

# Some Economic Issues Related to Free Trade Agreements

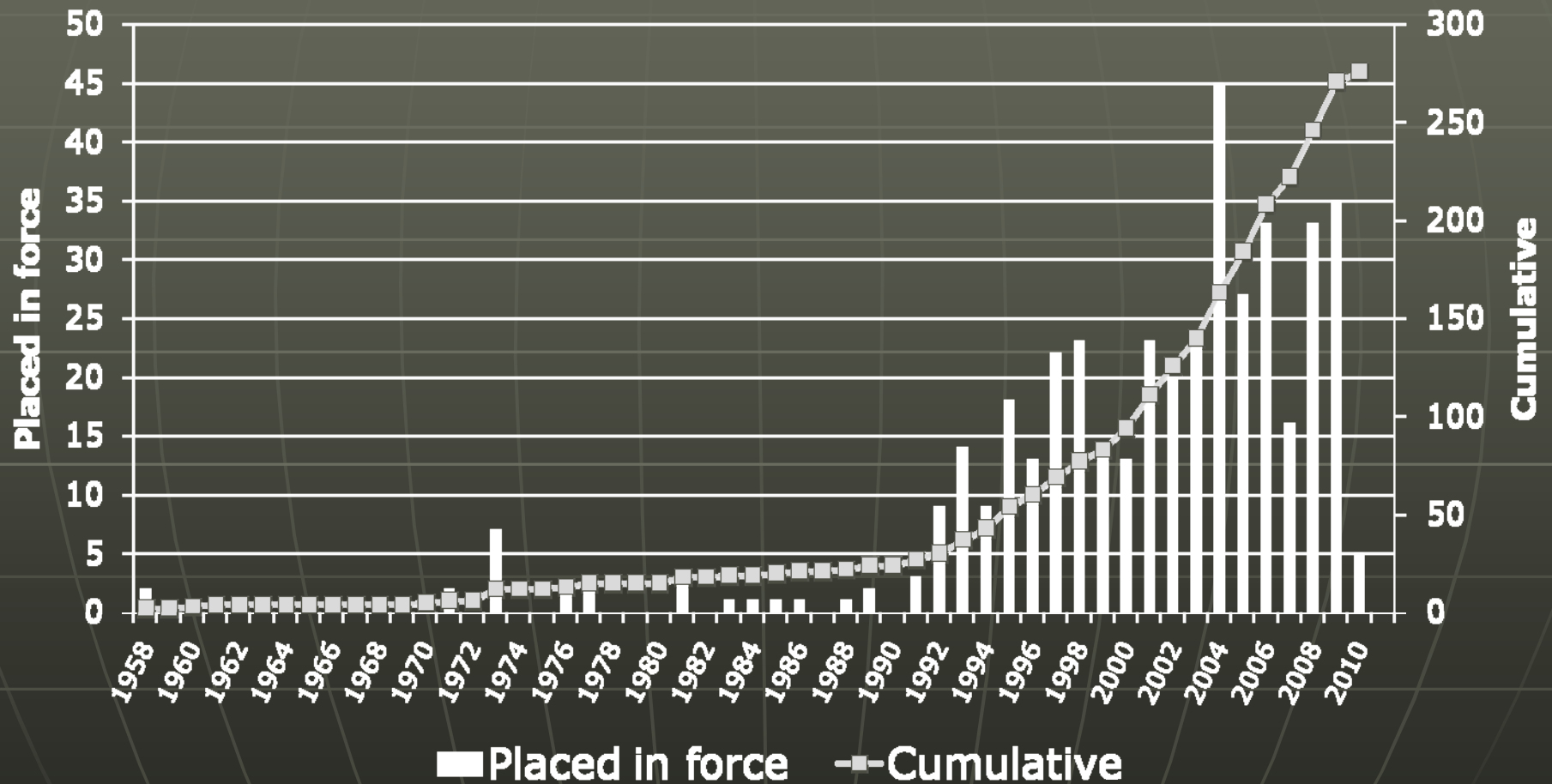
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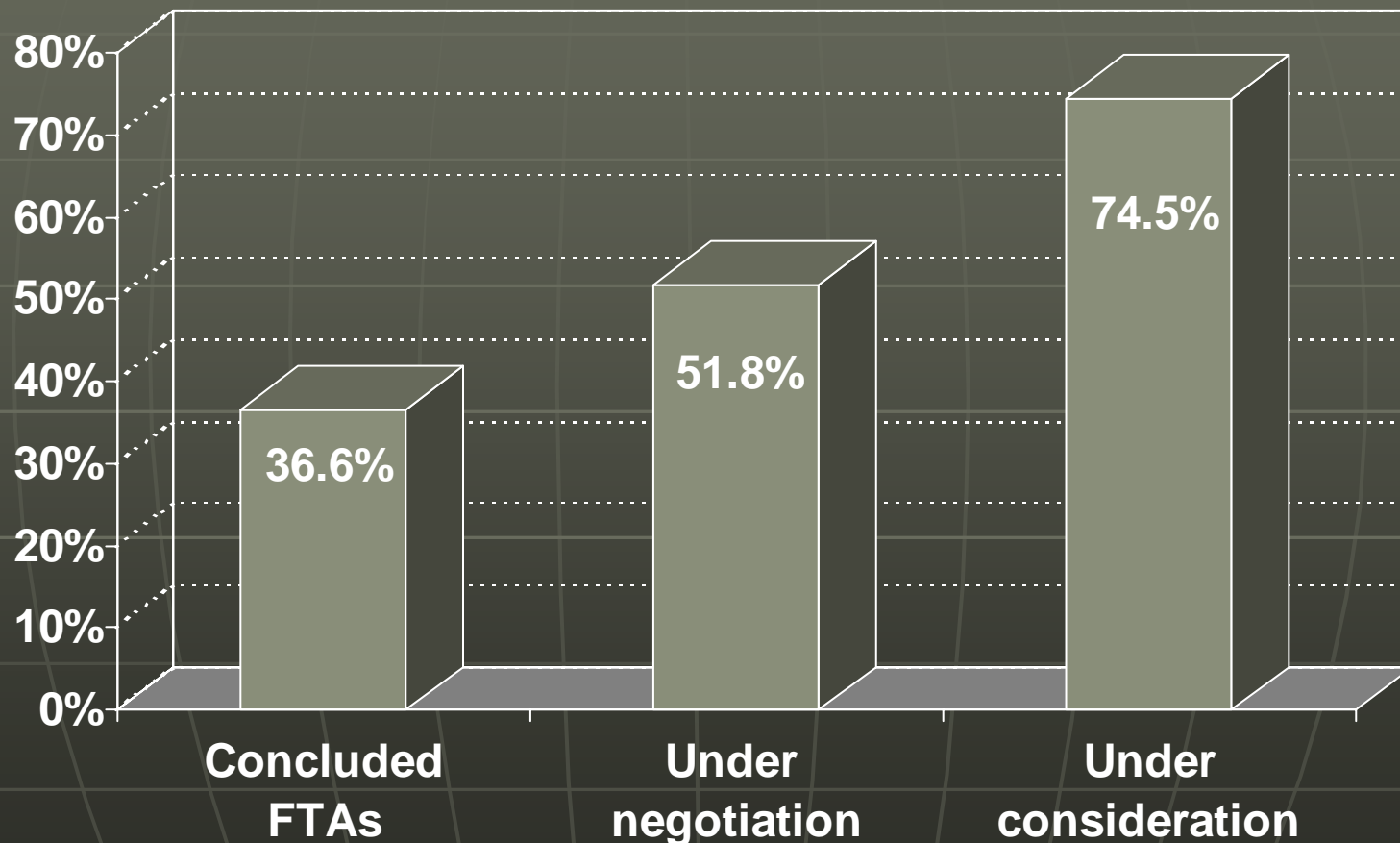


# FTAs placed in force and cumulative total of existing FTAs on March 1, 2010



Source: WTO ([http://www.wto.org/english/tratop\\_e/region\\_e/region\\_e.htm](http://www.wto.org/english/tratop_e/region_e/region_e.htm))

# Share of global trade covered by FTAs



Source: OECD (2009), Ongoing Consideration of Regional Trade Agreements: Main Issues and Possible Further Work



# Legality of FTAs Under the WTO

	WTO Consistency Under One or More Methodologies
EU - Chile	Probably Inconsistent
EU – Mexico	Probably Inconsistent
Japan – Mexico	Probably Inconsistent
Australia – Chile	Probably Consistent
Japan – Chile	Probably Inconsistent
China – ASEAN:	
China – Indonesia	Probably Inconsistent
China – Malaysia	Probably Inconsistent
China – Thailand	Probably Inconsistent
China – Philippines	Probably Inconsistent
China – New Zealand	Probably Inconsistent
Korea – Chile	Probably Inconsistent
Canada – Colombia	Borderline
Japan – ASEAN:	
Japan – Indonesia	Probably Inconsistent
Japan – Malaysia	Probably Inconsistent
Japan - Thailand	Probably Inconsistent
Japan - Philippines	Probably Inconsistent

Drazek, Paul. "Free Trade Agreements and the WTO," presentation at USDA Agriculture Outlook Conference, Feb. 19, 2010.

# What are the main questions addressed by economists?

- How best to measure sectoral or economy-wide impacts of FTAs?
- Why are FTAs proliferating?
- How are they affecting the multilateral trading system?
- Where is this proliferation leading us?

# Economic modeling of FTAs – Challenges and Issues

- Distilling the complexity of the real world into a manageable model
- Specifications and assumptions matter
- Static versus dynamic gains
- Analytical framework influences results

# What's behind the proliferation of FTAs?

- Increased market access and investment opportunities are key
- Frustrations with Doha progress
- Domino effect / defensive response
- Strategic or geopolitical reasons

# U.S. Free Trade Agreements

Partner	Entered into Force	Partner	Entered into Force
Israel	1985	El Salvador	2006
Canada	1989	Honduras	2006
Mexico	1994	Nicaragua	2006
Jordan	2001	Guatemala	2006
Chile	2004	Dominican Rep.	2007
Singapore	2004	Costa Rica	2008
Australia	2005	Oman	2009
Morocco	2006	Peru	2009
Bahrain	2006		



# FTA activity across selected countries

Status	EU	Canada	Japan	Korea
<b>In effect</b>	CARIFORUM, OCT, ECOWAS, 25+ other countries	NAFTA, Chile, Costa Rica, EFTA, Israel, Peru	ASEAN, Chile, Mexico, Switzerland	APTA, ASEAN, Chile, EFTA, India, Singapore
<b>Concluded, under negotiation, or under consideration</b>	Canada, India, Korea, Ukraine, Andean, ASEAN, C. Am, GCC, Mercosur, N. Zealand, Pakistan, S. and E. Africa, Taiwan	Caricom, CA4, Colombia, Dominican Rep, Jordan, Korea, Singapore, EU, India, Morocco, Panama, Ukraine,	Australia, GCC, India, Israel, Korea, N. Zealand, Pakistan, Peru, Taiwan	Canada, Mexico, GCC, Australia, New Zealand, Peru, Colombia, Turkey, United States, EU, Japan, China, MERCOSUR, Russia, Israel, SACU

# FTAs and the multilateral trading system

- FTAs can complement multilateralism by dealing with issues that are not being addressed in a multilateral setting
- But, they can also undermine multilateralism with distinctive rules and regulations that are both confusing and burdensome
- For many, the key issues revolve around the issue of trade diversion and the impact of FTAs on the most-favored nation rule



# Where are we headed?

- The economic literature contains sometimes ambiguous or conflicting conclusions about FTAs
- Multilateralism is best, but not easily obtained
- The motivation for expanding FTAs is strong and perhaps growing