

Assessing Liberalization and Deep Integration in FTAs: A Study of Asia-Latin American FTAs*

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Inter-regional free trade agreements (FTAs) - notably between Asia and Latin America - are growing in numbers and complexity. There is an absence of an agreed methodology for empirical assessments on the content of FTAs and little research. This paper proposes a framework to assess liberalization in FTAs in goods and services and new trade policy issues relating to regulatory barriers. Next, it applies this framework to studying the 22 Asia-Latin America FTAs in existence. The findings suggest that Asia-Latin American FTAs have laid the foundations for inter-regional integration by liberalizing the trade in goods and services and reducing some regulatory barriers. Deepening FTAs and adopting structural reforms will enhance Asia-Latin American integration in the future.

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1. Introduction

This paper conducts a comparative and agreement-level analysis of Asia-Latin

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America free trade agreements (FTAs). It proposes a comprehensive qualitative framework to studying legal texts of agreements using new criteria to assess liberalization in FTAs in traditional areas (like goods and services) and new trade policy issues relating to regulatory barriers. It then painstakingly applies this framework to analyse all 22 Asia-Latin America FTAs in existence between 2004 and November 2013. The research highlights the best Asia-Latin America FTAs and agreements which deviate from this standard particularly in terms of regulatory issues.

The research seeks to improve our understanding of the contents of FTAs and to contribute to the scant literature on the topic. This exercise goes beyond the bounds of a narrow single discipline based study and inevitably required inter-disciplinary analysis blending concepts and methods in applied international economics and international trade law. New trade policy issues relating to regulatory barriers are defined here as the so-called Singapore issues (investment, government procurement, trade facilitation, and competition policy) and provisions on intellectual property rights (IPRs).

FTAs between Asia and Latin America have increased since the early 2000s as a part of intensifying inter-regional economic ties through trade and investment. Since the landmark Republic of Korea-Chile FTA of 2004, 2-3 FTAs have taken effect every year between countries of the two regions, bringing the total number in existence to 22 (as of November 2013). Furthermore, negotiations for the mega-regional Transpacific Partnership (TPP) are also underway which seeks to promote ambitious preferential liberalization among 12 economies including APEC members from Asia and Latin America. Several factors underlie the increase in Asia-Latin America FTAs. These include: the global rise of large and growing developing economies in both Asia and Latin America, the spread of global production networks and supply chain trade, the need to reduce trade and investment barriers, the stalled WTO Doha Round, and the pursuit of geo-political interests by major economic powers (ADB and IDB, 2009; ADB, ADBI, and IDB, 2012; Kawai and Wignaraja, 2013).

Growing Asia-Latin American economic ties have attracted attention in the literature on regional economic integration. Research has identified important issues in the economic relationship between Asia and Latin America including drivers of inter-regional integration, the pattern of specialization in production and trade, tariffs and other barriers to inter-regional integration, the impact of competition from the PRC on manufacturing in Latin America, and trade policy responses of Latin American governments to imports from the PRC and India (for a sample

see Chami-Batista, 2004; Devlin, Estevadeordal, and Rodríguez-Clare, eds., 2006; Jenkins, Peters and Moreira, 2008; Medalla and Balboa, 2010; and Facchini, Olarreaga, Silva, and Willmann, 2010; Rosales and Kuwayama, 2012).

However, relatively little attention has been given to liberalization under inter-regional FTAs. The few exceptions include a study on the economic implications of large inter-regional FTAs between Asia and Latin America using a computable general equilibrium model which reported gains for both regions under different scenarios (Krasniqi, Bouet, Estrades, and Laborde, 2011). Some studies have explored the evolution of trade agreements between the two regions (Medalla and Balboa, 2010; Rosales and Kuwayama, 2012). Other studies have explored the drivers and content of inter-regional FTAs (e.g., ADB and IDB, 2009; Estevadeordal and Suominen, 2006; Estevadeordal, Harris and Suominen, 2009; Gonzalez-Vigil and Shimizu, 2012), but more work is needed on liberalization under recent agreements focusing on new trade policy issues relating to regulatory barriers.

The remainder of the paper is as follows. Section 2 briefly reviews the literature and suggests a framework to assess liberalization in Asia-Latin America FTAs. Section 3 provides an overview of the scope and depth of these FTAs. Sections 4 and 5 discuss the details of FTA provisions relating to goods, services and regulatory barriers. Section 6 concludes with some policy implications.

2. A Framework to Assess the Contents of FTAs

2.1 A brief literature review

There have been several excellent literature surveys on trade and FTAs (for a recent selection see WTO, 2011; Arndt, 2012; Baldwin, 2012). A comprehensive survey of the literature is beyond the scope of this paper which narrowly focuses on assessing the scope and depth of Asia-Latin America FTAs. Nonetheless, a review of some relevant literature is useful as background to analysing the contents of FTAs in this paper.

Economists have long been ambiguous about the welfare implications of customs unions and FTAs. Viner (1950) first suggested that preferential liberalization may harm the country awarding preferences under some circumstances. Expressing his argument in the lasting notions of ‘trade diversion’ and ‘trade creation’, he suggested that a country’s welfare would be negatively affected when the former effect outweighed the latter effect. Viner’s work on trade diversion and trade creation is regarded as imprecise in mathematical terms but seen as setting out the basic economics of discriminatory liberalization (Baldwin, 2012). In essence, the

liberalization element removes some economic distortions and improves economic efficiency, while the discrimination element introduces some economic distortions and harms economic efficiency.

Viner's ambiguity about preferential liberalization has been reinforced by subsequent theoretical work. Two contributions are noteworthy. The first is Bhagwati's (1995, 2008) influential insight on the 'spaghetti bowl' of trade deals asserting that different tariffs and rules of origin in multiple FTAs can create conditions for excessive exclusions, special treatment and raise transactions costs for firms. This 'spaghetti bowl', the argument goes, can distort trade toward bilateral channels, thereby threatening to erode the multilateral trading system. The second is the Kemp-Wan existence theorem (Kemp and Wan, 1976) which specified the conditions of a pareto-improving customs union, in which all countries would be better off. The Kemp-Wan theorem states that the customs union formation is pareto improving for the world economy provided that income is appropriately distributed among members within the union. This is accomplished by setting the vector of common external tariffs so as to leave world prices unchanged.

These and other works have led to a debate on regionalism and multilateralism. Reduced to its core, the issue is whether FTAs are building blocs which assist multilateral liberalization under the GATT/WTO or act as stumbling blocs to hinder it (for details of the debate see Plummer, 2007; WTO, 2011). Advancing the debate requires evidence on many aspects of preferential and multilateral liberalization. While much has been written on regionalism and multilateralism, surprisingly few researches exist on the contents of FTAs themselves and how they influence the debate. Hence, a key focus of empirical works should be on the contents of FTAs, particularly on their scope and depth.

Looking at the scope and depth of FTAs is a complicated matter. Early empirical work was undertaken by Hoekman (2006) to assess the content of the General Agreement on Trade in Services (GATS) schedules emanating from the Uruguay Round. Its novelty was the formulation of a Hoekman index where for each subsector and mode of supply, a score of 1 is given for a full commitment (without limitations), 0.5 for partial commitments, and 0 for the absence of commitments. Such a simple quantitative approach to analysing trade agreements has merits notably that it permits an overview of differences in levels of commitment among countries, modes of supply and sectors. However, it also suffers from limitations (Roy, 2011). For instance, a quantitative approach only captures in a general manner the restrictiveness or openness of commitments. Some partial commitments may have more significant trade barriers than others. It is clearly difficult to reduce

to a simple number the complexity of services schedules and the range of services barriers deployed in different agreements and economies.

Accordingly, recent empirical works have adopted a more comprehensive qualitative approach than Hoekman (1976). Fink and Molinuevo (2008) qualitatively review key architectural choices in East Asian FTAs with a services component. Their approach focuses not only on scheduling commitments but also on issues such as the treatment of investment and movement of natural persons, rules of origin, provision for trade dispute settlement, and deep integration provisions. Fink and Molinuevo report that some East Asian FTAs have better coverage of services than others.

Plummer (2007) goes beyond services to develop a set of best practices that can be used to assess FTAs to ensure that they approximate first best outcomes to the feasible extent. His blueprint for best practices in FTAs covers a wide range of provisions relating to goods, services, rules of origin, customs procedures, intellectual property rights, foreign direct investment, anti-dumping and dispute settlement, government procurement, competition, and technical barriers to trade. He then applies this framework to analysing some Asian FTAs and finds that more advanced agreements generally receive higher grades.

Wignaraja and Lazaro (2010) examine compatibilities between FTA and global trade rules in all North-South and South-South Asian FTAs. They develop five sets of criteria focusing on tariff liberalization, rules of origin, liberalization of trade in services, compliance with WTO notification, and deep integration provisions (linked to the four Singapore issues and development cooperation). Wignaraja and Lazaro found that several incompatibilities exist between North-South and South-South Asian FTAs. In general, North-South Asian FTAs were more compatible with global trade rules (or in some cases, even going beyond global rules) than South-South Asian FTAs.

2.2 A framework for assessing Asia-Latin America FTAs

To the best of our knowledge, hardly any comprehensive work exists on the content of all 22 Asia-Latin American FTAs in effect in November 2013. In part, many of these agreements are of very recent origin, and academic attention has yet to turn to them. A handful of studies on early Asia-Latin American agreements offer useful insights for our research. Estevadeordal and Suominen (2006) and Estevadeordal, Harris, and Suominen (2009) mapped rules of origin (ROOs) in FTAs (including a few agreements between Asia and Latin America) and observed that ROOs were both restrictive and complex, thereby distorting trade. ADB and

IDB (2009) charted the provisions in 9 Asia-Latin American FTAs. The simple charting exercise showed that some agreements had some provisions on deep integration linked to the Singapore issues. Gonzalez-Vigil and Shimizu (2012) studied the origins and main features of the Japan-Peru FTA which took effect in 2012. However, these studies did not evaluate the depth of major FTA provisions linked to regulatory barriers or compare them with global trade rules or best practices in FTAs.¹

Assessing the scope and depth of Asia-Latin America FTAs is a difficult exercise for three reasons. First, the legal texts of inter-regional FTAs are often not in the public domain and may not be in English even if available. Second, it requires detailed and often painstaking examination of legal texts of agreements for which a training in international trade law is vital. Furthermore, a background in international economics is useful to quantify and aggregate the contents of a sample of agreements and map patterns. Third, an internationally accepted methodology for assessing the scope and depth of the commitments in FTA texts is absent.

An inter-disciplinary analysis blending international law with international economics seems to offer fruitful insights and a way forward. Drawing on qualitative methods used in Plummer (2007), Fink and Molinuevo (2008), ADB and IDB (2009), and Wignaraja and Lazaro (2010), this paper developed some simple legal and economic criteria for assessing the scope and depth of Asia-Latin America FTAs.

Accordingly, this paper evaluates each of the 22 Asia-Latin America FTAs in three key areas:

- (i) the speed and coverage of tariff liberalization based on the criteria for FTAs in the General Agreement on Trade and Tariffs (GATT),
- (ii) the number of service sectors covered based on the criteria in the General Agreement on Trade and Services (GATS), and
- (iii) the coverage of “new issues” such as IPRs and the Singapore issues (investment, government procurement, trade facilitation, and competition).

An evaluation of the scope of coverage for all three topics provides an overall picture of the scope and depth of commitments in the 22 Asia-Latin America FTAs and allows us to identify those that best promote deeper economic integration

¹ Estevadeordal and Suominen (2006) and Estevadeordal, Harris and Suominen (2009) did conduct valuable and detailed work on ROOs in individual FTAs and make global comparisons of restrictiveness. But these studies predated the recent wave of Asia-Latin American FTAs and did not include an assessment of new trade policy issues relating to regulatory barriers.

through: i) a high level of tariff liberalization in goods, ii) comprehensive liberalization in service sectors, and iii) substantive provisions that address new issues. The overall depth of each Asia-Latin America FTA is classified as being high, medium, or low. High depth FTAs are those that have relatively fast tariff liberalization schedules, some or comprehensive services coverage, and “new age” deep integration provisions for new issues. Medium depth FTAs are those that have relatively fast tariff liberalization schedules, some or comprehensive services coverage, and moderate or limited deep integration provisions. Low depth FTAs are those that have gradual tariff liberalization schedules, comprehensive, some or limited/excluded services coverage, and limited or shallow integration provisions.

3. Overall Scope and Depth in Asia-Latin America FTAs

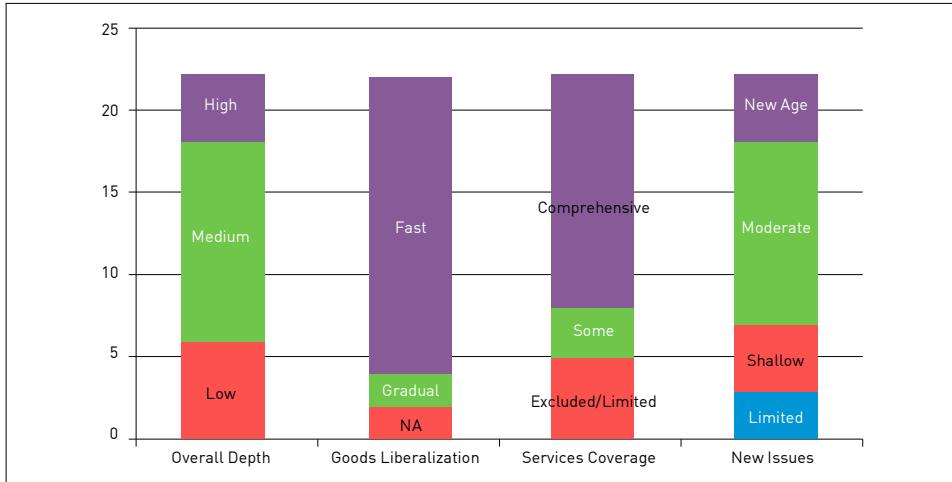
The majority of the Asia-Latin America FTAs ascribe to relatively fast liberalization and also incorporate comprehensive provisions on services. The prevailing approach of the FTAs to deeper integration issues such as intellectual property rights (IPRs) and the Singapore issues remains moderate, and these chapters need stronger commitments, obligations, and substantive provisions to attain a higher quality. Overall, four Asia-Latin America FTAs stand out and are deemed to be of high depth and represent the “gold standard” of FTAs. Twelve of them are deemed medium and six are low. An overview of the results are in Figure 1 with detailed analysis presented in the following sections and Annex 1.

The four high quality FTAs -- Republic of Korea-Peru FTA (2011), Trans-Pacific Strategic Economic Partnership Agreement (P4 agreement) (2006), Australia-Chile FTA (2009), and Singapore - Costa Rica FTA (2013) -- are discussed in detail immediately below. These four FTAs liberalize trade in almost all goods with few exceptions and within a reasonable and defined time frame of ten years or less. The liberalization of trade in services is comprehensive in all four FTAs, and they all provide for the automatic inclusion of newly liberalized service sectors. The four FTAs also include meaningful provisions on new issues that promote greater economic integration among all parties, thereby securing the highest possible economic welfare gains from increased trade.

The Republic of Korea-Peru FTA (2011) aims to eliminate all tariffs over a ten-year period on all products, with the exception of 107 agricultural and marine products deemed sensitive such as rice, beef, onions, and garlic. The FTA also includes liberalization in the five key service sectors. Furthermore, the FTA has above standard provisions on deeper integration issues and in particular provide

strong investment protection measures and greater investment market access.

Figure 1. Distribution of Approaches to Tariff Liberalization, Services Coverage, and New Issues



Source: Authors' calculations

The Trans-Pacific Strategic Economic Partnership Agreement (or P-4 agreement) comprises four original member countries: Brunei Darussalam, Chile, New Zealand, and Singapore. Five more countries—Australia, Malaysia, Peru, the United States (US), and Viet Nam—are currently negotiating to join (these negotiations are discussed in more detail below in the “Challenges” section). The market liberalization component of the agreement saw the elimination of duties on the majority of tariff lines upon the P-4 agreement’s entry into force. In the case of Singapore, 100% of tariff lines were liberalized immediately. Chile undertook to liberalize 89.3% of domestic exports upon entry into force with an additional 9.7% tariffs eliminated in three years. Overall, the P-4 agreement liberalized 98.9% of all domestic exports upon entry into force in 2009, and will eventually reach 100% by 2015. The P-4 agreement’s chapter on trade in services is ambitious, comprehensive, and binds parties to their existing levels of liberalization as well as to the application of any future liberalization in most sectors. The investment chapter also includes strong commitments and the same applies to the other new issue areas such as government procurement, trade facilitation, competition, and IPRs. For instance, the government procurement chapter imposes significant measures that maximize competition among member parties and decrease the cost

of doing business for both government and industry.

The Australia-Chile FTA (2009) grants tariff elimination on all goods traded, including sugar, which is deemed a sensitive good, by 2015. Upon entry into force, tariffs on about 92% of tariff lines representing about 97% of total trade will be reduced to zero. Although not all key service sectors are covered in the agreement, the FTA provides export opportunities in many services areas such as mining and energy technology, engineering and consulting services, information technology, tourism, agriculture, and the food and wine industry. The investment chapter is characterized by strong legal protection and transparency provisions to provide certainty and security for cross-border investments. The government procurement chapter secures non-discriminatory treatment and transparent and fair procedures for entities in both countries.

The Singapore-Costa Rica FTA (2013) grants both parties duty free access for all goods. For Costa Rica exports to Singapore, this applies already upon entry into force of the agreement. Costa Rica, in turn, eliminates 90.6% of its tariff lines at entry into force of the agreement with the remaining tariffs lines being eliminated within ten years. The services chapter is comprehensive as well and liberalizes sectors across the board. Key areas of interest for Singaporean companies, include construction services, private education services, and hotel and restaurant services. The agreement finally covers new issues extensively, in particular with strong commitments on government procurement, intellectual property rights, trade facilitation, and investment.

4. Goods and Services Liberalization

4.1 *Goods liberalization*

The WTO criteria for an FTA's liberalization of the goods trade states that "where duties are eliminated with respect to substantially all the trade between the constituent territories... and... the plan or schedule for its formation is within a reasonable length of time" (GATT Article XXIV). The meaning of "substantially all trade" remains contentious. An FTA that eliminates 85% of either or both members' total tariff lines is often regarded as covering substantially all trade. Following paragraph 5(c) of Article XXIV, the WTO interprets a "reasonable period of time" as one that does not exceed ten years except in extraordinary cases.² Thus,

² GATT. Understanding on the Interpretation of Article XXIV of the General Agreement on Tariffs and Trade (GATT) 1994. Article XXIV:5.

an FTA that eliminates 85% of tariff lines within ten years is classified as a relatively fast approach to tariff liberalization, while others are considered gradual.

Seventeen out of the 22 Asia-Latin America FTAs in effect for which data on tariff liberalization are available have a relatively fast approach to tariff liberalization (see Annex 1).³ Such FTAs have typically resulted in increased market access in goods and improved bilateral trade flows. The Republic of Korea-Chile FTA is an example. Here, Korea undertook to eliminate tariffs on 93.6% of its tariff lines, impacting 99% of its imports from Chile within ten years (WTO 2005 and 2008). Korea's tariff elimination schedule saw the immediate liberalization of virtually all industrial products, which contributed to a 220% increase in imports from Chile. Similarly, upon entry into force of the Japan-Mexico FTA in 2005, 3,367 (or 37%) of Japan's tariff lines immediately became duty-free for imports from Mexico (WTO 2009). The remaining tariffs are being progressively eliminated and by 2015 trade in nearly all products between the two economies will be free of duties. In 2007, exports from Japan to Mexico increased 10.5%, while Japan's imports from Mexico increased 11.8%.

Although most Asia-Latin America FTAs liberalize tariffs in a relatively fast manner, they also contain temporary or permanent exclusions lists. Under the Japan-Chile Economic Partnership Agreement (EPA), nearly 30 lines are subject to tariff quotas, including meat and meat preparations (e.g., beef, beef scraps, pork, chicken), rice, processed foods (e.g., milk cream and powder, yogurt, and other dairy products such as cheese and curd), and fish products, primarily tuna. Similarly, in the Taipei,China-El Salvador-Honduras FTA, approximately 20% of tariff lines are either excluded from liberalization in a ten year timeframe or considered as sensitive and free from any reduction commitments. These include agricultural products (e.g., processed pork, fowl meat, tea, and rice husks), fish products (e.g., fresh and chilled fish), prepared foodstuffs and beverages (e.g., milk), and transportation (e.g., passenger cars). The Thailand-Peru FTA only commits 70% of total tariff lines to liberalization and excludes a wide range of goods, such as agricultural products (e.g., meat such as pork and poultry, dairy, coffee, rice, copra, coconut and palm oil, and tobacco), fish products (e.g., fish fillet and fish meat) and finally durable goods (e.g., travel goods, handbags, wallets, jewelry cases, woven fabrics, bicycles, and used goods). In the Republic of Korea-Chile FTA

³ The Thailand-Peru and Taipei,China-El Salvador-Honduras FTAs have a gradual approach to tariff liberalization. The India-MERCOSUR and India-Chile PTAs allow for very limited liberalization as few tariff lines are programmed for full tariff elimination and margins of preference exist for only a few hundred products.

(2004), Chile excluded washing machines and refrigerators on its tariff liberalization schedule for Korean exports. Likewise, Korea refused to grant any form of tariff concession on Chilean exports of rice, apples, and pears. Meanwhile, the PRC-Peru FTA (2010) specifically excludes used goods, including reconstructed, repaired, remanufactured, or refurbished goods.

India-Chile PTA only adopts a positive list of tariff elimination and accords margin of preference⁴ ranging from 10% to 50% on 296 Indian products exported to Chile and 266 Chilean products imported by India. The tariff concession only applies to certain tariff lines pertaining to specific goods under key product groups such as pharmaceuticals, chemicals, and machineries. In effect, the tariff concession excludes most goods under these product groups and other major product groups such as mineral fuels, printed books and manuscripts, silk yarns and woven fabrics (except for other fabrics containing 85% or more by weight of silk or of silk waste), and agricultural products except for certain types of meat (e.g., pork and poultry, fresh, chilled, and processed).

Overall, agriculture products remain highly sensitive and are often found on the exclusions lists of FTAs, as is the case with the PRC-Chile FTA (2006), which excludes almost all agriculture products. While traded goods in many Latin American and Asian countries remain sensitive for a variety of economic or cultural reasons, in general, tariff line exclusions should be minimized to promote trade and harmonization.

4.2 Services liberalization

GATS Article V imposes three requirements on WTO members that must be satisfied when concluding an FTA: (i) substantial sectoral coverage, (ii) elimination of substantially all discrimination in the sense of national treatment, and (iii) prohibition on increasing barriers against nonmembers as a result of a new FTA (see Fink and Molinuevo 2008). Strict conformity to GATS requires compliance with all three conditions. In practice, however, it is difficult to assess conformity of an FTA with GATS Article V. A practical way forward is to focus on (i) and to interpret substantial sectoral coverage to mean that a comprehensive FTA should cover five key sectors at least (see Wignaraja and Lazaro 2010). Employing the GATS classification list of 12 service sectors, we follow a simple three-tier classification in determining the quality of an FTA based on service sector

⁴ The percentage by which specific imports from a trade partner country is accorded lower tariffs than the MFN rate (the tariff level that a GATT/WTO member imposes to other members).

liberalization:

- (i) **Comprehensive coverage of services.** FTA covers the five key sectors of GATS (business and professional, communications, financial, transport, and labor mobility and entry of business persons).
- (ii) **Excluded or limited coverage of services.** FTA either excludes the services trade or provides only general provisions, or covers only one of the key sectors listed in (i).
- (iii) **Some coverage of services.** FTA is not otherwise classified as comprehensive or excluded, and would typically cover between two and four key sectors and some minor sectors.

A service sector is deemed covered if at least one party includes GATS or GATS-plus commitments, while not considering the number of sub-sectors, volume of trade affected, or the four modes of supply. This classification system is employed in analyzing the extent of services coverage for each of the 22 Latin America-Asia FTAs under review. The results are presented in Figure 1 above.

The fourteen Asia-Latin America FTAs classified as comprehensive are Republic of Korea-Chile FTA (2004); Taipei,China-Panama FTA (2004); Japan-Mexico EPA (2005); Singapore-Panama FTA (2006); Taipei,China-Guatemala FTA (2006); Trans-Pacific Strategic EPA (2006); Japan-Chile EPA (2007); Taipei,China-El Salvador-Honduras FTA (2008); Taipei,China-Nicaragua FTA (2008); Australia-Chile FTA (2009); Singapore-Peru FTA (2009); Republic of Korea-Peru FTA (2011) and Japan-Peru (2011) and Singapore-Costa Rica FTA (2013). Taipei,China; Japan; and Singapore are the Asian leaders in terms of degree of service coverage in Latin America-Asia FTAs. The same can be said of Chile and Peru on the Latin American side. There are three agreements with some coverage on services; People's Republic of China-Chile FTA (2006); People's Republic of China-Peru FTA (2010); People's Republic of China-Costa Rica FTA (2011). Thus, all 22 FTAs under review, except India-MERCOSUR PTA (2009), India-Chile PTA (2007), Thailand-Peru FTA (2011), Malaysia-Chile FTA (2012) and Chile - Vietnam FTA (2012) cover services. The key service sectors covered in the majority of the FTAs between Asia and Latin America are labor mobility and entry of business persons. This is probably included to promote two way FDI flows and new business opportunities between the two regions.

Overall, Asia-Latin America FTAs provide substantial coverage in services. However, some sub-sectors of business, communications, transport, financial services, tourism and education services are excluded from coverage of key

obligations such as national treatment, local presence, and market access. The Latin American countries in the FTAs discussed typically exclude from national treatment sub-sectors in tourism services, recreational services, and the sub-sector radio-television broadcast services. In contrast, the exclusion list of Asian countries comprised mostly of sub-sectors in business services, transport services, distribution services, and education services.

5. Regulatory Barriers, New Issues, and Deep Integration

Various terms have been coined to define provisions dealing with regulatory issues that often lie beyond the scope of the WTO, including “WTO plus,” “deep integration,” and “new trade issues.” In discussing deep integration, this paper uses the term new issues to describe IPRs and the four Singapore issues. Several studies include new issues in FTAs because they foster deeper economic integration among countries (Fiorentino et al. 2009; Kawai and Wignaraja 2009, 2011, 2013; WTO 2011). Competition policy, government procurement, and investment provisions are key factors in facilitating FDI inflows and production networks. Moreover, provisions on trade facilitation and logistics development help reduce trade-related transaction costs. Lastly, as technology and knowledge are integral parts of goods and services that are traded across borders (e.g., medicine, electronics, films, books, and computer software), IPR protection can promote trade and greater integration.

New trade issues are discussed below in greater detail than tariffs and services. First, because the commitments present a more mixed and complex picture. Second, because obligations on new issues are key to deepening integration. For each of the new issues, this paper develops some simple legal and economic criteria to assess the extent and depth of the coverage, and determine whether the agreements-related provisions are a) above standard, b) standard, or c) non-existent (no provisions). Then, a cumulative evaluation of the level of deep integration will be provided and the FTA with regard to deep integration is deemed (i) new age, (ii) moderate, (iii) limited, or (iv) shallow.

5.1 *Investment*

Growth in cross-border investment flows now exceeds goods trade growth and FDI has been a driver of development globally. FDI has spurred export manufacturing and regional production networks in East Asia, which has connected the region to global supply chains. The PRC, Japan, and Korea already have substantial investments in Latin America and are pursuing additional investment

in the region.

While FDI flows are an important aspect of the global economy, no overarching multilateral agreement on investment exists and bilateral investment treaties (BITs) sometimes need upgrading to keep up with new issues concerning investors.⁵ Without a unified global body of rules and the risk of gaps in BITs, investment provisions in FTAs are important to promote an open and competitive investment climate that facilitates investment flows and foster greater integration between the parties (UNCTAD 2006; Qingjiang 2013). In this paper, investment chapters in FTAs are classified according to the level of liberalization (market access) and regulation (protection) they provide. Provisions on liberalization include most-favored nation (MFN) status and national treatment at both pre-establishment and post-establishment, and prohibition of performance requirements. Regulatory and legal protection provisions may include a dispute settlement mechanism, fair and equitable treatment, free transfers on investment-related transactions and capital movements, expropriation and compensation for losses, and restrictions on nationality requirements for senior management and boards of directors. Thus, the following parameters were established to evaluate the quality of investment chapters in Latin America-Asia FTAs based on their coverage of key investment principles and the substantive provisions of an investment chapter:

- (i) **Above standard.** An FTA investment chapter that includes all liberalization and regulation provisions mentioned above.
- (ii) **Standard.** An FTA investment chapter that embodies the core principles of investment liberalization and protection by including two key provisions: (i) post-establishment national treatment and MFN treatment, and (ii) regulation on expropriation and compensation for losses.

Fourteen of the 22 Asia-Latin America FTAs under review have an investment chapter.⁶ Ten of these can be regarded as above standard,⁷ while four met only

⁵ The existing multilateral agreements—the WTO Trade-Related Investment Measures (TRIMS) Agreement, Mode 3 (commercial presence) of the GATS, Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS), Government Procurement Agreement (GPA), and Agreement on Subsidies and Countervailing Measures (ASCM)—address certain aspects of investment rules in a disaggregated manner.

⁶ Taipei, China-Panama FTA (2004); Japan-Mexico EPA (2005); Singapore-Panama FTA (2006); Taipei, China-Guatemala FTA (2006); Taipei, China-El Salvador-Honduras FTA (2008); Taipei, China-Nicaragua FTA (2008); Australia-Chile FTA (2009); Singapore-Peru FTA (2009); Republic Korea-Peru FTA (2011); Republic of Korea-Chile FTA (2004); Japan-Chile EPA (2007); PRC-Peru FTA (2010); PRC-Costa Rica FTA (2011); Singapore - Costa Rica FTA (2013). The PRC-Costa

the standard provisions.⁸ The analysis of the investment chapters also shows that six of the eight FTAs that lack an investment chapter involved developing countries in both Asia and Latin America.⁹

5.2 Competition

Competition policy is a broad set of measures and instruments employed by governments to prevent distortions of competition and anticompetitive behavior, and achieve a more efficient allocation of resources in liberalized markets. A well-functioning market free of anti-competitive practices enables businesses to take full advantage of liberalization, increase trade, and spur growth. Typically, anticompetitive behavior includes anti-competitive horizontal arrangements between competitors, misuse of dominant market power (e.g., predatory pricing), anticompetitive vertical arrangements between businesses, and anticompetitive mergers and acquisitions (OECD 2006). The following criteria were used to evaluate the competition chapters of Asia-Latin America FTAs:

- (i) **Above standard.** In addition to standard competition provisions, specific obligations to adopt or maintain competition laws, possibly including a definition of anticompetitive behavior.
- (ii) **Standard.** General obligations to take measures against anticompetitive behavior plus commitments to promote competition among businesses and cooperation in enforcement activities.

Two of the 22 Asia-Latin America FTAs are considered above standard—Trans-Pacific Strategic EPA or P-4 Agreement (2006) and Singapore-Peru FTA (2009)—in that they specifically obligate members to adopt or maintain a competition law. In addition, they contain comprehensive administrative obligations relating to

Rica FTA adopts an existing bilateral investment treaty between the two countries, which although inclusive of key provisions, precludes more liberalization and regulation provisions than any other Latin America-Asia FTA investment chapter.

⁷ Taipei, China-Panama FTA (2004); Japan-Mexico EPA (2005); Singapore-Panama FTA (2006); Taipei, China-Guatemala FTA (2006); Taipei, China-El Salvador-Honduras FTA (2008); Taipei, China-Nicaragua FTA (2008); Australia-Chile FTA (2009); Singapore-Peru FTA (2009); Republic of Korea-Peru FTA (2011); Singapore - Costa Rica FTA (2013).

⁸ Republic of Korea-Chile FTA (2004); Japan-Chile EPA (2007); PRC-Peru FTA (2010); and PRC-Costa Rica FTA (2011).

⁹ PRC-Chile FTA (2006); India-Chile PTA (2007); India-MERCOSUR PTA (2009); Thailand-Peru FTA (2011); Malaysia-Chile FTA (2012); Chile - Vietnam FTA (2012). The other FTAs without an investment chapter are the P-4 Agreement (2006) and Japan-Peru EPA (2012).

cooperation and coordination. Eleven FTAs contain general obligations of varying degrees relating to competition and are thus considered standard.¹⁰ These typically prohibit anticompetitive business practices in general, ensure that there are avenues for complaints over unfair practices, and obligate the relevant authorities to commit to cooperation with one another to facilitate enforcement and share best practices. The FTAs between Chile and Singapore and Chile and Korea adopt an approach focusing on cooperation between competition authorities of the concerned parties. The chapters on competition in these two agreements include definitions and objectives, as well as provisions for notification, coordination of enforcement, consultations in the event that the important interests of one party are adversely affected in the territory of the other party, the exchange of information and protection of confidentiality, technical assistance, public and private monopolies and exclusive rights, and dispute settlement. Eight of the 22 FTAs under review have no competition-related provisions.¹¹

5.3 Government procurement

Government procurement policies are relevant to trade when foreign suppliers participate in domestic government procurement markets. The WTO and APEC regulate procurement through rules and principles for establishing efficient procurement systems. The WTO Agreement on Government Procurement (GPA) is a plurilateral agreement between 15 WTO members based on principles of national treatment and transparency (see Anderson, Muller, Kodjo, De Leon, and Pelletier, 2011).¹² APEC has voluntary non-binding principles to advance liberalization of government procurement markets and increase transparency and effective competition. An efficient procurement system founded on the principles of non-discrimination and transparency can ensure the optimal use of public funds.

Building on GPA rules and APEC principles, government procurement chapters in FTAs should include obligations and provisions ensuring (i) reasonable scope

¹⁰ Republic of Korea-Chile FTA (2004); Taipei, China-Panama FTA (2004); Japan-Mexico EPA (2005); Singapore-Panama FTA (2006); Japan-Chile EPA (2007); Taipei,China-Nicaragua FTA (2008); Australia-Chile FTA (2009); PRC-Peru FTA (2010); Republic of Korea-Peru FTA (2011); PRC-Costa Rica FTA (2011); and Japan-Peru EPA (2012).

¹¹ Taipei,China-El Salvador-Honduras FTA (2008); India-MERCOSUR PTA (2007); PRC-Chile FTA (2006); Taipei, China-Guatemala FTA (2005); India-Chile PTA (2007); Thailand-Peru FTA (2011); Malaysia-Chile (2012).

¹² Parties to the GPA are mostly developed economies. The 27 countries of the European Union (EU) are considered to be a single signatory. No Latin American country is a signatory to the GPA. In Asia, only Japan; the Republic of Korea; Singapore; and Taipei,China are signatories.

of commitments (ii) non-discriminatory treatment, and (iii) transparent procurement procedures and due process. The scope of commitments in government procurement chapters determines to what extent substantive rules and obligations are applied. Non-discriminatory treatment ensures that suppliers from all FTA parties are treated equally in the spirit of open and effective competition. A key provision of non-discriminatory treatment is “national treatment” ensuring that each party to the agreement accords the goods and services of suppliers from other parties treatment that is “no less favorable than that accorded to domestic goods and services”.¹³ Finally, in accordance with APEC¹⁴ standards on government procurement, a transparent procurement system is characterized by the proper documentation of rules and the availability of relevant information to all interested parties in a timely manner through an open platform.

Two criteria were developed to assess the quality of government procurement chapters in Asia-Latin America FTAs, according to the inclusion of provisions embodying the core principles of non-discrimination and transparency:

- (i) **Above standard.** The government procurement chapter embodies the core principles of non-discrimination and transparency by including a reasonable wide scope of commitments and covering all key affirmative obligations on non-discrimination (e.g., national treatment, qualification of suppliers, tendering procedure, and prohibition of offsets) and transparency. The chapter also covers substantial obligations going beyond the GPA (GPA-plus) such as electronic and e-government procurement, ensuring integrity, SME development, cooperation and training, and establishment of a single market.
- (ii) **Standard.** The government procurement chapter includes a provision on the scope of commitments and all key affirmative obligations on non-discrimination and transparency. It may or may not include a basic GPA-plus provision such as e-government procurement and clauses to establish cooperative measures.

Out of the 22 Asia-Latin America FTAs, ten have chapters on government procurement.¹⁵ Among these, seven qualified as having above standard government

¹³ See WTO’s Agreement on Government Procurement Article 3.

¹⁴ At their meeting in Santiago, in November 2004, APEC leaders endorsed the Transparency Standards on Government Procurement, which are based on the transparency provisions of the APEC Non-Binding Principles on Government Procurement, and adopted the standards.

¹⁵ Republic of Korea-Chile FTA (2004), Japan-Mexico EPA (2005), Singapore-Panama FTA (2006), P-4 Agreement (2006), Japan-Chile EPA (2007), Australia-Chile FTA (2009), Singapore-Peru FTA

procurement chapters.¹⁶ The Asian countries in these seven Asia-Latin America FTAs are all GPA signatories, while none of the Latin American countries are. Despite the non-accession to the GPA of these Latin American countries, their FTAs conform to the core principles of non-discrimination and transparency, and include obligations beyond those set by the GPA. Three Asia-Latin America FTAs have a standard government procurement chapter.¹⁷ Specifically, the government procurement chapters of Japan's FTAs with Mexico and Chile adopt the language of the GPA in most key provisions, as Japan is a GPA signatory.

5.4 Trade facilitation

Trade facilitation typically involves simplification of international trade procedures to reduce business costs while upholding legitimate regulation.¹⁸ Empirical studies show that a small decrease in trade transaction costs, e.g. burdensome customs procedures, can yield tremendous welfare gains (Engman 2005, Hummels, 2007). Hence, it is crucial that customs and related procedures, which are the core of trade facilitation, adhere to best practices and remain consistent with GATT and WTO rules.

This paper follows five key principles in trade facilitation from the study of Willie and Redden (2007), which embody the proposed WTO measures and APEC NBPs in trade facilitation: (i) transparency, (ii) simplification, (iii) harmonization, (iv) cooperation, and (v) use of modern technology. A meaningful trade facilitation policy includes specific measures to put these principles into effect. Accordingly, criteria were developed to evaluate the extent that Asia-Latin America FTAs uphold the key principles of trade facilitation:

- (i) **Above standard.** Customs procedure or trade facilitation chapter covers all five key principles and includes relevant measures for implementation.
- (ii) **Standard.** Customs procedure or trade facilitation chapter covers three or four of the five key principles and includes relevant measures for implementation.

(2009), Republic of Korea-Peru FTA (2011), Japan-Peru EPA (2012) and Singapore-Costa Rica FTA (2013).

¹⁶ Republic of Korea-Chile FTA (2004), Singapore-Panama FTA (2006), TPP (2006), Australia-Chile FTA (2009), Republic of Korea-Peru FTA (2011), Japan-Peru EPA (2012) and Singapore - Costa Rica FTA (2013).

¹⁷ Japan-Mexico EPA (2005); Japan-Chile EPA (2007); Singapore-Peru FTA (2009).

¹⁸ This definition does not include non-tariff barriers (NTBs) to trade, such as sanitary and phyto-sanitary measures (SPS), or instruments to protect social and environmental standards.

Of the 22 Asia-Latin America FTAs in effect, 19 have a customs procedure chapter or provisions on trade facilitation.¹⁹ In most of these FTAs, trade facilitation provisions are found in the chapter for customs procedures instead of there being a separate and distinct chapter for trade facilitation. On the basis of the above criteria, eleven out of 19 Latin America-Asia FTAs with customs procedure chapter or provisions on trade facilitation qualify as above standard.²⁰ Eight Asia-Latin America FTAs are classified as having standard customs procedure or trade facilitation chapters.²¹ We also observed that Asia-Latin America FTAs embody the key principles of trade facilitation in varying degrees with respect to incorporating relevant measures. For example, while the Republic of Korea-Chile FTA (2004) and the Taipei,China-Panama FTA (2004) contain only two measures on transparency (advance rulings and review mechanism), several other FTAs²² include three measures on transparency (e.g., publication of laws and regulations, advance rulings, and review mechanism). The same variations on relevant measures can be seen with the other four principles.

5.5 Intellectual property rights

IPRs are exclusive rights that enable the holders of such rights to exclude others from using protected technology or property. IPRs are necessary to reward creators, stimulate innovation, and promote economic development. In some instances, however, IPRs can increase prices and limit access to goods and technology. Striking the right balance between stimulating innovation on the one hand and providing the public access to knowledge and goods on the other is of critical importance.

¹⁹ Singapore-Panama FTA (2006); the P-4 Agreement (2006); Japan-Chile EPA (2007); Taipei,China-Nicaragua FTA (2008); Australia-Chile FTA (2009); Singapore-Peru FTA (2009); PRC-Peru FTA (2010); Republic of Korea-Peru FTA (2011); Republic of Korea-Chile FTA (2004); Taipei,China-Panama FTA (2004); Japan-Mexico EPA (2005); PRC-Chile FTA (2006); Taipei,China-Guatemala FTA (2006); Taipei,China-El Salvador-Honduras FTA (2008); PRC-Costa Rica FTA (2011); Thailand-Peru FTA (2011); Japan-Peru EPA (2012); Malaysia-Chile (2012) and Singapore - Costa Rica FTA (2013).

²⁰ Singapore-Panama FTA (2006); TPP (2006); Japan-Chile EPA (2007); Taipei,China-Nicaragua FTA (2008); Australia-Chile FTA (2009); Singapore-Peru FTA (2009); PRC-Peru FTA (2010); Republic of Korea-Peru FTA (2011); Japan-Peru EPA (2012) and Singapore - Costa Rica FTA (2013)..

²¹ Republic of Korea-Chile FTA (2004); Taipei,China-Panama FTA(2004); Japan-Mexico EPA (2005); PRC-Chile FTA (2006); Taipei,China-Guatemala FTA (2006); Taipei,China-El Salvador-Honduras FTA (2008); PRC-Costa Rica FTA (2011); Thailand-Peru FTA (2011); Malaysia-Chile (2012)..

²² Singapore-Panama FTA (2006); Taipei,China-Nicaragua FTA (2008); Singapore-Peru FTA (2008); Australia-Chile FTA (2009); Republic of Korea-Peru FTA (2010); PRC-Peru FTA (2010); and PRC-Costa Rica FTA (2011).

IPRs encompass a wide range of different rights with different purposes, effects, and costs. While the primary purpose of patents, copyrights, and industrial design is to stimulate innovation and creativity in technology and the creative arts, the purpose of trademarks and geographical indications is advertising, ensuring that other companies cannot free ride on brand-building efforts, and to facilitate information to consumers about the origin and quality of products. Some countries are net users of patented machines and pharmaceuticals, and some are exporters. Some benefit from slack copyright protection for software, movies, and music, while some benefit from access to using trademarks or geographical indications. Therefore, the international regulation of intellectual property, whether through the WTO or an FTA, must be flexible enough to leave governments the space needed to implement optimally-balanced IPR protection policies.

The Agreement on Trade Related Aspects of Intellectual Property—commonly known as the TRIPS Agreement—entered into force in 1995 and is the most comprehensive multilateral agreement concerning intellectual property (see Correa, ed., 2010).²³ IPR provisions in bilateral and regional FTAs that extend protection beyond that of TRIPS are referred to as TRIPS Plus. These include higher standards of protection (e.g., extending copyright protection from the 50 years mandated in TRIPS to 70 years), enhancing the scope of IPRs (e.g., expanding IPRs to goods and services not covered by TRIPS such as life forms and plant varieties), or by requiring more extensive enforcement procedures (e.g., stronger criminal remedies and border measures). Whether an FTA contains one or more TRIPS-Plus provisions is a key determinant of its level of IPR protection. The criteria used to evaluate the level of IPR protection in FTAs is as follows:

- (i) **Above standard.** FTA that contains one or more TRIPS-Plus provisions.
- (ii) **Standard.** FTA that contains IPR provisions that do not exceed those of the TRIPS Agreement.

Fourteen of the 22 Asia-Latin America FTAs contain IPR commitments.²⁴ In fact, each of these 14 FTAs contains one or more TRIPS-plus provisions. Thus,

²³ The TRIPS Agreement was adopted on 15 April 1994 as Annex 1C of the Final Act of the Uruguay Round of Multilateral Trade Negotiations creating the WTO. For a detailed analysis of the agreement see the essays in Correa (ed. 2010).

²⁴ Republic of Korea-Chile FTA (2004); Taipei,China-Panama FTA (2004); Japan-Mexico EPA (2005); PRC-Chile FTA (2006); Taipei,China-Guatemala FTA (2006); P-4 Agreement (2006); Japan-Chile EPA (2007); Taipei,China-Nicaragua FTA (2008); Australia-Chile FTA (2009); PRC-Peru FTA (2010); Republic of Korea-Peru FTA (2011); PRC-Costa Rica FTA (2011); Japan-Peru EPA (2012) and Singapore - Costa Rica FTA (2013).

there are no FTAs with an IPR chapter classified as standard. The key TRIPS-plus provisions concern enforcement, which is a priority of Asian countries exporting goods and services that use advanced technology, and securing expanded protection of geographical indications, which is a priority of a number of Latin American countries. The TRIPS Agreement requires protection of geographical indications, but does not list which ones are eligible for the protection. All 14 FTAs offer the same level of protection as the TRIPS Agreement but regulate geographical indications in more depth by including an annex numerating the specific geographical indications of each party that must be protected in the other party's territory.

The most comprehensive FTA with respect to IPR is the Republic of Korea-Peru FTA, which in addition to strong regulation on geographical indications and enforcement, also expands copyright protection to 70 years after the death of the creator of the copyrighted work. The FTAs that do not regulate IP are Singapore-Panama FTA (2006); India-Chile PTA (2007); Taipei,China-El Salvador-Honduras FTA (2008); India-MERCOSUR PTA (2009); Singapore-Peru FTA (2009); Thailand-Peru FTA (2011); Malaysia-Chile (2012) and Chile - Vietnam FTA (2012).

5.6 Summary of new issues relating to regulatory barriers

Throughout the evaluation of regulatory barriers and new issues, the same classifications were used for each specific issue: above standard, standard, no provision. A cumulative evaluation of the level of deep integration resulted in the FTAs deemed (i) new age, (ii) moderate, (iii) limited, or (iv) shallow. The overall results are in Figure 1 and the individual agreements in annex 2. The 22 Asia-Latin American agreements vary in terms of coverage of new issues. Some strengths and weaknesses of the set of agreements studied here can be highlighted. Nineteen FTAs have a customs procedure chapter or provisions on trade facilitation. In this area in particular, a harmonized approach among the FTAs is advisable. Intellectual property is dealt with in 14 out of 22 FTAs, and all 14 agreements have one or more TRIPS-plus provisions. Ten FTAs have above standard investment chapters and therefore strong commitments on both liberalization and protections. Two FTAs directly mandate countries to adopt or maintain competition law and are above standard, while other FTAs encourage countries do so. Overall, competition is the deep integration issue that is lacking the most in Latin-America FTAs (as in FTAs in general). Ten agreements have government procurement chapters and seven are above standard. The Asian countries in these seven Asia-Latin America FTAs are

all GPA signatories, while none of the Latin American countries are. Although there is room for improvement, it is encouraging that government procurement increasingly is featured in FTAs.

6. Conclusion

Inter-regional FTAs - notably between Asia and Latin American economies - are a growing phenomenon in the global trade policy landscape and becoming increasingly complex. However, little attention has been given in the literature to studying liberalization under inter-regional FTAs and the contents of new, complex FTAs are not widely understood.

This paper conducted a comparative and agreement level analysis of Asia-Latin American FTAs. It suggested a framework to comprehensively study the extent of liberalization in goods, services, and regulatory barriers in existing Asia-Latin American FTAs. A qualitative and inter-disciplinary approach was usefully adopted here—blending methods from international law and applied international economics—to assess the extent of liberalization under FTAs.

The framework (particularly the criteria and methodology) used here may be usefully refined in future work on the contents of FTAs. The qualitative criteria on regulatory barriers relating to investment and government procurement may be extended to enable further differentiation between agreements in terms of depth. Additionally, it is possible that the qualitative research methods used here may lead to the development of new quantitative approaches to rank the depth of FTAs in goods, services and deep integration provisions.

Several key findings are suggested by the research on Asia-Latin American FTAs.

First, traditional areas like goods and services are typically well covered in Asia-Latin American FTAs. Relatively fast liberalization and relatively comprehensive provisions on services characterize most inter-regional FTAs. Liberalization of goods and services barriers through FTAs is encouraging and is likely to support the growth of Asia-Latin American trade.

Second, many Asia-Latin American FTAs also extend liberalization to support deeper integration through the Singapore issues and provisions on IPRs. Four FTAs (the Republic of Korea-Peru FTA, the Trans-Pacific Strategic Economic Partnership Agreement, the Australia-Chile FTA and the Singapore-Costa Rica FTA) are of particular high depth while six offer low depth. Another twelve FTAs are deemed medium depth and many of these follow the same formula: relatively fast tariff liberalization, comprehensive commitments of services, and mode obligations on

some new issues. By developing some inter-regional rules, FTAs have also helped build greater business confidence and trust which is vital for future inter-regional trade and investment flows.

Third, some Asia-Latin America FTAs, however, adopt a somewhat cautious approach to liberalization of sensitive regulatory barriers in areas like investment, competition, and government procurement. This caution reflects the influence of domestic business interests and lobbies as well as geopolitical issues.

Fourth, the evaluation of agreements suggests that progress has been made in reducing overall trade and regulatory barriers between Asia and Latin America using FTAs. However, more remains to be done in future FTAs to reduce residual barriers to goods and services trade as well as intensify deep integration between the two regions. In this vein, the provisions in the four deep Asia-Latin American agreements offer insights on good practices for future inter-regional FTAs in the area of reducing regulatory barriers.

Some policy implications stem from the research. Pursuing second generation domestic structural reforms in Asian and Latin American countries (oriented towards reducing barriers to investment, lowering the costs of trade facilitation, promoting competition and increasing transparency in government procurement) may make it easier to conclude deep inter-regional FTAs in the future. Furthermore, if the mega-regional TPP gets concluded and promote regulatory coherence, it may stimulate further deep FTA-led integration between Asian and Latin American economies. Finally, strong partnerships between government, business, and regional institutions are vital to design and implement this ambitious policy agenda for inter-regional integration.

Annex 1:
**Asia-Latin America FTAs—Approaches to Tariff Liberalization,
 Services Coverage, and Deep Integration (New Issues)**

| FTA | Level of Development²⁵ | Tariff Liberalization | Services coverage | New Issues | Overall Quality |
|---|--|------------------------------|--------------------------|-------------------|------------------------|
| 1. Republic of Korea-Chile FTA (2004) | Advanced-Developing | Relatively Fast | Comprehensive | Moderate | Medium |
| 2. Taipei, China-Panama FTA(2004) | Advanced-Developing | Relatively Fast | Comprehensive | Moderate | Medium |
| 3. Japan-Mexico EPA(2005) | Advanced-Developing | Relatively Fast | Comprehensive | Moderate | Medium |
| 4. People's Republic of China-Chile FTA (2006) | Developing-Developing | Relatively Fast | Some | Limited | Medium |
| 5. Singapore-Panama FTA (2006) | Advanced-Developing | Relatively Fast | Comprehensive | Moderate | Medium |
| 6. Taipei, China-Guatemala FTA (2006) | Advanced-Developing | Relatively Fast | Comprehensive | Moderate | Medium |
| 7. Trans-Pacific Strategic EPA or P4-Agreement (2006) | Advanced-Developing | Relatively Fast | Comprehensive | New age | High |
| 8. Japan-Chile EPA(2007) | Advanced-Developing | Relatively Fast | Comprehensive | Moderate | Medium |
| 9. India-Chile PTA (2007) | Developing-Developing | NA | Excluded or Limited | Shallow | Low |
| 10. Taipei, China-El Salvador-Honduras FTA (2008) | Advanced-Developing | Gradual | Comprehensive | Limited | Low |
| 11. Taipei, China-Nicaragua FTA (2008) | Advanced-Developing | Relatively Fast | Comprehensive | Moderate | Medium |
| 12. Australia-Chile FTA (2009) | Advanced-Developing | Relatively Fast | Comprehensive | New Age | High |

²⁵ Based on IMF definition.

| FTA | Level of Development | Tariff Liberalization | Services coverage | New Issues | Overall Quality |
|--|-----------------------------|------------------------------|--------------------------|-------------------|------------------------|
| 13. India-MERCOSUR PTA (2009) | Developing-Developing | NA | Excluded or Limited | Shallow | Low |
| 14. Singapore-Peru FTA (2009) | Advanced-Developing | Relatively fast | Comprehensive | Moderate | Medium |
| 15. People's Republic of China-Peru FTA (2010) | Developing-Developing | Relatively Fast | Some | Moderate | Medium |
| 16. Republic of Korea-Peru FTA (2011) | Advanced-Developing | Relatively Fast | Comprehensive | New Age | High |
| 17. People's Republic of China-Costa Rica FTA (2011) | Developing-Developing | Relatively Fast | Some | Moderate | Medium |
| 18. Thailand - Peru FTA (2011) | Developing-Developing | Gradual | Excluded or Limited | Shallow | Low |
| 19. Japan-Peru EPA (2012) | Advanced-Developing | Relatively Fast | Comprehensive | Moderate | Medium |
| 20. Malaysia-Chile FTA (2012) | Developing-Developing | Relatively Fast | Excluded or Limited | Limited | Low |
| 21. Chile - Vietnam FTA (2012) | Advanced-Developing | Relatively Fast | Excluded or limited | Shallow | Low |
| 22. Singapore - Costa Rica FTA (2013) | Advanced-Developing | Relatively Fast | Comprehensive | New Age | High |

Source: Authors' assessment.

Annex 2:
New Issues in Asia-Latin America FTAs in Effect

| FTA | Government Procurement Chapter | Investment Chapter | Trade Facilitation Chapter | Competition Policy | Intellectual Property Rights | New Issues (overall)²⁶ |
|--|---------------------------------------|---------------------------|-----------------------------------|---------------------------|-------------------------------------|--|
| 1. Republic of Korea-Chile FTA (2004) | Above Standard | Standard | Standard | Standard | Above Standard | Moderate |
| 2. Taipei, China-Panama FTA (2004) | No Provision | Above Standard | Standard | Standard | Above Standard | Moderate |
| 3. Japan-Mexico EPA (2005) | Standard | Above Standard | Standard | Standard | Above Standard | Moderate |
| 4. PRC-Chile FTA (2006) | No Provision | No Provision | Standard | No Provision | Above Standard | Limited |
| 5. Singapore-Panama FTA (2006) | Above Standard | Above Standard | Above Standard | Standard | No Provision | Moderate |
| 6. Taipei, China-Guatemala FTA (2005) | No Provision | Above Standard | Standard | No provision | Above Standard | Moderate |
| 7. Trans-Pacific Strategic EPA or P-4 Agreement (2006) | Above Standard | No Provision | Above Standard | Above Standard | Above Standard | New Age |
| 8. Japan-Chile FTA (2007) | Standard | Standard | Above Standard | Standard | Above standard | Moderate |
| 9. India-Chile PTA (2007) | No Provision | No Provision | No Provision | No Provision | No Provision | Shallow |
| 10. Taipei, China-El Salvador-Honduras FTA (2008) | No Provision | Above Standard | Standard | No Provision | No Provision | Limited |
| 11. Taipei, China-Nicaragua FTA (2008) | No Provision | Above Standard | Above Standard | Standard | Above Standard | Moderate |

²⁶ In the overall determination, no provision is given 0 points, a standard provision 1 point and above standard 2 points. An FTA is classified as new age combined score ranges from 8-10 points, moderate with a range of 5-7, limited with a range of 2-4, and shallow with a range of 0-1.

| FTA | Government Procurement Chapter | Investment Chapter | Trade Facilitation Chapter | Competition Policy | Intellectual Property Rights | New Issues (overall) |
|---------------------------------------|--------------------------------|--------------------|----------------------------|--------------------|------------------------------|----------------------|
| 12. Australia-Chile FTA (2009) | Above Standard | Above Standard | Above Standard | Standard | Above Standard | New age |
| 13. India-MERCOSUR PTA (2007) | No Provision | No Provision | No Provision | No Provision | No Provision | Shallow |
| 14. Singapore-Peru FTA (2009) | Standard | Above Standard | Above Standard | Above Standard | No Provision | Moderate |
| 15. PRC-Peru FTA (2010) | No Provision | Standard | Above Standard | Standard | Above Standard | Moderate |
| 16. Korea-Peru FTA (2010) | Above Standard | Above Standard | Above Standard | Standard | Above Standard | New age |
| 17. PRC-Costa Rica FTA (2011) | No Provision | Standard | Standard | Standard | Above Standard | Moderate |
| 18. Thailand-Peru FTA (2011) | No Provision | No Provision | Standard | No Provision | No Provision | Shallow |
| 19. Japan-Peru EPA (2012) | Above Standard | No Provision | Above Standard | Standard | Above Standard | Moderate |
| 20. Malaysia-Chile FTA (2012) | No provision | No Provision | Above Standard | No Provision | No Provision | Limited |
| 21. Chile - Vietnam FTA (2012) | No provision | No provision | No provision | No provision | No provision | Shallow |
| 22. Singapore - Costa Rica FTA (2013) | Above Standard | Above Standard | Above Standard | Standard | Above Standard | New Age |

Source: Authors' assessment.

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