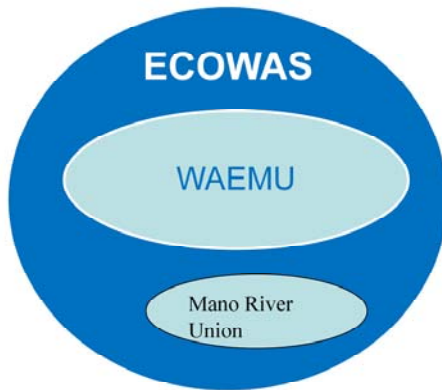
## Western Hemisphere—Major bilateral and subregional agreements



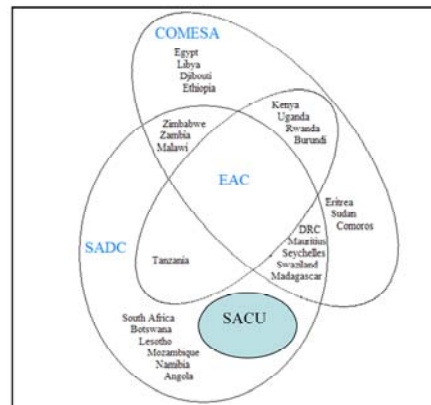
High concentration in Western Hemisphere – Andean Community, CACM, CARICOM, CARICOM-DR, G3, MERCOSUR, Mexico-Northern Triangle, NAFTA

# Sub-Saharan Africa - Key Agreements

## West Africa



## East and Southern Africa

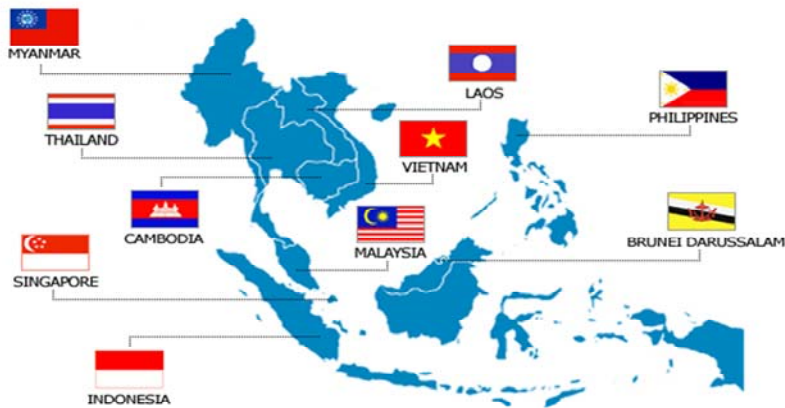


**Regional Trade Agreements  
in Southeast Asia**

# Association of Southeast Nations

*Ultimate goal: The ASEAN Community in 2015*

- Established: 8 August 1967



Established: 8 August 1967 by Indonesia, Malaysia, the Philippines, Singapore and Thailand

The ASEAN Community is targeted to be realized by 2015. A Roadmap for an ASEAN Community 2015, which includes the 3 Community Blueprints, i.e. for the ASEAN Political and Security Community, the ASEAN Socio-Cultural Community and the ASEAN Economic Community, provides the impetus towards the realization of the ASEAN Community.

## The Road to the ASEAN Economic Community



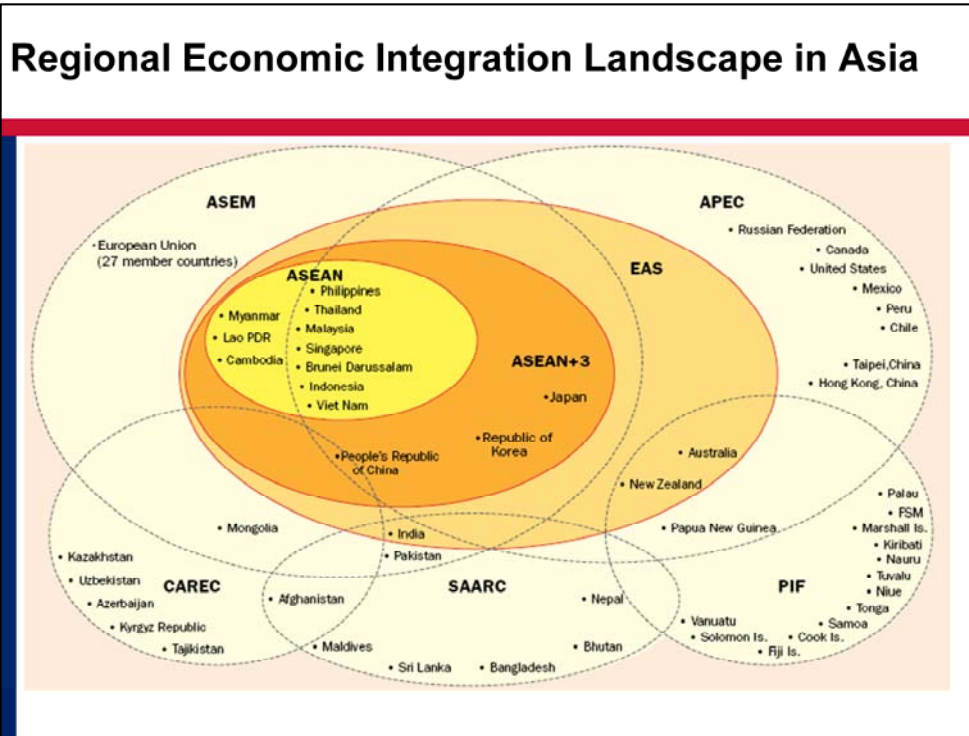
ASEAN economic integration framework is generally characterized by the following: internal integration, which is mainly working towards the creation of a single market and production base under the ASEAN Economic Community and achieving ASEAN Centrality; and external economic relations, basically ASEAN's FTAs and CEPs which are being pursued to tap market potential, enhance market access and for ASEAN to remain competitive vis-à-vis countries or blocs that directly compete with ASEAN. It goes without saying that the trade policy regimes of Member States are still being pursued on 3 fronts – multilateral or the WTO, regional and bilateral.

ASEAN economic integration has been a long process, starting from the time ASEAN implemented the Preferential Trading Arrangement in mid-70s. Then the implementation of the Common Effective Preferential Tariff (CEPT) Scheme, which started in 1993 and culminated in the realization of the ASEAN Free Trade Area (AFTA) for ASEAN 6 on 1 January 2010; and ASEAN ultimate goal of realizing the ASEAN Economic Community by 2015.

## •TRADE

### –TARIFF LIBERALIZATION





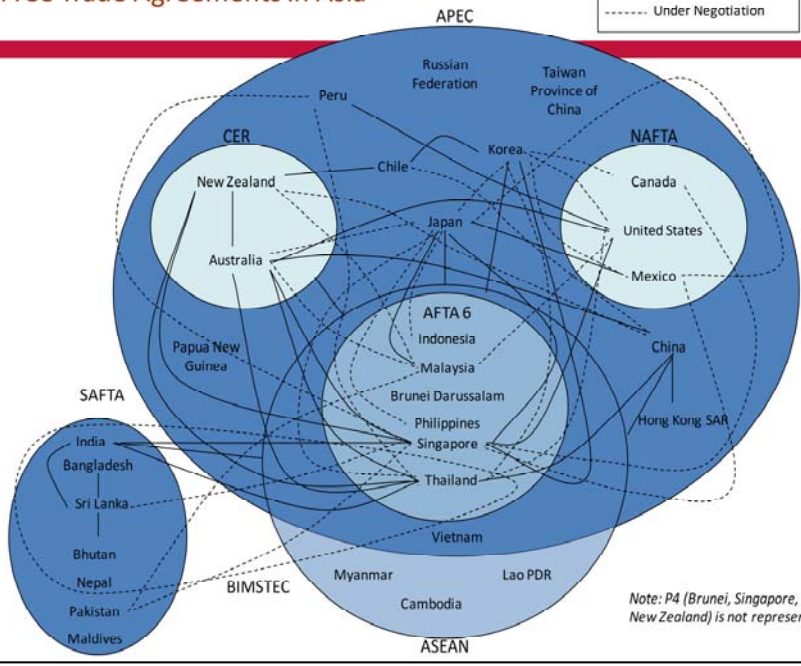
### ASEAN FTAs

#### ASEAN-CHINA

- Trade in Goods Agreement signed in 2004 and implemented in 2005.
- Trade in Services Agreement signed 2007;
- Investment Agreement signed in 2009
- ACFTA Implemented on 1 January 2010
- A market of 1.91 billion people with a combined GDP of US\$ 5.83 trillion (2008)

Following the signing of the Framework Agreement on Comprehensive Economic Cooperation between ASEAN and China in 2002 and the implementation of an Early Harvest Program wherein tariffs on agreed products were eliminated ahead of the Trade in Goods Agreement, ASEAN and China negotiated details of the FTA based on a sequential approach. The Trade in Goods Agreement signed in 2004 entered into force in 2005. The FTA on goods is set to be realized by 2010 for ASEAN 6 and China and 2015 for CLMV. The Trade in Services Agreement, which includes a first package of specific commitments, was signed in 2007 and entered into force in 2008. ASEAN and China are currently negotiating a second package of specific commitments following the request and offer approach and this is targeted for completion within the year (2010). With the signing of the Investment Agreement in August 2009, the mandate under the 2002 Framework Agreement has been completed. The ASEAN-China Free Trade Area was realized on 1 January 2010.

# Free Trade Agreements in Asia

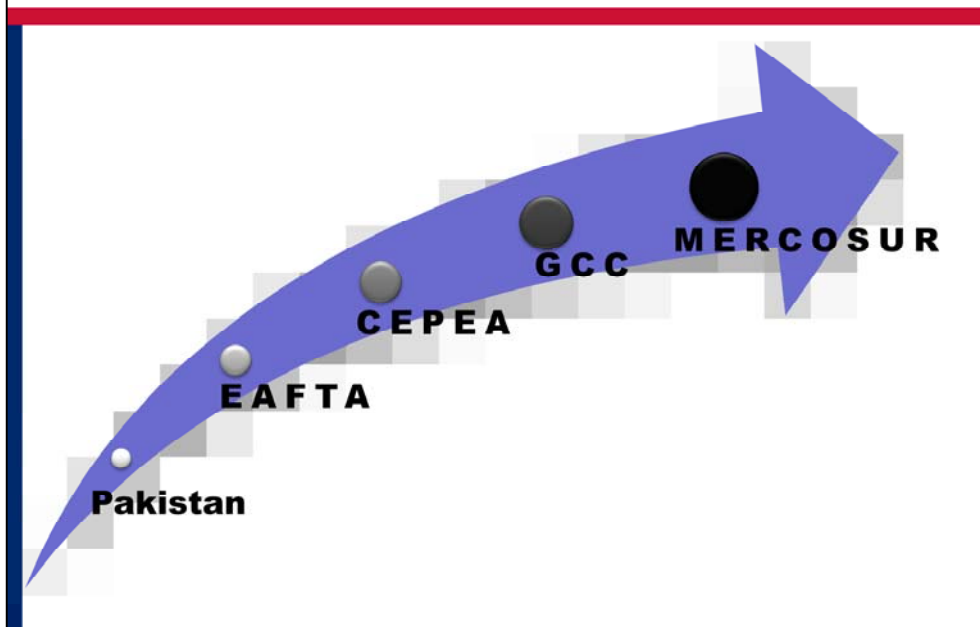


Note: P4 (Brunei, Singapore, Chile, New Zealand) is not represented.

## Intra- and Extra-ASEAN Share of Trade

Indicator	Unit	1998	2000	2003	2006	2007	2008
<b>Total Trade</b>	Value (US\$mil)	576,108	759,101	824,539	140,4806	161,0787	1,710,422
<b>Intra-ASEAN Trade</b>	Value (US\$mil)	120,918	166,846	206,732	352,771	401,920	458,114
	Share to Total Trade (%)	21	22	25.1	25.1	25	26.8
<b>Extra-ASEAN Trade</b>	Value (US\$mil)	455,190	592,255	617,807	1,052,034	1,208,867	1,252,308
	Share to Total Trade (%)	79	78	74.9	74.9	75	73.2

## ASEAN FTAs Under Consideration





**Programming Ideas and Q/A**

## Programming for Greater Impact

- Trade Policy
- Trade Negotiations and the WTO
- Trade Agreements
- Public Outreach
- Analysis of Trade Patterns and Industries



Capacity building, capacity building, capacity building. Like real estate:  
Location, location, location.

Egypt success in creating a WTO unit and building capacity for that process and thus all agreements.

**Thank you!**

**Tim Buehrer**  
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