

# **An Overview on the Trend of Regional Trade Agreement (RTAs)**

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# **An Overview on the Trend of Regional Trade Agreements (RTAs)**

Ganjar Nugroho<sup>1</sup>

## **Section 1. A brief review of Fiorentino, Verdeja and Toqueboeuf's 2006 report on the changing landscape of RTAs**

Fiorentino, Verdeja and Toqueboeuf's (2007) report updates the previous paper that Crawford and Fiorentino published in 2005. Fiorentino et al. describe the general landscape of regional trade agreements based on several configurations: yearly trend, type of notified agreement, membership composition, regional composition, progress status, and parties' level of development. They briefly describe RTA proliferation in several selected regions and several states' moves in proliferating RTAs; they provide figures to display the complex network and the magnitude of RTAs. The updated report also discusses the challenges that discriminatory RTAs impose against non-discriminatory WTO-based Multilateral Trading System (MTS).

The report underlines several points in relation to the trend of RTA proliferation. Using the data of WTO-notified RTAs, the report shows the increasing trend of RTA after the WTO establishment. As of December 2006, 243 or about two-third of RTAs had been notified to the WTO since 1995, compared to 124 RTAs concluded in more than four decades of GATT years (p.4). Increased WTO memberships, new obligations of RTA notification, flexibility of RTA formation, defensive reactions against other RTAs, and a sluggish progress of Multilateral Trade Negotiation (MTN) contribute to this trend (pp. 5-6, 13). Some countries such as Chile, Mexico and Singapore even become a motor of RTA proliferation by actively form RTAs with many partners. The RTA phenomenon spread across all regions.

Among the types of RTAs, Free Trade Agreement (FTAs) becomes the most favorite type of RTAs preferred by constituent parties. Up to December 2006, 84% of RTAs in force took the type of FTA. This configuration is predicted to continue and even expand after 2006. The conclusion speed of FTA negotiation, the flexibility of FTA over other types of RTA—i.e. Custom Union (CU) and Partial Scope Agreement (PSA)—and the fewer loss of autonomy encourage constituent parties to choose FTAs (pp.6-7). Developing countries even prefer FTA to other types of RTA despite the legality they have to form PSA among themselves. In this way, PSAs were formed as “a staged approach to trade liberalization” (pp.7, 10-11).

Regarding the composition of RTAs, Fiorentino et al., show the dominant share of bilateral RTA in force (80%) over the plurilateral one. Such a high figure results from a category of bilateralism they apply on agreements between two parties, regardless the fact that one of the parties is a plurilateral RTA—e.g. EC/EU, EFTA, and MERCOSUR. The flexibility of bilateral RTA negotiation and parties' interests in “strategic market access” are considered as two main reasons of this bilateralism (p.8). Parties then overcome regional constraint and form extra-regional RTAs. Even the European Union (EU) that basically gives special importance to regional

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integration negotiates RTAs with non-European parties. Therefore, rather than becoming an actualization of countries' commitment to trade liberalization, RTAs functions as "an important trade policy instrument" (p.1, 2, 5-6)

Such conclusion, in fact, contradicts with what Fiorentino et al. wished for in relation to trade liberalization. Several times, they tacitly consider trade liberalization as an end itself, which is parallel with the objective of economic development (Abstract). Rather than considering RTAs as a trade and development instrument and understanding the rationality behind countries' preferences for RTAs, Fiorentino et al. chose to address the "troublesome relationship" between RTAs and MTS (p.26). Because the complex noodle bowl of RTAs increases "discrimination and undermine transparency and predictability" in trade relations," they calls for the design and implementation of RTAs that does not undermine the "multilateral trade objective" (Abstract, p.1). This position, indeed, reflects Neoclassical economics that argues in the optimum benefits of trade liberalization (Krugman & Obstfeld 2003: 236, ch.2 & 5).

Several points that Fiorentino et al. observed are still valid currently. The trend of RTA proliferation, as will be described in the next sections, is still increasing; FTAs still become the most preferred type of agreement; the RTA phenomenon spread across all regions and even reduced the share of European countries' constituencies from almost half to about one-third of agreements; constituent parties choose RTA partners beyond their immediate neighborhood.

Their observation of RTA composition is, nevertheless, problematic. Categorizing all agreements between two parties as bilateral RTAs, regardless the fact that one of the parties is a plurilateral RTA itself, is inconsistent with countries' individualistic concern with the "loss of autonomy" (p.7, 6). Besides, the agreements must need approvals from all constituent states. Methodologically, this category confuses the unit of analysis of the study. By categorizing agreements between two parties that involve a plurilateral party as one of the constituent party, as will be describe in the subsequent section, the number of bilateral RTAs is significantly reduced and relatively close to that of plurilateral RTAs.

The report, in fact, only described the trend of notified RTA and did not report the trend of physical RTAs. As Fiorentino et al. say, surveying the physical RTAs is very difficult, if not impossible, because the data are non-exhaustive (p.2). Such a focus on notified RTA allows Fiorentino et al. to understand the coverage of RTAs, but disables them for observing trade relations between constituent parties. As described in the next section, the number of physical RTAs is smaller than that of notified RTAs.

The report does not include a study on the coverage and depth of trade liberalization covered in RTAs. Surveying the trend of RTA phenomenon is not important in itself; it is important for understanding how liberal is the world's economy and, in relation to policy making, for deciding what policies states should make in order to ensure people's welfare. It is, therefore, necessary to survey the coverage and depth of RTAs. In relation to this purposes, presenting the survey result in percentage format, rather than as Fiorentiono et al. do, obscures the magnitude of trade liberalization.

In spite of its description of RTA proliferation, the report does not provide adequate explanation of such an RTA phenomenon. Explaining parties' preferences

for FTA over CU in terms of the former's speed, flexibility and selectivity is tautological because it does not clarify why states prefer a faster pace of negotiation and more flexible arrangements; arguing the RTA proliferation as a consequence of the sluggish progress of MTN does not clarify why states took slow and long processes in concluding the multilateral trade round negotiations despite the Neoclassical argument of net positive welfare effects of trade liberalization. Stating RTA proliferation as a reflection of states' "defensive" reactions against other RTAs does not explain why states become defensive actors. It is thus necessary to understand what objectives and strategies that states pursue by proliferating RTAs. The Crawford and Fiorentino's (2005) report of RTA landscape provides a brief explanation of RTA proliferation instead.

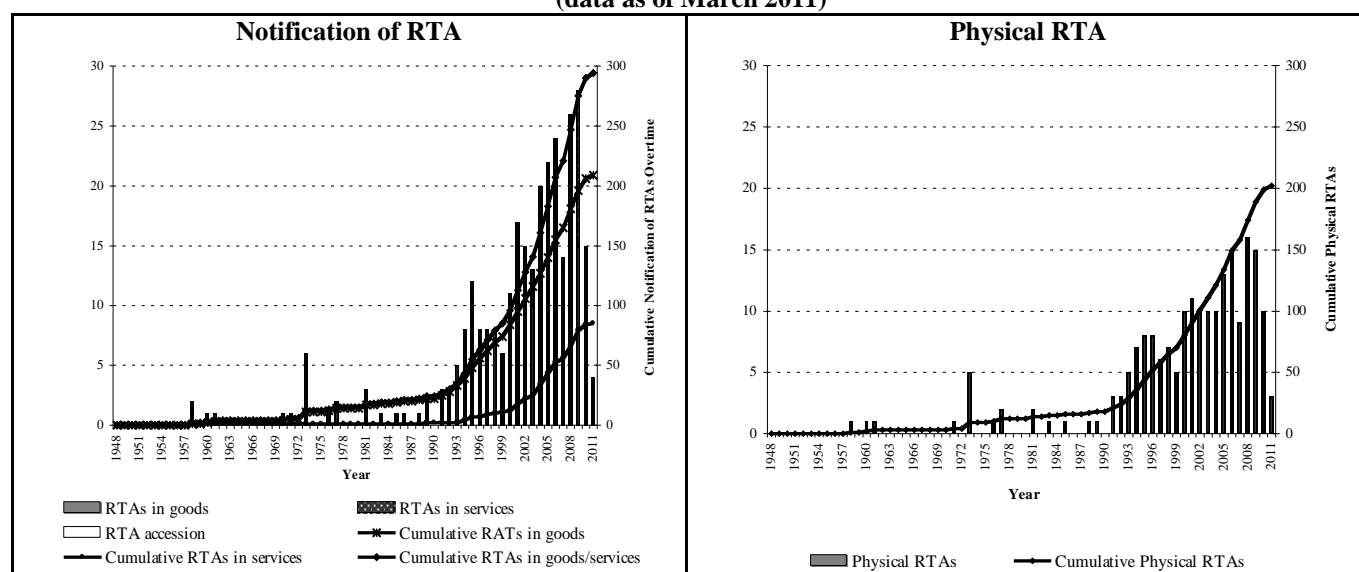
Last but not least, Fiorentino et al. rely on the WTO database. As they state, the database does not reflect the "actual" RTAs (p.2). Despite the WTO rules of notification, constituent parties often do not notify the RTAs they conclude and negotiate. Non-member parties are not also obliged to submit notifications. This consequently means that a complete study on the trend of RTA proliferation needs to include the RTAs unnotified to the WTO, in spite of the difficulties in collecting data on the unnotified RTAs.

A deeper study on the trend of RTA proliferation is, therefore, necessary. This paper provides a brief overview and preliminary study on several issues address in this review.

## Section 2. Increasing Trend of RTA proliferation since 1948

As chart 1 displays, both the cumulative number of notifications of effective RTA and physical RTAs in force increased sharply after 1992. In 1992, there were only a total of 28 notifications of RTAs in goods and 2 in services; the numbers became 206 and 84, respectively, in 2010. This means that 87% effective RTAs in goods and 97% effective RTAs in services were notified to the WTO after 1992. As of March 2011, there were a total of 294 notifications of RTAs in goods and services. Since physical RTAs basically include RTAs in goods, the trend of physical RTAs overtime is similar with that of RTAs in goods.

**Chart 1. Notifications of RTA and Physical Regional Trade Agreements notified to the WTO, by type of notification and by year of entry into force (data as of March 2011)**



### Notes:

- RTA notification double-counts an RTA that include both goods and services and counts accessions to existing RTAs as a separate RTA; physical RTAs in force refer the actual RTAs. They focus on the existence of agreement between parties, meaning that they are calculated without double-counting the RTAs in goods and services and without including accessions to existing RTAs.
- The regional composition is defined according to the WTO's composition of region (see Appendix 1).

### Data Sources:

- World Trade Organization (2011) *Regional Trade Agreements*, available at <http://rtais.wto.org/UI/PublicMaintainRTAHome.aspx> [accessed 8/04/2011]; for composition of region, see World Trade Organization (2011) *Regional Trade Agreements Information System: User Guide*, available at [http://rtais.wto.org/UserGuide/RTAIS\\_USER\\_GUIDE\\_EN.html](http://rtais.wto.org/UserGuide/RTAIS_USER_GUIDE_EN.html) [accessed 8/04/2011].

Several factors may make this phenomenon happen. The establishment of a European single market and the conclusion of NAFTA seem to, as many scholars say, provide a turning point. Both RTAs provide a legitimate justification for other states to form RTAs. States can legitimately involve in both multilateral and bilateral or plurilateral trade negotiation. Competitive market environment, sluggish progresses of MTN, and states' interests in maintaining their relative autonomy encourage states to actively proliferate RTAs. RTA formation may divert trades and trigger other states to take defensive measures by forming competing-RTAs (Baldwin 1993). RTA formation becomes an "insurance against" a potential failure of MTN (Crawford and Fiorentino 2005: 16; Fiorentino, Verdeja and Toqueboeuf 2007: 13). The flexibility and selectivity of partners allow states to maintain their relative autonomy and apply RTAs as a part of their development and trade policy instrument (Fiorentino, Verdeja and Toqueboeuf 2007: 6). Moreover, although RTA formation may temporary

undermine MTS (Panagariya 1999: 62-3), the establishment of RTAs is allowed in the GATT and GATS legal texts.

The proliferation of RTA in goods has gradually taken a faster pace. Before 1993, there was less than 5 new RTAs in goods constituent parties put in force in each year of RTA proliferation; between 1992-1999, there was less 10 new RTAs in goods entered into force per year; after 2000, more than 10 new RTAs in goods became active per year. RTA in goods has become the backbone of RTA proliferation. It becomes the basis for the formation of RTA in other sectors—e.g. in services, capital, and labor sectors. Of 202 physical RTAs in force and notified to the WTO as of March 2011, there is only 1 RTA in services that was established without RTA in goods; whereas, there were 116 RTAs in goods states formed without RTAs in services. A long history of proliferation of RTA in goods must be the main reason for this phenomenon.

The number of RTAs in services is smaller than that in goods. States started to liberalize their trade in services mutually in 2000. The difficulties in measuring service barriers and the impact of liberalization in services may also contribute to this smaller number. However, liberalization of trade in services has become no less important issue than that in goods. In 2000, there were 1 new active RTAs in services for 10 new active RTAs in goods notified to the WTO; in 2009, the numbers became 13 for 15, respectively. Liberalization of trades in goods and services has tended to be one package of liberal trade negotiation. This sets a basis for the inclusion of other issues—e.g. capital, labor, and environment—into RTA negotiation.

### Section 3. Types and Compositions of Physical RTAs Notified to the WTO

Table 1 shows that states preferred bilateral RTAs to plurilateral RTAs. As of March 2011, there were 114 bilateral RTAs and 89 plurilateral ones. Nevertheless, the number of plurilateral RTAs was not far from that of bilateral. Despite the difficulties of negotiation with more than one state, a plurilateral RTA is still attractive because it may generate larger potential benefits by involving more states into agreement.

This figure of bilateral and plurilateral RTAs differs from that which Fiorentino, Verdeja and Toquebouef (2007) presented in their report. Rather than taking their approach, this paper categorizes agreements between two parties that involve a plurilateral party as one of the constituent party as plurilateral RTAs. This approach is consistent with state centric approach and states' individualistic concern with the loss of autonomy. Moreover, any agreements must need approvals from all constituent states. Based on this categorization, this study finds that 44% physical RTAs are plurilateral.

Regarding the regional orientation, table 1 shows that states have overcome regional constraints by reaching partners located in different regions. States have relaxed their late 1980s-early 1990s disposition of intra-regional orientation (Fiorentino et al. 2007: 13). Of 202 physical RTAs notified to the WTO as of March 2011, 117 or 47% RTAs were regionally dispersed or involve constituent states belonged to different regions. Participation of states that were previously inactive in RTA proliferation indeed allow this to happen. East Asian states, for example, which only formed 5 physical RTAs until the year of 2000, currently participate in 47 physical RTAs. This also indicates states' involvement in a global trade. They do not merely focus on their own regions. A more competitive market environment may also push states to search market opportunities in any regions.

**Table 1. Physical Regional Trade Arrangements (RTAs) in Force Notified to the WTO since 1948, Composition, Regional Composition and Type, 1948-2011 (data as of March 2011)**

		Bilateral			Plurilateral			Total Bilateral-Plurilateral
		Regionally Concentrated	Regionally Dispersed	Total Bilateral	Regionally Concentrated	Regionally Dispersed	Total Plurilateral	
Type	CU & EIA	0	0	0	3	0	3	3
	FTA & EIA	18	41	59	7	11	18	77
	PSA & EIA	0	0	0	1	0	1	1
	CU	0	0	0	12	0	12	12
	FTA	37	14	51	21	23	44	95
	EIA	0	0	0	1	0	1	1
	PSA	3	1	4	4	5	9	13
<b>Total</b>		58	56	114	49	40	89	202

**Notes:**

- Physical RTAs in force refer the actual RTAs notified to the WTO. They are calculated without double-counting the RTAs in goods and services and without including accessions to existing RTAs.
- A Custom Union (CU) is a free trade area with a common external tariff and defined according to Paragraph 8(b) of Article XXIV of GATT 1994; a Free Trade Agreement (FTA) is an agreement to reduce and/or eliminate substantially all barriers of trades in goods and defined according to Paragraph 8(a) of Article XXIV of GATT 1994; an Economic Integration Agreement (EIA) is an agreement to liberalize substantially all discrimination of trades in services and define according to Article V GATS; a Partial Scope Agreement (PSA) is an agreement to liberalize only certain goods as regulated in paragraph 2(a) of the Enabling Clause.
- The regional composition is defined according to the WTO's composition of region (see Appendix 1).

**Data Sources:**

- For data on RTAs see World Trade Organization (2011) *Regional Trade Agreements*. Available at <http://rtais.wto.org/UI/PublicMaintainRTAHome.aspx> [accessed 8th April 2011].
- For types and regional composition of RTAs, see World Trade Organization (2011) *Regional Trade Agreements Information System: User Guide*. Available at [http://rtais.wto.org/UserGuide/RTAIS\\_USER\\_GUIDE\\_EN.html](http://rtais.wto.org/UserGuide/RTAIS_USER_GUIDE_EN.html) [accessed 8/04/2011].

As mentioned before, liberalization of trade in goods has become the basis of RTA proliferation. Only 1 RTA in services—or the Economic Integration Agreement (EIA)—was formed without an RTA in goods. Nevertheless, liberalization of trade in service has become no less important than that in goods. Constituent parties gradually bundled up the formation of RTA in goods and services. Up to March 2011, about 40% of RTAs that states established with their partners cover both trades.

States prefer to establish FTAs to other types of RTAs. As of March 2011, there were 172 physical FTAs or 85% of total RTAs. This indicates states' interest in maintaining their relative autonomy, despite the larger potential net benefits states may reap through the formation of Custom Union (CU). The establishment of a common external tariff and harmonization of external trade policies required in the formation of CU indeed demand states to engage in a higher degree of policy coordination and make more domestic adjustment. On the otherwise, an FTA allows states to apply their own external tariff against the non-member of RTA. A lower degree of policy coordination implied in the formation of FTAs then make FTAs be more flexible and attractive, compared to the CU. Up to March 2011, there were merely 15 effective CU or 7% of total RTAs notified to the WTO. This indicates states' view of trade liberalization as development and trade policy instrument, rather than as an end in itself.

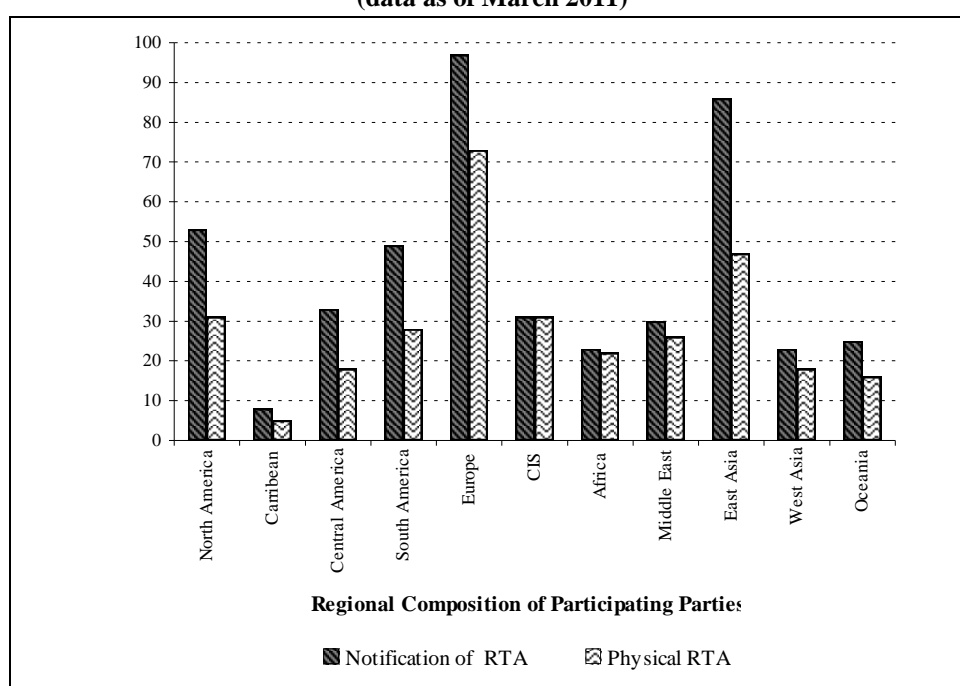
The formation of Partial Scope Agreement (PSA) has become less attractive even among developing states. After the year of 2000, there were only 2 PSA notified to the WTO: China's accession to APTA in 2002 and MERCOSUR-India PSA. The formation of PSA is a part of states' gradual approach to trade liberalization (see also Fiorentino et al. 2007: 7). As occurred in Southeast Asia and South Asia, states eventually transformed their PSA into FTA. Up to March 2011, there were only 14 effective PSA or 7% of total RTAs notified to the WTO.



## Section 4. Regional Composition of RTA Constituent Parties

Three charts under this section display how an RTA phenomenon has spread to all regions. European states are the most active parties in proliferating RTAs. This fact is quite understandable because it is European states that have engaged in the establishment of RTAs since 1958. As of March 2011, they formed 73 physical RTAs and made 97 notifications of RTA in goods and services to the WTO. Among the European parties, it is the EC/EU and EFTA that actively proliferated RTAs. Since 1948, the EC/EU and EFTA had established 31 and 21 physical RTAs, respectively. Both of them share more than two-third of physical RTAs, which European parties had formed since 1948.

**Chart 2. Notification of Regional Trade Agreements (RTAs) and Physical RTAs, by the Regional Composition of the Constituent Parties since 1948 (data as of March 2011)**



### Notes:

- The notification of RTA double-counts an RTA that include both goods and services and counts accessions to existing RTAs as a separate RTA. Physical RTAs in force refer the actual RTAs. They focus on the existence of agreement between parties, meaning that they are calculated without double-counting the RTAs in goods and services and without including accessions to existing RTAs.
- The regional composition is defined according to the WTO's composition of region (see Appendix 1). The numbers represent the number of effective RTA established by constituent parties that belong to a certain region.

### Data source:

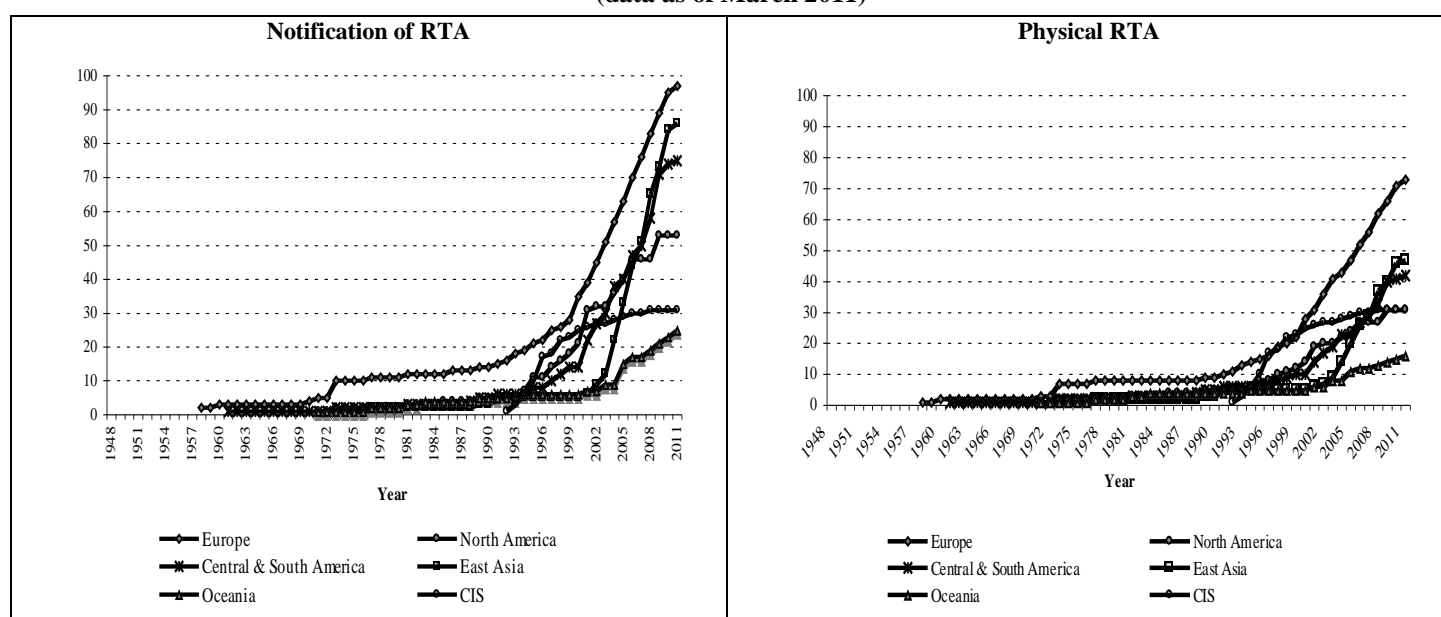
- World Trade Organization (2011) *Regional Trade Agreements*. Available at <http://rtais.wto.org/UI/PublicMaintainRTAHome.aspx> [accessed 8th April 2011].

East Asian states were relatively inactive before 2000, but became very active after seeing a potential failure of the MTN. They formed RTAs as an insurance policy. As of March 2001, East Asian states have established 47 physical RTAs and 86 RTA notifications. These numbers indicate that East Asian states prefer to bundle up the formation of RTA in goods and services. This fast pace of RTA proliferation more or less reflects East Asian states' export-oriented industrialization policy. Forming FTAs

means widening market access for their export-oriented industrial goods. Among East Asian states, Singapore and Japan took the most active role in proliferating RTAs. Up to March 2011, Singapore and Japan have involved in establishing 19 and 12 physical RTAs, respectively. Singapore's status as an entrepôt and Japan's interest in intra-industry trades

A relatively similar trend occurred in North American, Central American and South American regions. States in this region dispose to form RTAs that include both trade in goods and services. However, although they started to form RTA in early 1990s, they proliferate RTAs at a slower rate compared to East Asian states. Mexico, Chile, the US, Canada are states that become motors of RTA proliferation in American continent.

**Chart 3. Cumulative Number of Notification of Regional Trade Arrangements (RTAs) and Physical RTAs in Force by the Regional Composition of the Constituent Parties since 1948: Selected Regions (data as of March 2011)**



**Notes:**

- The notification of RTA double-counts an RTA that include both goods and services and counts accessions to existing RTAs as a separate RTA. Physical RTAs in force refer the actual RTAs. They focus on the existence of agreement between parties, meaning that they are calculated without double-counting the RTAs in goods and services and without including accessions to existing RTAs.
- The regional composition is defined according to the WTO's composition of region (see Appendix 1). The numbers represent the number of effective RTA established by constituent parties that belong to a certain region.

**Data Sources:**

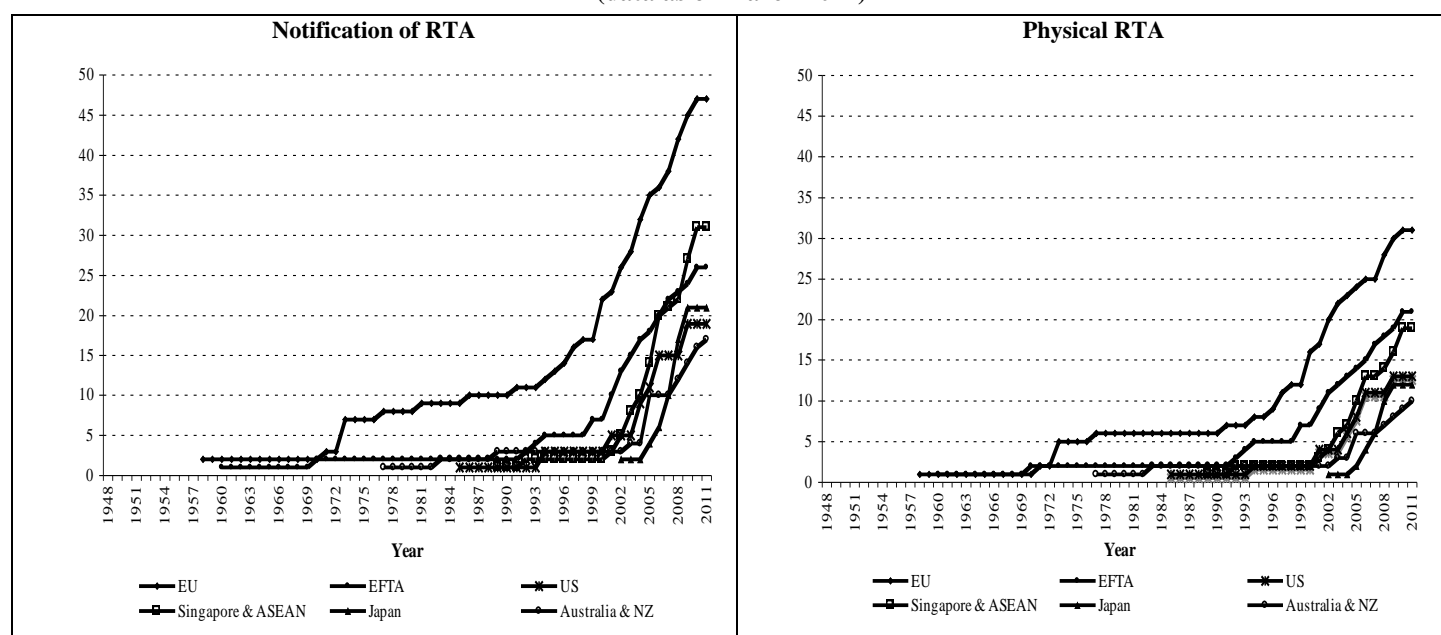
- World Trade Organization (2011) *Regional Trade Agreements*, available at <http://rtais.wto.org/UI/PublicMaintainRTAHome.aspx> [accessed 8/04/2011]; for composition of region, see World Trade Organization (2011) *Regional Trade Agreements Information System: User Guide*, available at [http://rtais.wto.org/UserGuide/RTAIS\\_USER\\_GUIDE\\_EN.html](http://rtais.wto.org/UserGuide/RTAIS_USER_GUIDE_EN.html) [accessed 8/04/2011].

An interesting fact occurred in CIS region. The collapse of Soviet Union disbanded the Council for Mutual Economic Assistance (COMECON). This event encouraged CIS states to proliferate RTAs, as a substitute of RTAs. Even though most of CIS states are only observers to the WTO and transition states, CIS states have established 31 physical FTAs without any single RTA in services. The trend of RTA proliferation then quickly slowed down after the year of 2000 or after they densely built a network of RTAs among themselves. This indicates that means, CIS states

view trade liberalization and RTA formation as political instruments, rather than seeing them as economic instruments.

Oceania states were relatively moderate in proliferating RTAs. As of March 2011, there were only 16 physical RTA that involved Oceania states. Such a low level of RTA proliferation might be caused by the geographical position of Oceania states. Their relatively isolated geographical position more or less affects their level of trade interdependence and, thus, the potential incentives they may reap from RTA proliferation. Among Oceania states, Australia and New Zealand Both are two developed states with 10 physical RTAs.

**Chart 4. Cumulative Number of Notification of Regional Trade Arrangements (RTAs) and Physical RTAs in Force by the Regional Composition of the Constituent Parties since 1948: Selected Constituent Parties (data as of March 2011)**



**Notes:**

- The notification of RTA double-counts an RTA that include both goods and services and counts accessions to existing RTAs as a separate RTA. Physical RTAs in force refer the actual RTAs. They focus on the existence of agreement between parties, meaning that they are calculated without double-counting the RTAs in goods and services and without including accessions to existing RTAs.
- The regional composition is defined according to the WTO’s composition of region (see Appendix 1). The numbers represent the number of effective RTA established by constituent parties that belong to a certain region.

**Data Sources:**

- World Trade Organization (2011) *Regional Trade Agreements*, available at <http://rtais.wto.org/UI/PublicMaintainRTAHome.aspx> [accessed 8/04/2011]; for composition of region, see World Trade Organization (2011) *Regional Trade Agreements Information System: User Guide*, available at [http://rtais.wto.org/UserGuide/RTAIS\\_USER\\_GUIDE\\_EN.html](http://rtais.wto.org/UserGuide/RTAIS_USER_GUIDE_EN.html) [accessed 8/04/2011].

Based on those trends, there is a big probability that the RTA proliferation will continue in any regions. As Fiorentino et al. show, the noodle bowl network of RTAs will become more complex and dense.

## Section 5. Intra-regional and Extra-regional RTAs

Rather than merely focusing on establishing intra-regional RTAs, states formed RTAs with parties that belong to other regions. States in North America and South America regions prefer to form RTAs with extra-regional partners, rather than with intra-regional ones. Only 1 of 31 physical RTAs that North America states established, and 3 of 28 RTAs that South American states formed, are intra-regional. NAFTA is the only intra-regional RTA in North America. East Asian states were also busy in approaching extra-regional partners. About two-third of RTAs they established are extra-regional. Europe, as an economically integrated region, in fact, has built many RTAs with parties of other regions. More than half of RTAs that European states established are extra-regional. This phenomenon, as mentioned above, indicates inter-regional trade relations between states.

**Table 2. Physical Regional Trade Arrangements (RTAs) in Force by the Regional Composition of the Constituent Parties since 1948 (data as notified by the WTO and as of March 2011)**

		Region of Participating Parties											TOTAL	
		North America	Caribbean	Central America	South America	Europe	CIS	Africa	Middle East	East Asia	West Asia	Oceania		Multi-regions
Region of Participating Parties	North America	1		5	8	3		1	6	2		1	4	31
	Caribbean		1			1							3	5
	Central America	5		4	3					4			2	18
	South America	8		3	3	3				5	2	1	3	28
	Europe	3	1		3	31	2	12	15	3			3	73
	CIS					2	28				1			31
	Africa	1				12		7					2	22
	Middle East	6				15			2	1			2	26
	East Asia	2		4	5	3			1	16	6	7	3	47
	West Asia				2		1			6	7		2	18
	Oceania	1			1					7		5	2	16

### Notes:

- Physical RTAs in force refer the actual RTAs. They focus on the existence of agreement between parties, meaning that they are calculated without double-counting the RTAs in goods and services and without including accessions to existing RTAs.
- The regional composition is defined according to the WTO's composition of region (see Appendix 1). The numbers represent the number of effective RTA established by parties that belong to a certain region. A multi-regional RTA refers to a RTA whose contracting members distributed in more than two regions.

### Sources:

- For data on the notified and effective RTAs, see World Trade Organization (2011) *Regional Trade Agreements*, available at <http://rtais.wto.org/UI/PublicMaintainRTAHome.aspx> [accessed 8/04/2011].
- For composition of region, see World Trade Organization (2011) *Regional Trade Agreements Information System: User Guide*, available at [http://rtais.wto.org/UserGuide/RTAIS\\_USER\\_GUIDE\\_EN.html](http://rtais.wto.org/UserGuide/RTAIS_USER_GUIDE_EN.html) [accessed 8/04/2011].

However, intra-regional disposition can still be seen in several regions. Europe, with the EC/EU and EFTA as its motor of regional integration, is the place of 32 intra-regional and physical RTAs or about 43% of total physical RTAs the European states have established up to March 2011. CIS states filled their region with 28 intra-regional RTAs and only proliferate 3 extra-regional RTAs. East Asian states, despite their wide extra-regional networks of RTAs, have formed 16 physical RTAs with each other.

Synthesizing those dispositions result in RTAs proliferation that involved states of neighboring regions. The EU and EFTA built many RTAs with states or parties that belong to Middle East and Africa regions. States in North America, South America and Central America dispose to form RTAs with states that belong to American continent. East Asian states tended to form RTAs with states of West Asia and Oceania regions. This means that economic and technological globalization only reduce and does not eliminate the significance of geographical space. Geographical proximity, although has been relaxed, affects states' consideration in choosing RTA partners.

It must be noted, nevertheless, that regional proximity does not directly affect the formation of RTAs. It affects the establishment of RTA indirectly by increasing interdependence between the states. The closer the states located, the more relations they may have and, thus, the more interdependent they may become. Interdependence refers to a situation where states' attainment of self-interests is reciprocally affected by decisions, actions or changes of other states. The effects can be costly. Leaving such an interdependent situation uncoordinated may bring negative impacts, either by reducing the potential benefits of coordination or increasing the costs of incoordination. They increase the needs of states to coordinate and collaborate their policies in order to avoid the undesirable effects of interdependence or attain its desirable outcomes (Keohane 1993: 35; Keohane and Nye 2001: 7-8, 270-1). The more interdependent the states become, the higher the demand for coordination. Interdependence may also explain the timing of state cooperation and integration. This argument then can explain why states formed RTAs beyond their immediate neighborhood.

## **Section 6. Designing a qualitative survey on the coverage and the depth of RTAs: how liberal is an RTA?**

Lloyd's (2007) study on the creation of a single market implies that a study on the coverage and the depth of RTAs is not matter for understanding the characteristics of RTAs itself. Such a study matters for understanding how liberal is the RTAs or, in other words, how far states commit in liberalizing their trades and establishing a single market. By surveying the coverage and the depth of RTAs, the problem of whether there is "*discrimination* according to source in the regional markets for goods, services or factors" (Lloyd 2007: 15, emphasis is original) can be understood.

Referring to the EU standard, Lloyd (2007: 14) differs four types of market: goods market, service market, labor market and capital market. He (2007: 18) subsequently categorizes trade measures into four. Border measures applies barriers on the border; beyond-the-border measures discriminate foreign goods, services or factors within national territory; across-border measures apply different standards that discriminate foreign products; and multi-market measures include any measures that affects all types of market.

Table 3 below describes the coverage and depth of five RTAs that Lloyd compiled in his study. Those are EU, NAFTA, MERCOSUR, ASEAN and Japan-Singapore RTA. The symbols represent depth of liberalization applied in an RTA. The symbol "v" means that an RTA demands for *full* liberalization of the addressed measure; the symbol "#" represents *partial* liberalization in the addressed measure; and the symbol "x" represents *no* liberalization demanded by the RTA on the pointed measure.

Table 3 also includes author's early survey on four RTAs. Those are Japan-Vietnam RTA, Japan-Thailand RTA, ASEAN-China RTA and ASEAN-Japan RTA. Difficulty in interpreting the depth of liberalization makes author create another symbol. The symbol "●" means that the addressed measure is covered and should be liberalized, but has not been categorized into full or partial liberalization.

Collecting data on the coverage and the depth of liberalization covered in an RTA is certainly not an easy task. An RTA often merely calls its member to liberalize certain trade measures, but does not stipulate any detail provisions. This unclear provision consequently may not be implemented at all. Surveying all RTAs will also be a resource-consuming study, therefore focusing on several RTAs will be a reasonable task.

Surveying the coverage and the depth of RTAs is, nevertheless, important to understand states' commitment in liberalizing their trades and establishing a single market. Such a survey also allows us to understand how liberal our economy is and prepare necessary measures for ensuring people's welfare.

Table 3. Coverage and Depth of Regional Trade Agreements (RTAs)

Trade Measures	Lloyd's survey					Author's early survey				
	EU	NAFTA	MERCOSUR	ASEAN	Japan-Spore FTA/EIA	Japan-Vietnam FTA/EIA	Japan-Thailand FTA/EIA	ASEAN-China PSA/EIA	ASEAN-Japan FTA	
<b>TOWARD A SINGLE GOODS MARKET</b>										
<b>Border measures</b>										
Elimination of industrial tariffs	v	v	v	#	v	●	●	●	●	
Elimination of industrial NTBs	v	v	v	#	#	●	●	●	●	
Elimination of agricultural trade-distorting measures	v	#	#	#	#	●	●	●	●	
Elimination of government procurement barriers	v	v	x	x	#	●	●	x	x	
Prohibition of export incentives	v	x	x	x	x	●	●	x	x	
Prohibition of anti-dumping actions	v	x	x	x	x	x	x	●	x	
<b>Beyond-the-border measures</b>										
National Treatment	v	v	#	x	v	●	●	x	●	
Prohibition of trade-distorting production subsidies	#	x	x	x	x	x	x	x	x	
<b>Across-borders measures</b>										
Harmonization of product standards, convergence of product standards	v	x	x	#	x	x	x	●	●	
Harmonization of product standards, mutual recognition of product standards	v	x	x	#	x	x	●	●	●	
<b>TOWARD A SINGLE SERVICES MARKET</b>										
<b>Border measures</b>										
Market access	v	v	#	#	#	●	●	●	x	
Temporary movements of business persons	v	v	#	x	v	●	●	x	x	
<b>Beyond-the-border measures</b>										
National Treatment	v	v	v	#	v	●	●	●	x	
<b>Across-the-border measures</b>										
Mutual recognition of labor standards	v	#	x	x	x	x	x	x	x	
<b>TOWARD A SINGLE CAPITAL MARKET</b>										
<b>Border measures</b>										
MFN treatment	v	v	v	v	x	x	●	●	x	
Rights of establishment	v	x	v	#	x	●	●	●	x	
Repatriation of capital and profits	v	v	v	v	v	x	●	x	x	
<b>Beyond-the-border measures</b>										
National Treatment	v	v	v	v	v	●	●	x	x	
Prohibition of performance requirements	v	v	x	x	v	x	x	x	x	
Prohibition of incentives to foreign investors	v	#	x	x	x	x	●	x	x	
Investor protection	v	v	v	v	v	x	●	●	x	
<b>Across-the-border measures</b>										
Harmonization of business laws	v	x	x	x	x	x	x	x	x	
Taxes, double tax treaty/bilateral investment treaty	v	v	v	v	v	x	x	x	x	
Taxes, harmonization of taxes on business	#	x	x	x	x	x	●	x	x	
<b>TOWARD A SINGLE LABOR MARKET</b>										
<b>Border measures</b>										
Temporary movement of natural persons	v	v	x	x	v	●	●	x	x	
Permanent movement of natural persons	v	x	x	x	x	x	x	x	x	
<b>Beyond-the-border measures</b>										
<b>Across-the-border measures</b>										
Mutual recognition of labor standards	v	x	x	x	x	x	x	x	x	
<b>TOWARD A SINGLE MARKET: MULTI-MARKET MEASURES</b>										
<b>Border measures</b>										
Regional competition law, convergence of competition laws	v	x	v	x	x	x	x	x	x	
Regional competition law, bilateral cooperation	v	v	v	x	#	●	●	x	●	

**Table 3. Coverage and Depth of Regional Trade Agreements (RTAs)**

Trade Measures	Lloyd's survey					Author's early survey				
	EU	NAFTA	MERCOSUR	ASEAN	Japan-Spore FTA/EIA	Japan-Vietnam FTA/EIA	Japan-Thailand FTA/EIA	ASEAN-China PSA/EIA	ASEAN-Japan FTA	
agreement(s)										
Intellectual property	v	v	v	v	x	x	x	●	●	
Monetary Union	v	x	x	x	x	x	x	x	x	
Unified fiscal system	#	x	x	x	x	x	x	x	x	
<b>Beyond-the-border measures</b>										
<b>Across-the-border measures</b>										
Environment						x	●	●	●	
Transport and communication standard						●	●	●	●	
Energy						x	●	●	●	
E-commerce						x	x	●	●	
Small and Medium Enterprise (SME)						●	●	●	x	
Development and technical assistances						●	x	●	●	

**Notes:**

- All measures are categorized by Lloyd (2007), except for "environment" "transport and communication," "energy," and "e-commerce," "development and technical assistances" under the section of multi-market measures.
- The symbols represent depth of liberalization applied in an RTA. The symbol "v" means that an RTA demands for *full* liberalization of the addressed measure; the symbol "#" represents *partial* liberalization in the addressed measure; and the symbol "x" represents *no* liberalization demanded by the RTA on the pointed measure. The symbol "●" means that the addressed measure is covered and should be liberalized, but has not been categorized into full or partial liberalization.
- The regional composition is defined according to the WTO's composition of region (see Appendix 1).

**Sources:**

- Peter J. Lloyd (2007) What is a single market? An application to the case of ASEAN, in D. Hew (ed) *Brick by brick: The building of an ASEAN Economic Community*. Singapore: ISEAS, pp. 23-27.
- For the legal texts of the RTAs, see Center for International Business (2011) *Global Preferential Trade Agreements Database*, available at [http://www.dartmouth.edu/~tradedb/database\\_landing.php](http://www.dartmouth.edu/~tradedb/database_landing.php) [accessed 11/04/2011].



## Section 7. Probable Factors of RTA Formation

Historical, geographical, economic, political, and security factors may, indirectly or directly, affect the formation of RTAs. Any explanations of RTA formation need to answer several problems, which include choice of type of trade arrangements, choice of partner, coverage and depth of RTAs, and other characteristics of the RTAs being studied.

There is indeed a probability that historical legacies affect the formation of RTAs. An early investigation on this issue shows that historical imperial-colonial relations may have their parallel in modern era. Many modern European states which establish EC/EU and EFTA were colonies of Roman and French empires. As former Russia colonies, CIS states also establish FTAs among themselves. The imperial-colonial relations may inherit certain legacies that may constitute their shared identities and set a basis for close relationships. In the case of Europe region, the legacies of Roman Empire—e.g. Latin alphabet, Christianity, and Romance languages—thus may affect the formation of European Community/European Union. European states more or less share Latin alphabet, Christian religion and Romance languages—e.g. Spanish, Portuguese, French, Italian, Romanian, and Catalan. Therefore, historical imperial-colonial relations, to some degree, may contribute to the formation of RTAs.

Nevertheless, table 4 shows that this thesis leaves several questions. Although EFTA states—i.e. Iceland, Liechtenstein, Norway and Switzerland—and EC/EU states were historically Roman and French colonies, they formed different RTAs. Although CIS states also belonged to Roman Empire, they dispose to form RTAs with other former Russian colonies and did not establish any RTAs with EC/EU and EFTA. The territories of different empires also anachronistically overlap, making it difficult to determine which empire actually affects the formation of particular RTAs. Since all empires seem to leave their different historical legacies in the overlapped territories, it will also be difficult to determine what historical legacies the constituent parties actually share.

The thesis does not clarify the timing of RTA proliferation. If imperial-colonial relations really affect the formation of RTAs, it is not clear why the former imperial-colonial states did not establish RTAs just after the independence of the colonial states. The problem of why East Asian states actively proliferated RTAs after the year of 2000 cannot be adequately explained by this factor. Moreover, imperial-colonial relations do not necessarily inherit benign legacies; they often nurtured resentment that persists across one generation. China's resentment at Japan's occupation, for example, disturbed Japan-China's relations.

The thesis also leaves a question of why some former colonies established RTAs with their former empire, whereas the others did not. Regarding this issue, European states were the dominant empires whose colonies spread in all regions. European Community (EC) created a RTA with Caribbean states, which were colonies of British, French and Dutch empires. It also formed RTAs with Chile, Mexico and Canada that were also colonies. However, some other states in American continent and Caribbean—e.g. Brasil, United States, Uruguay, Puerto Rico, Cuba, Anguilla, and Montserrat Island—do not have any RTAs with European states. Similarly, as indicated in appendix 2, some former colonies in other regions—i.e. Africa, Asia, Middle East, Oceania—built RTAs with European states, but some others did not.

**Table 4. European-related RTAs and Imperial-Colonial Relations by Regional Composition**

Regional Trade Arrangements	Empire and Colonies in Modern Day States
<p><b>Europe &amp; CIS</b></p> <ul style="list-style-type: none"> <li>• EC Treaty CU &amp; EIA (1958)</li> <li>• EFTA FTA &amp; EIA (1960 &amp; 2002)</li> <li>• EFTA+Iceland FTA (1970)</li> <li>• EC ñ Overseas Countries and Territories FTA (1971)</li> <li>• EC-Switzerland-Liechtenstein FTA (1973)</li> <li>• EC-Iceland FTA (1973)</li> <li>• EC-Norway FTA (1973)</li> <li>• EC-Andorra CU (1991)</li> <li>• EFTA-Turkey FTA (1992)</li> <li>• EFTA-Israel FTA (1993)</li> <li>• European Economic Area EIA (1994)</li> <li>• EC-Turkey CU (1996)</li> <li>• EC Faroe Islands FTA (1997)</li> <li>• EC-Former Yugoslav Rep. of Macedonia FTA &amp; EIA (2001 &amp; 2004)</li> <li>• EU-San Marino CU (2002)</li> <li>• EC-Croatia FTA &amp; EIA (2002 &amp; 2005)</li> <li>• EFTA-Croatia (FTA)</li> <li>• EC-Albania FTA &amp; EIA (2006 &amp; 2009)</li> <li>• EU 27 CU &amp; EIA (2007)</li> <li>• EC-Montenegro FTA &amp; EIA (2008 &amp; 2010)</li> <li>• EU-Bosnia and Herzegovina FTA (2008)</li> <li>• EU-Serbia FTA (2010)</li> <li>• EFTA-Serbia FTA (2010)</li> <li>• EFTA-Albania FTA (2010)</li> </ul>	<p><b>Roman Empire</b> Portugal, Spain, Andorra, United Kingdom, France, Monaco, Luxembourg, Belgium, Netherlands, Germany, Switzerland, Liechtenstein, Italy, San Marino, Vatican City, Malta, Austria, Czech Rep., Slovakia, Slovenia, Croatia, Bosnia-Herzegovina, Hungary, Yugoslavia, Albania, Greece, FYR Macedonia, Romania, Bulgaria, Turkey, Georgia, Armenia, Azerbaijan, Cyprus</p> <p><b>British Empire</b> Britain, Ireland, Minorca, Gibraltar, Malta, Ionian Island, Cyprus/Akrotiri &amp; Chekella, Helligoland</p> <p><b>French Empire</b> France, Albania, Belgium, Netherlands, Spain, Switzerland, Italia, Portugal, Vatican, Germany, Poland, Grand Duchy of Luxembourg, The rock of Monaco, United Kingdom, Turks &amp; Caicos Islands, Falkland Islands, Anglo-Norman Isles, Principality of Andorra, Austria, Malta, Greece, Croatia</p> <p><b>Russian Empire</b> Ukraine, Belarus, Moldova, Finland, Armenia, Azerbaijan, Georgia, Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, Uzbekistan, Lithuania, Estonia, Latvia, Poland, Ardahan, Artvin, Turkey (Erzurum)</p>
<p><b>America and Carribean</b></p> <ul style="list-style-type: none"> <li>• EC-Mexico FTA &amp; EIA (2000)</li> <li>• EC-Chile FTA &amp; EIA (2003 &amp; 2005)</li> <li>• EFTA-Chile FTA &amp; EIA (2003)</li> <li>• EC-CARIFORUM States FTA &amp; EIA (2008)</li> <li>• EFTA-Canada FTA (2009)</li> </ul>	<p><b>British Empire</b> Canada, Newfoundland, Thirteen Colonies, Florida, Bermuda, British Honduras, Mosquito Coast, Bahamas, Barbados, Trinidad &amp; Tobago, British Gulana, Falkland Islands, Cayman Islan, Turks &amp; Caicos Island, British Virgin Island, Grenada, South Georgia &amp; the South Sandwich Island, Anguilla, St Kitts &amp; Nevis, Montserrat, Antigua &amp; Barbuda, Dominica, St Lucia, St Vincent &amp; the Grenalines</p> <p><b>French Empire</b> Dominican Rep., Canada (New France), United States, Brasil, Mexico, Haiti, French Guiana, Suriname, Guadeloupe, Martinique, Clipperton Island, Saint Barthelemy, Dominica Island, Nevis Is., Grenada Is., Saint Vincent &amp; the Grenadines, St Christopher Is., Antigua, Saint Lucia, Guyana, Tobago, Montserrat Is..</p> <p><b>Dutch Empire</b> Pernambuco, Suriname, Guyana, New York, New Jersey, Delaware</p> <p><b>Portuguese Empire</b> Barbados, Brazil, Uruguay (Cisplatina), etc.</p> <p><b>Spanish Empire</b> Puerto Rico, Cuba</p> <p><b>Russian Empire</b> Russian Alaska</p>

**Note:** For a complete table that covers all regions, see appendix 2.

**Data sources:**

- For data on the notified and effective RTAs, see World Trade Organization (2011) *Regional Trade Agreements*, available at <http://rtais.wto.org/UI/PublicMaintainRTAHome.aspx> [accessed 8/04/2011].
- For early data on the imperial territories, see Roman-empire.net (2011) *Which modern day*

**Table 4. European-related RTAs and Imperial-Colonial Relations by Regional Composition**

Regional Trade Arrangements	Empire and Colonies in Modern Day States
<p><i>countries did the Roman Empire comprise of</i>, available at <a href="http://www.roman-empire.net/maps/empire/extent/rome-modern-day-nations.html">http://www.roman-empire.net/maps/empire/extent/rome-modern-day-nations.html</a> [accessed 14/04/2011]; Wikipedia (2011) <i>The British Empire.png</i>, available at <a href="http://en.wikipedia.org/wiki/File:The_British_Empire.png">http://en.wikipedia.org/wiki/File:The_British_Empire.png</a> [accessed 14/04/2011]; Wikipedia (2011) <i>List of French possessions and colonies</i>, available at <a href="http://en.wikipedia.org/wiki/List_of_French_posSESSIONS_and_colonies">http://en.wikipedia.org/wiki/List_of_French_posSESSIONS_and_colonies</a> [accessed 14/04/2011]; Wikipedia (2011) <i>List of former German colonies</i>, available at <a href="http://en.wikipedia.org/wiki/List_of_former_German_colonies">http://en.wikipedia.org/wiki/List_of_former_German_colonies</a> [accessed 14/04/2011]; Wikipedia (2011) <i>Russian Empire</i>, available at <a href="http://en.wikipedia.org/wiki/Russian_Empire">http://en.wikipedia.org/wiki/Russian_Empire</a> [accessed 14/04/2011]; Wikipedia (2011) <i>Italian Colonial Empire</i>, available at <a href="http://en.wikipedia.org/wiki/Italian_Colonial_Empire">http://en.wikipedia.org/wiki/Italian_Colonial_Empire</a> [accessed 14/04/2011]; Wikipedia (2011) <i>File:Portugal Império total.png</i>, available at <a href="http://en.wikipedia.org/wiki/File:Portugal_Império_total.png">http://en.wikipedia.org/wiki/File:Portugal_Império_total.png</a> [accessed 14/04/2011].</p>	

As argued above, geographical proximity has limited significance in affecting the formation of RTAs. Economic and technological globalization has relaxed regional constraints and enabled states to approach states of other regions. The thesis of geographical proximity thesis is inadequate to explain why states often chose partners that are located in a farther geographical region, rather than they who belong to immediate neighborhood. European states, for example, did not proliferate RTAs with CIS states, but with Singapore and Korea. Moreover, geographical proximity does not directly, but indirectly affect RTA formation. It may affect by increasing the degree of interdependent relations between the constituent parties.

Interdependence, as mentioned above, increases the incentives for policy coordination. However, interdependence has no inherent relational characteristic: it also occurs among antagonistic states as well as friendly ones (Deutsch 1988: 2-3). Arguing cooperative interdependence as the basis of cooperation is tautological. A war is clearly an interdependent relation. Even among states whose belong to the same region, interdependence may not make states cooperate. North Korea and South Korea, and the US and Cuba, for examples, are regionally interdependent, but are not cooperative. States do not have mutual interests because of their interdependence, as Keohane (2005: 122-123) says, but because they share typical state regime identities. Interdependence may serve as an intervening variable by increasing the demand for state cooperation and integration, but does not independently determine them.

Based on the Hegemonic Stability Theory, the proliferation of RTAs may reflect power relations. RTAs were massively proliferated after the EC created a single market and the US establish NAFTA. Powerful states can impose other states to establish RTAs by promising some concessions and threatening to remove concessions they already provided. These power relations are also reflected in the pattern of RTA proliferation among developed and developing states. Fiorentino et al. (2007: 10) show that, in fact, there were 45 notified RTAs between developed and developing states, whereas there were only 19 RTAs between developed states.

However, as a means, power only affects the range of action that states are able to play and *who* may win and lose in a power struggle. In the middle of a plurality of values and choices, power does not explain *what* or *which* action, interaction, game, and stake states play. Power merely determines which choices are exercisable, but does not define the choices states have. The utilization of power is “value-dependent,” meaning that some exercises of power are illegitimate despite their potential benefits (Lukes 2005: 30). Besides exercisable choices, states also have

un-exercisable choices that are consistent with state regimes and interests. In ambiguous situations, where instrumental calculation results in multiple equilibria or where states do not have a clear descriptive-definition of interests (Blyth 2002: 9, 31-32), power does not prescribe what states should do.

Hence, possessing power means having a capacity to make, intentionally or unintentionally, a difference. A powerful state is potentially able “to make or to receive any change, or to resist it,” even if the state does not actually exercise its power (Lukes 2005: 68-69, 76). Power enables states to realize their trade regime prescriptions and pursue their trade interests. Powerless states may not be able to execute what they should do or may be enforced to do what they should not do by other powerful states.

Typicality of trade regimes may contribute to the establishment of RTAs. Common or collective trade regime is necessary for establishing trade cooperation. Liberal states indeed cannot easily cooperate with states which adopt protectionistic trade regimes. The US, for example, formed an RTA with Singapore in 2004; it has not engaged in bilateral RTA negotiation with Japan due to Japan’s agricultural protectionism. It would also be too creative to imagine an RTA formation with Socialist North Korea because trade liberalization is fundamentally inconsistent with Socialist political economy. In this way, typicality of trade regimes may independently affect the formation of RTAs.

Such typicality, nevertheless, is inadequate to explain the timing of RTA formation. The US and Singapore, for example, has hitherto adopted liberal economic policy. This implies the significance of other variables, such as interdependent relations, in affecting the RTA formation.

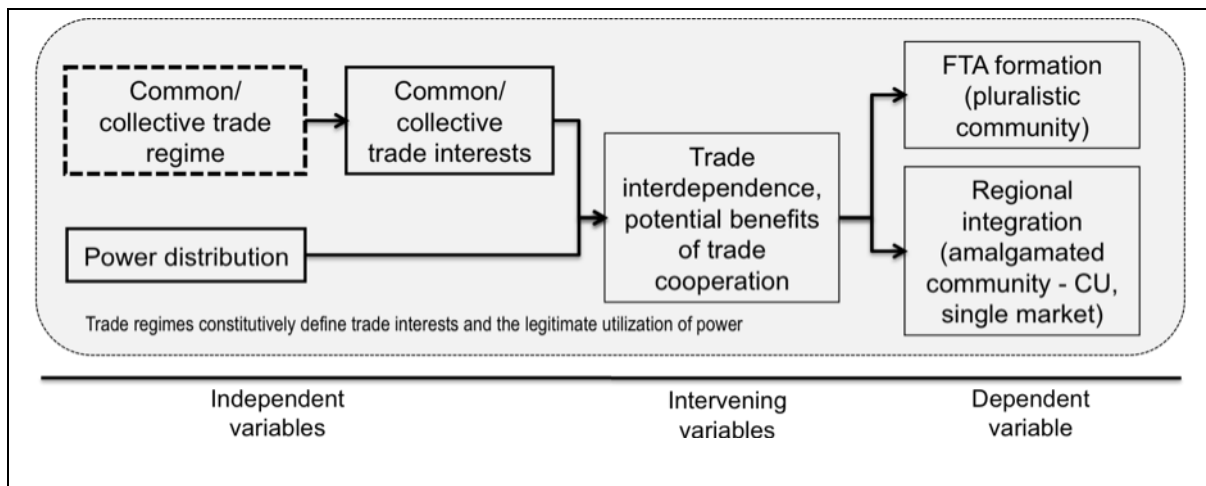
States’ interests then play a crucial role in explaining RTA formation. Either economic, political and/or security interests may drive states to form an RTA. As mentioned above, states’ interests in foreign market access, peaceful security environment, relatively autonomous domestic governance and higher bargaining position affect states’ preferences for FTAs *vis a vis* other types of RTAs and multilateral trade liberalization. Despite the Neoclassical argument of net positive welfare effect of trade liberalization and net negative welfare effect of trade protection, states maintain certain trade barriers for the sake of their national or domestic political economic interests.

States’ interests, nevertheless, are not given as rationalists assume. Interests are value-laden (George and Keohane 1980: 221, 228; Rosenau 1968: 36; Kratochwil 1982: 26). What interests states have cannot be determined without referring to certain values which states believe in. States’ protectionistic or liberal policy is not given, but derives from the trade regime that states embrace. States’ preference for FTA rather than for CU cannot be adequately explained by referring to states’ interest in autonomy because the phenomenon of RTA proliferation indicates states’ willingness in relinquishing their autonomy. States’ interest in autonomy and the degree of autonomy states want to maintain, thus, depend on the idea and value of sovereignty that states believe in. In this way, state interests do not independently, but interveningly, affect the formation of RTAs.

Synthesizing those probable factors may result in constitutive and causal nexuses of trade regimes, trade interests and power in the formation of RTA, in

particular, and in state cooperation, in general. Trade regimes define trade interests and corridor trade strategy; interests motivate states to act; power enables to act. As ideas can extend across boundaries, states may have typical trade regimes and interests. Trade regime typicality disposes states to build close and amicable trade relations. Intersubjective trade regimes allow states to identify each other as trade partners. Common trade interests motivate states to cooperate and formally establish FTAs. At a deeper level, collective regimes condition states to identify each other as a part of themselves, nurture we-feeling, and integrate themselves by forming a CU or even a single market.

**Figure 1. Constitutive and Causal Nexuses of Trade Regimes, Trade Interests, Power, and Trade Cooperation and Integration**



This framework, nevertheless, needs to be tested. A deeper study on the trend of RTA proliferation and characteristics of RTA can be a valuable test for the applicability of this framework.

## Section 8. RTAs Not Notified to the WTO

Should a study on RTA proliferation include data on RTAs that states do not notify to the WTO?

Constituent parties that involved in the negotiation and formation of RTA are required to report to WTO. This allows the WTO to ensure whether the RTA negotiated and formed meets the requirement stipulated in the WTO agreements (see Table 5).

**Table 5. Types of WTO Notification**

Type of WTO notification	Explanation
Early announcement	Parties “shall endeavour” to notify trade negotiation to the WTO.
Notification	Parties “are required” to notify their entering into RTAs.
Notification of changes	Parties “should” notify any “any changes affecting the implementation of an RTA” and its operation.
Subsequent reporting	Parties “shall” report the realization of their liberalization commitments.
Factual Presentation (FP)	Parties “are required” to inform their trade and tariff line, trade environment, the main characteristics of the RTAs, impact on market access.

**Source:** World Trade Organization (2011) *Regional Trade Agreements Information System: User Guide*. Available at [http://rtais.wto.org/UserGuide/RTAIS\\_USER\\_GUIDE\\_EN.html](http://rtais.wto.org/UserGuide/RTAIS_USER_GUIDE_EN.html) [accessed 14/04/2011].

However, the WTO-notified RTAs do not reflect the actual RTAs. States often do not report the negotiation, conclusion and implementation of RTA they participate in (see Table 6). Some unnotified RTAs are already put in force—e.g. Malaysia-New Zealand RTA—and affect trade relations between the constituent parties; some others involve major parties—e.g. EU and EFTA—that consequently may provide justification for non-major parties to do the same thing. Three factors may cause this happen. *First*, the RTAs being formed or negotiated may not meet the WTO requirements. They FTAs may not liberalize “substantially all the trades” between the constituent parties or meet other rules as required by the GATT Art XXIV. *Second*, non WTO-members—e.g. Azerbaijan and Kazakhstan—do not have any obligation to notify their RTA to the WTO. *Third*, parties may violate the WTO rules of notification.

Including data on unnotified RTAs is, therefore, necessary for comprehensively understand the general trend of RTA proliferation. Since most cases occur In RTAs under negotiation process, including data on unnotified RTA is particularly necessary for understanding the future trend of RTA.

**Table 6. RTAs Not Notified to the WTO (temporary data)**

RTA	Last Status	Starting Year of Last Status
Georgia-Ukraine-Azerbaijan-Moldova FTA	In force	2006
Iran-Pakistan PSA	In force	2006
Malaysia-New Zealand	In force	2010
Mauritius-Pakistan	In force	2007

**Table 6. RTAs Not Notified to the WTO (temporary data)**

RTA	Last Status	Starting Year of Last Status
Azerbaijan-Kazakhstan FTA	Signed	1997
Azerbaijan-Moldova FTA	Signed	1995
Azerbaijan-Russia FTA	Signed	1992
Azerbaijan-Turkmenistan FTA	Signed	1996
Azerbaijan-Uzbekistan FTA	Signed	2010
EU-Korea FTA	Signed	2008
Gulf Cooperation Council-Singapore FTA	Signed	2008
Korea-Peru FTA	Signed	2010
Korea-US FTA	Signed (Pending for ratification)	2007
ASEAN-EU	Under negotiation	2007
Australia-Korea	Under negotiation	2007
Australia-United Arab Emirates	Under negotiation	2003
Bangladesh-Pakistan	Under negotiation	2004
Canada-India	Under negotiation	2010
Chile-Viet Nam	Under negotiation	2008
Colombia-Korea	Under negotiation	2009
Common Economic Space	Under negotiation/FA signed	2003
EC-Pacific ACP	Under negotiation	2004
EFTA-Hong Kong	Under negotiation/FA signed	2010
Egypt-India	Under negotiation	2002
EU-India	Under negotiation	2007
GCC-India	Under negotiation/FA signed	2006
GCC-Korea	Under negotiation	2009
GCC-New Zealand	Under negotiation	2007
GCC-Pakistan	Under negotiation/FA signed	2004
India-Israel	Under negotiation	2006
India-Mauritius	Under negotiation	2008
India-New Zealand	Under negotiation	2010
India-SACU	Under negotiation/FA signed	2004
India-Thailand	Under negotiation/FA signed	2004
Indonesia-Australia	Under negotiation	2010
Indonesia-Pakistan	Under negotiation/FA signed	2005
Japan-Peru	Under negotiation	2009
Korea-New Zealand	Under negotiation	2006
Korea-Turkey	Under negotiation/FA signed	2008
Malaysia-Turkey	Under negotiation	2010
MERCOSUR-Pakistan	Under negotiation	2006
Morocco-Pakistan	Under negotiation	2005
Pacific Agreement on Closer Economic Relations (PACER) Plus	Under negotiation	2009
<b>Source:</b>	Asian Development Bank - Asian Regional Integration Center (2011) <i>Free Trade Agreement Database for Asia</i> . Available at <a href="http://aric.adb.org/FTAbyCountryAll.php">http://aric.adb.org/FTAbyCountryAll.php</a> [accessed 13/04/2011].	

However, collecting data on unnotified RTAs is non-exhaustive and may result in inaccurate data. Although some websites provide RTA database that include

unnotified RTAs, they only cover RTAs proliferated in certain regions. The data provided by the websites sometimes are inconsistent and need further verification.

Despite these methodological problems, gathering data on the actual RTAs is still useful for understanding the general trend of RTA proliferation.



## Section 9. The case of India

There are some predictions that India will follow China and become an influential economic power in the future. It has also just launched economic reforms, which make India a precarious case for understanding domestic political economic debate and struggle on trade liberalization. For these reasons, investigating India's participation in forming RTAs may be necessary for understanding the general trend of RTAs and the formation processes of RTAs.

India has participated 31 RTA processes as of March 2011. It formed 11 RTAs with other Asian states; it has 12 RTAs under negotiation and 8 RTAs under proposal and consultation process. This trend may indicate India's active participation in proliferating RTAs and, consequently, imply the significance of India in understanding the trend of RTA proliferation.

On the otherwise, as Table 5 shows, some of the concluded RTAs take the type of Partial Scope Agreement (PSA), rather than that of Free Trade Agreement (FTA). Data on India's RTA under negotiation and under consultation also show a relatively long time that India needed to conclude RTAs processes. These may indicate India's reluctance in liberalizing its economy. This reduces the significance of India in understanding the formation of RTAs.

Considering such relatively slow processes of RTA formation, nevertheless, may provide counterfactual data for understanding RTA formation. Since India relatively protects its agricultural sector, the case of India may provide a good picture of how domestic political economy impedes trade liberalization and the formation of RTAs.

**Table 7. India's participation in RTA Formation**

RTA	Last Status	Starting Year of Negotiation/ Proposed Year	Year of Signature/ Implementation
Asia Pacific Trade Agreement PSA	In force	No data	1976
South Asia Preferential Trade Agreement PSA	In force	No data	1997
South Asian FTA	In force	No data	2008
India-Afghanistan PSA	In force	No data	2003
India-Bhutan FTA	In force	No data	2006
India-Chile PSA	In force	2005	2007
India-Korea FTA & EIA	In force	2006	2010
India-MERCOSUR PSA	In force	2003	2009
India-Nepal PSA	In force	No data	2009
India-Singapore FTA & EIA	In force	No data	2005
India-Sri Lanka FTA	In force	1998	2001
India-Japan (FTA & EIA?)	Signed	2007	2011
Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC)	Under negotiation/FA signed	2010	-
India-Canada	Under negotiation	2010	-

**Table 7. India's participation in RTA Formation**

RTA	Last Status	Starting Year of Negotiation/ Proposed Year	Year of Signature/ Implementation
India-EFTA	Under negotiation	2008	-
India-Egypt	Under negotiation	2002	-
India-EU	Under negotiation	2007	-
India-GCC	Under negotiation/FA signed	2006	-
India-Israel	Under negotiation	2006	-
India-Malaysia	Under negotiation	2008	-
India-Mauritius	Under negotiation	2008	-
India-New Zealand	Under negotiation	2010	-
India-SACU	Under negotiation/FA signed	2004	-
India-Thailand	Under negotiation/FA signed	2004	-
Australia-India	Proposed/Under consultation & study	2007	-
India-Colombia	Proposed/Under consultation & study	2004	-
CEPEA/ASEAN+6	Proposed/Under consultation & study	2004	-
India-Indonesia	Proposed/Under consultation & study	2005	-
India-Russia	Proposed/Under consultation & study	2006	-
India-Turkey	Proposed/Under consultation & study	2009	-
India-Uruguay	Proposed/Under consultation & study	2004	-
India-Venezuela	Proposed/Under consultation & study	2004	-

**Source:** Asian Development Bank - Asian Regional Integration Center (2011) *Free Trade Agreement Database for Asia*. Available at <http://aric.adb.org/FTAbyCountryAll.php> [accessed 13/04/2011].

## Section 10. A List of Internet Sources on RTAs

**Table 8. List of Internet Sources**

<p><b>The WTO Regional Trade Agreements</b>  <a href="http://www.wto.org/english/tratop_e/region_e/region_e.htm">http://www.wto.org/english/tratop_e/region_e/region_e.htm</a> [accessed 11/04/2011].</p>	<p>A site of the WTO website which information on issues related to RTAs, such as negotiations, transparency mechanism, database, and analysis.</p>
<p><b>The WTO Regional Trade Agreements Information System (RTA-IS)</b>  <a href="http://rtais.wto.org/UI/PublicMaintainRTAHome.aspx">http://rtais.wto.org/UI/PublicMaintainRTAHome.aspx</a> [accessed 11th April 2011];</p>	<p>A site of the WTO website which provide a search facility of the WTO-notified RTAs.</p>
<p><b>The WTO Regional Trade Agreements Information System: User Guide</b>  <a href="http://rtais.wto.org/UserGuide/RTAIS_USER_GUIDE_EN.html">http://rtais.wto.org/UserGuide/RTAIS_USER_GUIDE_EN.html</a> [accessed 11/04/2011].</p>	<p>A site of the WTO website which provides a brief information on the WTO rules, consideration process, types of agreement, composition of region.</p>
<p><b>The WTO members and observers</b>  <a href="http://www.wto.org/english/thewto_e/whatis_e/tif_e/org6_e.htm">http://www.wto.org/english/thewto_e/whatis_e/tif_e/org6_e.htm</a> [accessed 11/04/2011].</p>	<p>A site of the WTO website which provides information on trade statistics, WTO commitments, disputes, trade policy reviews, and notifications.</p>
<p><b>The WTO Documents Online</b>  <a href="http://docsonline.wto.org/gen_home.asp?language=1&amp;_=1">http://docsonline.wto.org/gen_home.asp?language=1&amp;_=1</a> [accessed 13/04/2011].</p>	<p>A document database run by the WTO that provides access to the official documentation of the WTO, including the legal texts of the WTO agreements.</p>
<p><b>Asian Regional Integration Center (ARIC)</b>  <a href="http://aric.adb.org/">http://aric.adb.org/</a> [accessed 11/04/2011].</p>	<p>Being run by Asian Development Bank (ADB), ARIC provides information on liberal economic cooperation and integration in Asia and the Pacific. The website provides information and database on Free Trade Agreement, tax incentive, investment, infrastructure, money, finance, climate change, and so forth.</p>
<p><b>UNESCAP - the Asia-Pacific Trade and Investment Agreements Database (APTIAD)</b>  <a href="http://www.unescap.org/tid/aptiad/default.aspx">http://www.unescap.org/tid/aptiad/default.aspx</a> [accessed 11/04/2011].</p>	<p>As a part of the United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP), the APTIAD provides information on trade agreement, trade facilitation, investment promotion and facilitation, and so forth.</p>
<p><b>APEC FTA-RTA</b>  <a href="http://www.apec.org/Home/Groups/Other-Groups/FTA_RT_A">http://www.apec.org/Home/Groups/Other-Groups/FTA_RT_A</a> [accessed 11/04/2011].</p>	<p>This website includes information on RTAs involving APEC members, a guidance for FTA negotiation,</p>
<p><b>Bilateral.org</b>  <a href="http://www.bilaterals.org/">http://www.bilaterals.org/</a> [accessed 8/04/2011].</p>	<p><i>Bilateral.org</i> provides up-to-date articles and opinions on RTAs copied from various sources.</p>
<p><b>WorldTradeLaw.net</b>  <a href="http://www.worldtradelaw.net/fta/ftadatabase/ftas.asp">http://www.worldtradelaw.net/fta/ftadatabase/ftas.asp</a> [accessed 11/04/2011].</p>	<p><i>WorldTradeLaw.net</i> provides database and full text of bilateral and regional trade agreements. It includes all the notified RTAs as of January 2009.</p>
<p><b>Organization of American States: Trade Agreements in Force</b>  <a href="http://www.sice.oas.org/agreements_e.asp">http://www.sice.oas.org/agreements_e.asp</a> [accessed 11/04/2011].</p>	<p>This website is maintained by the Organization of American States' Foreign Trade Information System (SICE). It provides database of RTAs established by states of the American hemisphere.</p>
<p><b>Center for International Business: Global Preferential Trade Agreements Database</b>  <a href="http://www.dartmouth.edu/~tradedb/database_landing.php">http://www.dartmouth.edu/~tradedb/database_landing.php</a> [accessed 11/04/2011].</p>	<p>This database is maintained by Dartmouth University. The information on Provision Fields of RTAs are indexed to make it easily readable and be compared.</p>

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**APPENDIX 1**  
**The WTO's Composition of Regions**

Region	Members
<b>North America</b>	Bermuda, Canada, Mexico, United States of America, and territories in North America n.e.s
<b>Caribbean</b>	Anguilla; Antigua and Barbuda; Aruba; Bahamas; Barbados; Cayman Islands; Cuba; Dominica; Dominican Republic; Grenada; Haiti; Jamaica; Montserrat; Netherlands Antilles; Saint Kitts and Nevis; Saint Lucia; Saint Vincent and the Grenadines; Trinidad and Tobago; Turks and Caicos Islands; and British Virgin Islands.
<b>Central America</b>	Belize, Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, Panama
<b>South America</b>	Argentina, Bolivarian Republic of Venezuela, Bolivia, Brazil, Chile, Colombia, Ecuador, Guyana, Paraguay, Peru, Suriname, Uruguay and other countries and territories in South America n.e.s.
<b>Europe</b>	Albania, Austria, Belgium, Bosnia and Herzegovina, Bulgaria, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Latvia, Liechtenstein, Lithuania, Luxembourg, UNMIK, former Yugoslav Republic of Macedonia, Malta, Montenegro, Netherlands, Norway, Poland, Portugal, Romania, Serbia and Montenegro, Slovak Republic, Slovenia, Spain, Sweden, Switzerland, Turkey, United Kingdom and territories in Europe n.e.s.
<b>The Commonwealth of Independent States (CIS)</b>	Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Kyrgyz Republic, Moldova, Russian Federation, Tajikistan, Turkmenistan, Ukraine and Uzbekistan.
<b>The Middle East</b>	Bahrain; Iraq; Islamic Republic of Iran; Israel; Jordan; Kuwait; Lebanon; Palestine; Oman; Qatar; Saudi Arabia; Syrian Arab Republic; United Arab Emirates; Yemen; and other countries and territories in the Middle East n.e.s.
<b>East Asia</b>	Brunei Darussalam; Cambodia; China; Christmas Island; Cocos (Keeling) Islands; Hong Kong Special Administrative Region of China (Hong Kong, China); Indonesia; Japan; Korea, Democratic People's Republic of; Korea, Republic of; Lao People's Democratic Republic; Macao, China; Malaysia; Mongolia; Myanmar; Philippines; Singapore; Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu (Taipei, Chinese); Thailand; Timor-Leste; Viet Nam; Other East Asia, n.e.s
<b>West Asia</b>	Afghanistan; Bangladesh; Bhutan; India; Maldives; Nepal; Pakistan; Sri Lanka
<b>Oceania</b>	Australia; Fiji; Kiribati; New Zealand; Papua New Guinea; Samoa; Solomon Islands; Tonga; Tuvalu; Vanuatu; and other countries and territories in Oceania

**Source:** World Trade Organization (2011) *Regional Trade Agreements Information System: User Guide*, available at [http://rtais.wto.org/UserGuide/RTAIS\\_USER\\_GUIDE\\_EN.html](http://rtais.wto.org/UserGuide/RTAIS_USER_GUIDE_EN.html) [accessed 8/04/2011].