

ASIA-PACIFIC TRADE AND INVESTMENT TRENDS 2023/2024

*Preferential Trade Agreements Trends and
Developments in Asia and the Pacific*



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Highlights

- The Asia-Pacific region continues to be the largest contributor to the worldwide build-up of preferential trade agreements (PTAs), accounting for about half of PTAs worldwide. PTAs have become bigger, deeper, and increasingly covered issues related to digital trade as well as sustainable development.
- The noodle-bowl of Asia-Pacific trade agreements now comprises 355 PTAs, with at least one party of the Asia-Pacific. Of those, 219 are in force, 21 have been signed and are pending ratification, and 97 are still under negotiation. Between January 2023 and November 2023 alone, eight new PTAs were signed, and 13 PTAs were under negotiation. Notably, most of these agreements are aligned with the prominent trend of the Asia-Pacific trade agreements of forming bilateral trade agreements with economies outside the region.
- Large PTAs in the region have expanded their memberships. The United Kingdom has successfully acceded to the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), while the Republic of Korea has formally joined the Digital Economy Partnership Agreement (DEPA). In addition, the Association of Southeast Asian Nations (ASEAN) has agreed in principle to accept Timor Leste as its 11th member.
- Trade among PTA partners now accounts for about half of all trade by Asia and the Pacific economies – approximately 49 per cent of exports and 53 per cent of the total imports. East and North-East Asia, and South-East Asia, are actively engaged in negotiating trade agreements.
- Fifty-three per cent of in-force PTAs now go beyond liberalization of trade in goods, including addressing issues related to digital and sustainable development. The most common policy areas that are covered in Asia-Pacific PTAs, outside preferential tariffs, are ‘trade facilitation and customs cooperation’ followed by ‘competition policy’, and ‘intellectual property’. These areas are now found in more than 50 per cent of the signed and enforced PTAs.
- Since 2003, the inclusion of sustainable development and digital in Asia-Pacific PTAs has accelerated. As of November 2023, of the 240 signed and in force PTAs, there are 135 PTAs that have sustainable development-related provisions (including provisions related to labour protection, human rights, gender, health, environment and SMEs). Meanwhile, 110 PTAs have digital (e-commerce) provisions.



- A new type of stand-alone 'digital trade agreement' (DTA) or 'digital economy agreement' (DEA) has reached seven agreements, up from five agreements in 2022. The two new agreements are Singapore-EFTA DEA and the Republic of Korea-EU DTA. Both of them are still under negotiation. Additionally, the European Union has launched digital partnership frameworks with three advanced Asia-Pacific economies since 2022, including those with Japan and the Republic of Korea (2022) and Singapore (2023).
- In parallel with the expansion of PTAs, less formal agreements have also expanded. Specifically, the Indo-Pacific Economic Framework for Prosperity (IPEF) has been established, while BRICS has announced its membership expansion for the first time since its establishment.

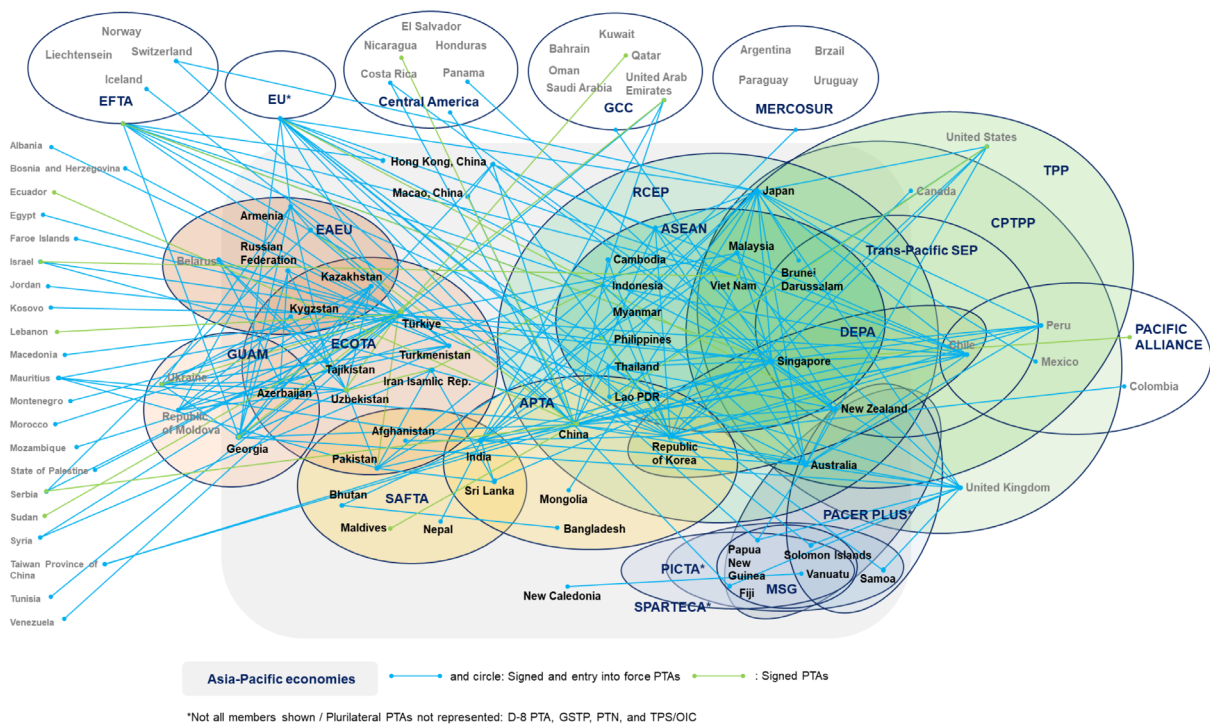


1. Introduction

The Asia-Pacific region continues to be the largest contributor to the worldwide build-up of preferential trade agreements (PTAs), accounting for about half of all PTAs worldwide.¹ The size of the regional noodle-bowl has expanded, encompassing 355 PTAs involving at least one party of the Asia-Pacific region. Among these, 219 are currently in force, 21 are signed and pending ratification, and 97 are under negotiation (figure 1).

As the number of agreements grows, trade agreements move towards deepening their scope, extending beyond trade. Trade agreement landscape includes non-tariff provisions and behind-the-border issues. At the same time, there is an increasing prevalence of non-traditional trade negotiations in the Asia-Pacific region.

Figure 1. Noodle bowl of Asia-Pacific PTAs



Source: APTIAD (accessed on 25 November 2023).

Note: *Not all members are shown. Plurilateral PTAs are not represented, i.e., D-8 PTA, GSTP, PTN and TPS/OIC. The economy under a grey rectangle shape refers to ESCAP members and associate members.

¹ As of November 2023, the World Trade Organization had been notified that 362 PTAs were in force.



2. Trends of Asia-Pacific PTA

Growing size of the noodle bowl of trade agreements

The number of new negotiations and newly-signed agreements is flourishing as in the period before the COVID-19 pandemic.² Economies of the East and North-East Asia, and South-East Asia contributed significantly to the expansion of Preferential Trade Agreements (PTA) noodle bowl in the Asia-Pacific region. In 2023, several previously suspended PTA negotiations were resumed, including the negotiations between the Philippines-European Union, India-Canada, India-EFTA, Sri Lanka-Thailand and Thailand-European Union.

As of November 2023, eight agreements had been signed, and 13 new PTA negotiations had been launched (figure 2).³ Notably, most of these agreements are aligned with the major trend of the Asia-Pacific trade agreements of forming bilateral trade agreements with economies outside the region. By 2023, approximately 53 per cent of all PTAs entered into force are partnered with economies beyond the Asia-Pacific region and 78 per cent are bilateral trade agreements.

All Asia-Pacific subregions share the commonality of focusing on bilateral trade agreements, while geographical coverage varies across the subregions. East and North-East Asia leading, followed by South and South-West Asia and the North and Central Asia have a substantial number of signed and in force extra-regional PTAs. Unlike other subregions, which often establish more agreements with partners outside the Asia-Pacific, Southeast Asia and the Pacific demonstrate a greater number of PTAs with Asia-Pacific partners (figure 3a).

In addition to the prevalence of bilateral agreements, plurilateral and country blocs are accounting for around 12 per cent and 10 per cent, respectively, of the total agreements in force (see figure 3b). Despite being small in terms of number, plurilateral

² During the pre-pandemic period (2018-2019), 27 new PTAs were signed, while only 5 PTAs were signed in 2021. Between 2022 and 2023, the number resumed increasing to 19 new PTAs signed in total.

³ The eight newly signed trade agreements are: (1) China-Ecuador; (2) China-Nicaragua; (3) China-Serbia; (4) Georgia-United Arab Emirates; (5) Indonesia-Iran (Islamic Rep. of); (6) Iran (Islamic Rep. of)-Uzbekistan; (7) New Zealand-European Union; and (8) Viet Nam-Israel. Moreover, the 13 new negotiations that commenced in 2023 are: (1) Australia-New Zealand-United Kingdom; (2) China-Honduras; (3) China-Nicaragua; (4) China-Serbia; (5) Hong Kong, China-Peru; (6) Indonesia-EAEU; (7) Indonesia-Peru; (8) Malaysia-Sri Lanka; (9) Malaysia-United Arab Emirates; (10) Republic of Korea-EU DTA; (11) Republic of Korea-UAE; (12) Singapore-EFTA DEA; and (13) Thailand-United Arab Emirates.



trade agreements – namely the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) and the Regional Comprehensive Economic Partnership (RCEP) – are big trade agreements that are considered as the ‘mega-regional trade agreements’.

The RCEP, signed by 15 economies in 2020, is arguably the world’s largest trading bloc, representing approximately 30 per cent of world GDP.⁴ While the CPTPP was initially engaged by 11 economies,⁵ it has expanded its membership, with the United Kingdom successfully acceding this year, becoming the first party to the treaty since its establishment. These mega agreements tended to expand further. By November 2023, Bangladesh, Sri Lanka and Hong Kong, China had expressed interest in becoming RCEP members. Meanwhile, six economies, including China, Costa Rica, Ecuador, Ukraine, Uruguay and Taiwan Province of China have submitted formal accession requests to join the CPTPP.

Association of Southeast Asian Nations (ASEAN), which is at the core of RCEP, also has an expansion of membership. ASEAN leaders agreed in principle to admit Timor-Leste as the eleventh member with observer status in November 2022.⁶ The endorsement of the Roadmap for Timor-Leste’s Full Membership in ASEAN underscores the accession preparations, including capacity-building and other support, to enhance Timor-Leste’s readiness.⁷ The recent developments around ASEAN and RCEP membership are, in a way, making both ASEAN and RCEP to eventually become one of the most inclusive trading blocs, encompassing members from diverse economic backgrounds.

⁴ In 2023, RCEP has been ratified by all members except for Myanmar. The 15 RCEP members includes 10 ASEAN members (Brunei Darussalam, Cambodia, Indonesia, Lao People’s Democratic Republic, Malaysia, Myanmar, Philippines, Singapore, Thailand, and Viet Nam) and Australia, China, Japan, New Zealand and the Republic of Korea.

⁵ The 11 CPTPP members are Australia, Brunei Darussalam, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore and Viet Nam.

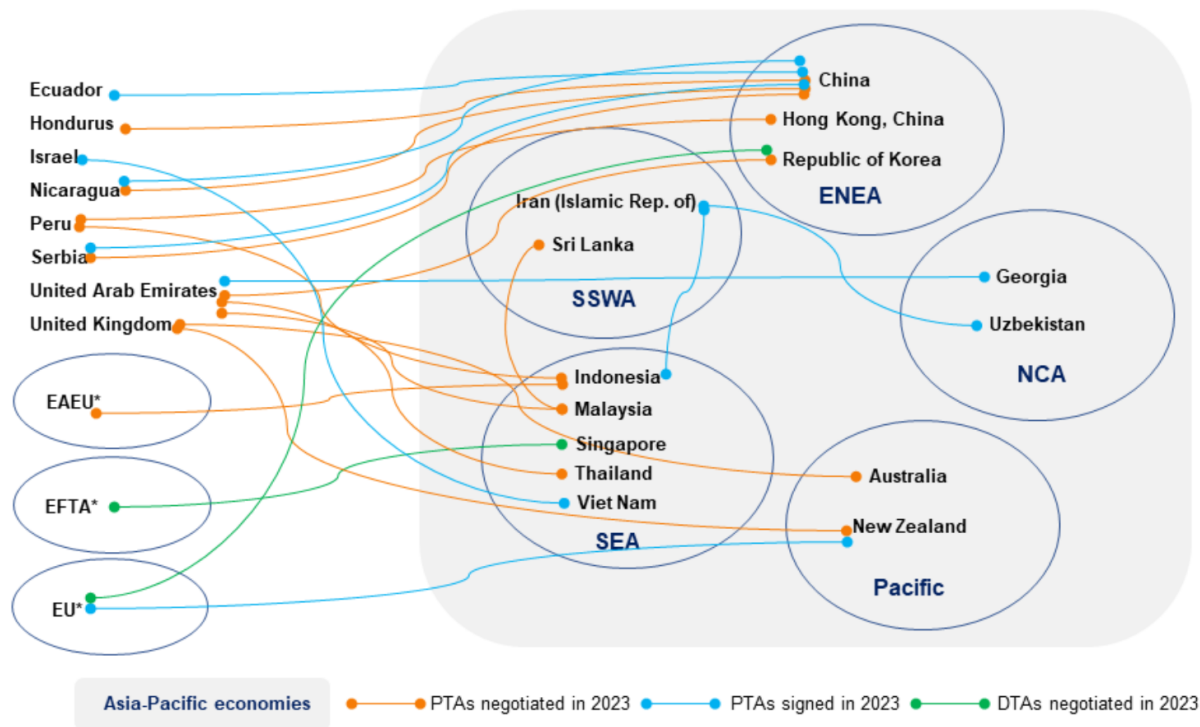
⁶ Admission of new ASEAN members has been prescribed in Article 6 of the ASEAN Charter. Article 6.2 states that admission shall be based on the following criteria: (a) location in the recognised geographical region of South-East Asia; (b) recognition by all ASEAN member States; (c) agreement to be bound and abided by the Charter; and (d) ability and willingness to carry out the obligations of the Membership. As of November 2023, observer status had been granted to Papua New Guinea and Timor-Leste.

⁷ Timor-Leste Roadmap for Accession was endorsed at the 42nd ASEAN Summit, held in Indonesia in May 2023.



Moreover, between January 2022 and November 2023, of the 18 agreements that have entered into force, 12 have not been notified to the WTO.⁸ These unnotified agreements raise concerns about compliance with crucial notification and transparency obligations under the WTO rules.

Figure 2. New PTAs signed and negotiated after January 2023



Source: APTIAD (accessed 25 November 2023).

Note: *Not all members are shown. The Asia-Pacific subregions include East and North-East Asia (ENE), the Pacific, South-East Asia (SEA), North and Central Asia (NCA), and South and South-West Asia (SSWA). The economy under a grey rectangle shape refers to ESCAP members and associate members.

Deepening trade negotiations: moving towards non-trade aspects

In line with the increasing number of agreements, the scope of the newly-signed and initiated agreements tends to go beyond trade in goods and tariff liberalization. Contributing by South-East Asia and followed by East and North-East Asia and the

⁸ Nine PTAs entered into force in 2022 and another nine PTAs entered into force in 2023. The six trade agreements have been notified to the WTO, i.e., four agreements entered into force in 2022 – Australia-India PTA, Cambodia-Republic of Korea, India-United Arab Emirates, and Indonesia-Mozambique PTAs, and another two agreements entered into force in 2023 – Australia-United Kingdom PTA and New Zealand-United Kingdom PTA.



Pacific, most of the PTAs signed over the past decades are Free Trade Agreements and Economic Integration Agreements (FTA and EIA) (figure 3c). These broadening trade agreements are often called “Comprehensive Economic Partnership Agreement (CEPA)” (ESCAP, 2022). Accordingly, 53 per cent of in force PTAs now surpass the liberalization of trade in goods, covering services and investment as well as addressing behind the border issues, such as government procurement and SMEs.

As of November 2023, more than 50 per cent of the signed and enforced PTAs include provisions on “trade facilitation and customs cooperation” followed by “competition policy” and “intellectual property” (figure 4). Many new trade agreement negotiations tend to concentrate on non-trade topics, incorporating a wide spectrum of domestic issues, such as addressing sustainable development (health, education, gender, human rights and environment provisions) and cutting-edge issues, i.e., digital economy (data privacy protection, cross-border data flows, online consumer protection and cybersecurity provisions). The sustainable and digital provisions are discussed in detail in the next section.

In addition, parties involved in trade agreements concluded in the previous decades have renegotiated to modernize, enhance inclusivity and broader comprehensiveness of the long-standing agreements. Some trade agreements have undergone multiple upgrades to adapt to the evolving global economic architecture. For example, the China and Singapore PTA, which is 15 years old, was upgraded in 2018 and again in 2020. The 2020 upgrade aims to further liberalise service trade and investment based on the negative list model. The key amendment areas of the upgraded agreements by the Asia-Pacific economies are often focus on enhance market access commitments for “trade in services” or to address an emerging issue, such as incorporating additional e-commerce provisions.

In tandem with the expanded coverage and digital economy, a stand-alone Digital Trade Agreement (DTA), also known as Digital Economy Agreements (DEA), has emerged with a specific focus on digital-only, recently a new type of trade agreement appeared. The first DTA was signed between Japan and the United States in 2019 and entered into force in 2020. DTAs generally build upon existing traditional trade agreements’ digital (e-commerce) provisions. However, unlike digital provisions or chapters under trade agreements, the DTAs facilitate domestic regulatory reforms and “soft” cross-border collaboration on wide range of issues, such as data innovation, digital identities, cybersecurity and digital inclusion (Warran and Fan, 2022). They further encompass inclusive digital economy and sustainable development provisions,



such as the inclusion of special treatment and cooperation from MSMEs, regional capacity-building. From this perspective, the stand-alone DTAs are potentially complement the ongoing WTO Joint Statement Initiative on E-commerce (JSI) by enabling potential building blocks towards cooperation in digital trade related areas (ESCAP, UNCTAD, UNIDO, 2023).

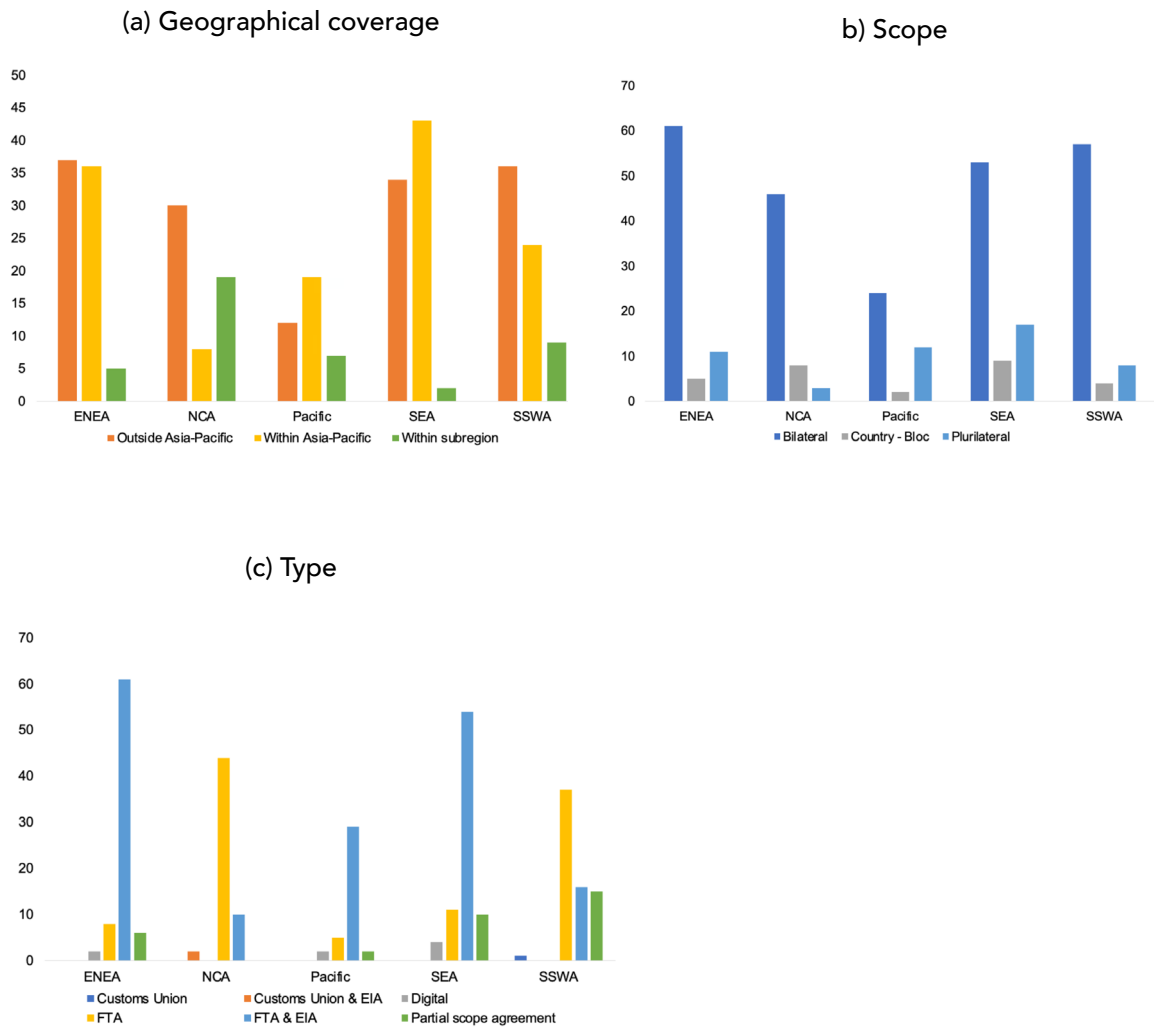
The Asia-Pacific region is the main signatory of DTAs. The three subregions with deep trade agreements, namely the South-East Asia and followed by East and North-East Asia and the Pacific, have engaged in at least one of the seven existing DTAs in the world.⁹ Of these seven DTAs, five are in force, and the newly launched DTAs this year – Singapore-EFTA Digital Economy Agreement and the Republic of Korea-European Union Digital Trade Agreement – are under negotiation. Singapore is at the forefront in negotiating the DTAs, actively participating in more than half of the established DTAs. This highlights the increasing influence of the Asia-Pacific region in crafting the digital trade rules.

The Republic of Korea officially acceded to the Digital Economy Partnership Agreement (DEPA) in 2023 as a first non-founding member of the plurilateral DTA between Chile, New Zealand and Singapore. As the agreement welcomes eligible WTO members, Canada, China and Costa Rica are progressing with the accession procedures, and Peru has submitted a formal request to join. This highlights the increasing prominence of the DTA and the growing size of the DEPA. Moreover, the DEPA's modular approach, where parties can select any of the 16 digital economy modules to implement, could enable more economies to engage, and these policy spaces offer promising prospects in shaping the harmonized digital trade rules and mitigating the risk of creating a new "digital noodle bowl" (ESCAP, UNCTAD, UNIDO, 2023). Notably, while Asia-Pacific economies are expanding the scope of trade agreements, and increasingly focusing on digital trade agreements, the economies of North and Central Asia and South and South-West Asia remain lagging behind (ESCAP, UNCTAD, UNIDO, 2023).

⁹ The seven DTAs comprise five in-force agreements and two pending negotiations. Specifically, the Japan-United States Digital Trade Agreement (DTA) was signed in 2019, followed by the Australia-Singapore Digital Economy Partnership Agreement (DEA) (signed in 2020), Digital Economy Partnership Agreement (DEPA) (signed in 2020), Singapore-United Kingdom DEA (signed in 2022), and the Republic of Korea-Singapore Digital Partnership Agreement (signed in 2022). The Singapore-EFTA DEA launched in February 2023 and Republic of Korea-EU DTA launched in October 2023 are under negotiation. In addition, within the same year, the Republic of Korea-Singapore Digital Partnership Agreement entered into force in January.



Figure 3. Pattern of signed and in force Asia-Pacific PTAs, by subregion

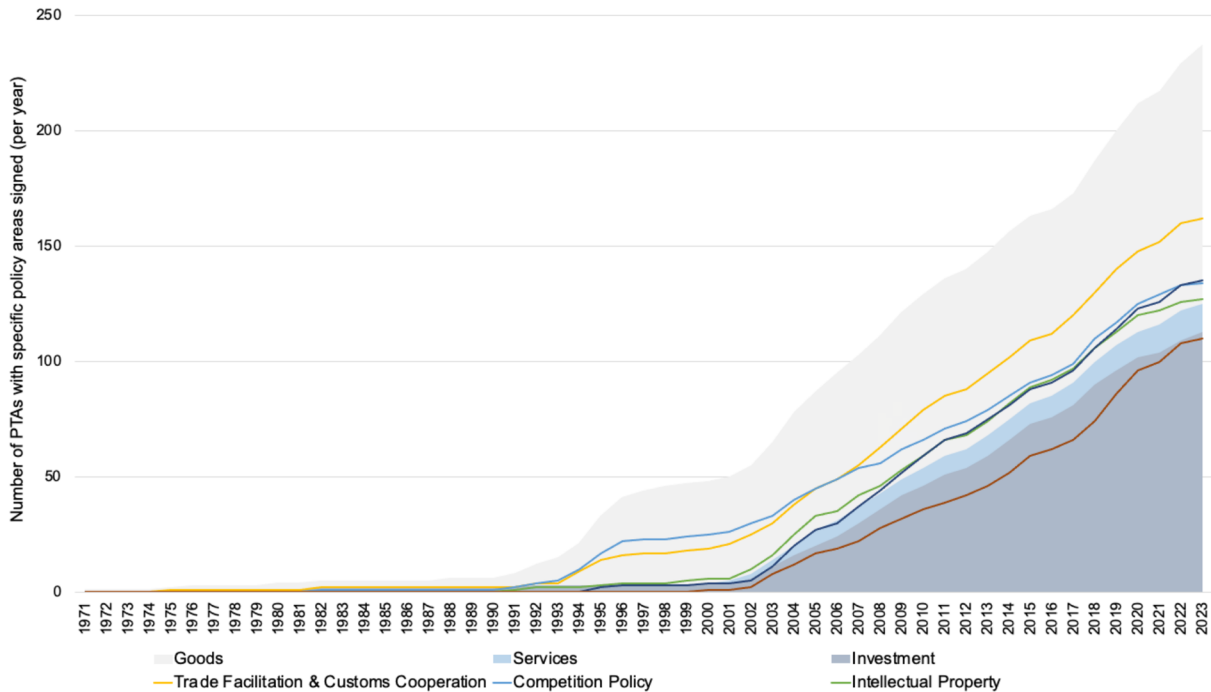


Source: APTIAD (accessed 25 November 2023).

Note: *Not all members shown. The Asia-Pacific subregions include East and North-East Asia (ENEA), the Pacific, South-East Asia (SEA), North and Central Asia (NCA) and South and South-West Asia (SSWA).



Figure 4. Evolution in the policy coverage of Asia-Pacific PTAs, in selected policy areas, 1971-2023



Source: APTIAD (accessed 25 November 2023).

Exploring alternatives to traditional trade negotiations

In parallel, less formal trade negotiations, such as a Memorandum of Understanding (MoU), framework agreements and other variations, have gained prevalence. Their flexible features enable the participation of small economies, creating a level playing field with the advanced economies. For example, the Indo-Pacific Economic Framework for Prosperity (IPEF), a regional economic collaboration, covering economic, social, environmental, and institutional issues (box 1). The framework provides flexibility for economies to choose and engage in any number of the four pillars based on their needs and interests. Fourteen IPEF partner economies involves Fiji, which is the Pacific Small Island Developing State (PIDE), along with other developing and developed economies.

Since 2022, “Digital partnerships” (or the “digital trade principles”) has been enacted as a joint cooperation led by the European Union. Three digital partnerships were launched between the European Union and the three advanced economies in the digital economy, which are Japan, the Republic of Korea and Singapore. Each digital



partnership has different objectives based on the agreed-upon topics. In particular, the first digital trade principle between the European Union and Japan focuses on developing a human-centric and sustainable digital society. This partnership serves as an overarching framework covering various topics, such as semiconductors, high performance computing and quantum technology, artificial intelligence (AI) and online platforms.¹⁰

Another notable development in non-formal initiatives is the expansion of BRICS (Brazil, Russian Federation, India, China and South Africa), representing about 41 per cent of the global population and 24 per cent of the world GDP (BRICS India, 2023).¹¹ Formed in 2006, BRICS promotes trade and economic cooperation among members. In August 2023, BRICS announced its first expansion in 13 years, extending invitations to Argentina, Egypt, Ethiopia, Iran (Islamic Rep. of), the United Arab Emirates and Saudi Arabia to join the bloc; the new members expected to officially join on 1 January 2024. This expansion augments BRICS' economic importance and confirms its ambition to represent the Global South. However, the absence of a formal framework to guide the direction and the diverse political, economic and social backgrounds of the members pose uncertainties for the effectiveness of BRICS in the global economic governance (Daldegan, 2023).

Box 1. Indo-Pacific Economic Framework for Prosperity (IPEF)

Launched on 23 May 2022, the IPEF focuses on four core pillars, which are; (1) fair and resilient trade; (2) supply chains; (3) clean energy, decarbonization and infrastructure; and (4) fair economy, including tax and anti-corruption (United States, 2022).

The primary objective of IPEF is to fortify economic ties, trade alliances and investment opportunities among participating nations within the region. Unlike conventional economic partnerships, IPEF does not include market access, which deals with reducing tariffs. Instead, IPEF is committed to assisting its

¹⁰ For more information about the European Union-Japan Digital Partnership, see https://www.digital.go.jp/assets/contents/node/information/field_ref_resources/b530adc8-3af1-4d9f-af84-6f21af4067af/973dfec5/20220512_news_digital_group_original_02.pdf

¹¹ South Africa was the first economy accepted as a full member at BRICS in 2010.



partner economies in addressing emerging challenges while fostering shared economic interests and capacity development.

The framework agreement consists of 14 partner economies: Australia, Brunei Darussalam, Fiji, India, Indonesia, Japan, the Republic of Korea, Malaysia, New Zealand, the Philippines, Singapore, Thailand, the United States and Viet Nam. Collectively, these IPEF Partner economies contribute significantly, accounting for 40 per cent of the global GDP and representing approximately 60 per cent of the world's population (White House, 2022). One year after its launch, the IPEF announced the substantial conclusion of negotiations for the Supply Chain Agreement on 31 May and the Clean Economy Agreement and Fair Economy Agreement on 16 November (United States, 2023a; United States, 2023b). This marks the tangible outcomes of the IPEF, showcasing notable progress within a year.

Despite the progress, uncertainties continue to surround the final framework of the trade pillar, emphasizing labor, trade facilitation, regulatory practices, agriculture, and the digital economy with legally binding commitments. The omission of market access considerations makes it less appealing to prospective members (Natalegawa and Poling, 2022). As of December 2023, members have still not arrived at a substantial conclusion in this area.

Furthermore, it was previously expected that IPEF would lead to the creation of high-standard rules, as in CPTPP, for the digital economy among the IPEF member States. However, the potential of IPEF in lifting up standards of digital trade negotiations has been facing uncertainties after the United States withdrawal of its support to the e-commerce JSI proposal that prohibit national requirements for data localization and source code disclosure.



3. Sustainable development and digital provisions

The inclusion of sustainable development and digital provisions have been increasingly common in comprehensive trade agreements. Sustainable development is a broad concept covering a wide range of economic, social and environmental issues as reflected in the 17 Sustainable Development Goals (SDGs) (ESCAP, 2022). In Asia and the Pacific, the sustainable development-related provisions concerning SMEs, health and environment have been found in the early agreement since the 1990s. More dimensions of sustainable development provisions, including labour protection, human rights and genders subsequently emerged in the 2000s. Specifically, the first agreement explicating using the term “sustainable development” is the Singapore-United States PTA signed in 2003.¹²

Following the establishment of sustainable development provisions, digital (e-commerce) provisions have subsequently been formed since the 2000s. The New Zealand-Singapore Closer Economic Partnership Agreement (CEPA) was the world’s first substantive digital provision. A dedicated chapter focusing on digital was developed later in 2003,¹³ and in 2019 the first stand-alone digital trade agreement (DTA) between Japan and United States was signed, marking a significant trend towards the comprehensive development of digital provisions.

The trend of trade agreements addressing sustainable development and digital has accelerated since 2003. As of November 2023, there were 135 PTAs with sustainable development provisions, 110 PTAs with digital (e-commerce) provisions and five stand-alone DTAs, out of the 240 signed and in-force agreements, respectively (figure 5). Similar to the regional pattern, East and North-East Asia, and South-East Asia actively engage in both sustainability and digital provisions. These two subregions contribute to more than 60 per cent of the total signed and entry into

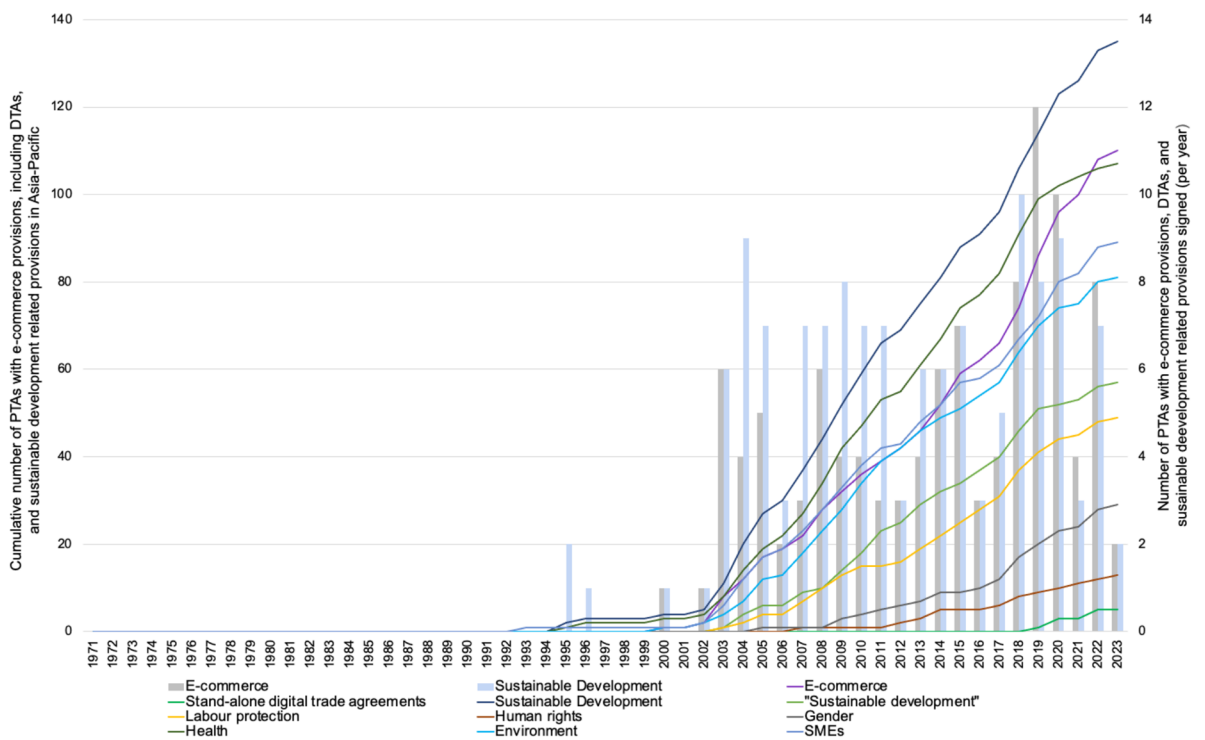
¹² For the purpose of analysing sustainable development provisions in PTAs, ESCAP considers provisions explicitly mentioning the term “sustainable development” as well as provisions related to six non-trade sustainable development-related topics, which are human rights, health, SMEs, labour protection, gender and environment. See Malingrey and Duval, 2022 for more details.

¹³ The Australia-Singapore PTA signed February 2003 is the first Asia-Pacific trade agreement comprising a dedicated e-commerce chapter.



force agreements in these areas.¹⁴ Nonetheless, North Asia and Central Asia have the least participation in these areas, accounting for less than 10 per cent of the total PTAs incorporating sustainable and digital provisions.

Figure 5. Development of sustainable development and digital provisions in Asia-Pacific PTAs, 1971-2023



Source: APTIAD (accessed 25 November 2023).

The coverage and level of commitments vary across sustainable development and digital provisions. Health provisions are widespread, found in more than 100 PTAs due to the proliferation of SPS provisions, while other social issues provisions, such as gender and human rights are less common, appearing in only 29 and 13 signed and in force PTAs, respectively. Provisions related to SMEs and the environment are more

¹⁴ For PTAs with digital (e-commerce) provisions, East and South-East Asia have signed 30 per cent and 36 per cent of the total signed and entry into force agreements, respectively. The Pacific has engaged in 19 per cent, followed by South-West Asia (8 per cent) and North and Central Asia (7 per cent). In addition, for PTAs with sustainable development provisions, East and North-East Asia, and South-East have contributed 32 per cent and 31 per cent, respectively, followed by the Pacific (17 per cent), South-West Asia (15 per cent) and North and Central Asia (7 per cent).



commonly covered in the Asia-Pacific trade negotiations found in 80 or more of the signed and in force agreements. In most cases, sustainability provisions are limited in terms of enforceability, often failing under a general mention recognizing the importance of trade for sustainable development, and often do not create binding obligations for parties (ESCAP, 2022).¹⁵

On the other hand, dedicated e-commerce chapters are more frequently constructed, increasing to 77 chapters of the 110 PTAs with e-commerce provisions within a decade. In examining e-commerce agreements and DTAs, a significant overlap in the elements across the agreements is observed, particularly in DEAs (ESCAP, UNCTAD, UNIDO, 2023). However, there is considerable variation in the level of commitments and policy spaces. Comprehensive digital provisions associated with binding obligations are notably present in agreements participated by advanced economies, such as New Zealand-United Kingdom and Singapore-United Kingdom DEA, followed by Australia-Singapore (upgraded), the Republic of Korea-Singapore DPA, Australia-Peru, the Trans-Pacific Partnership Agreement (TPP)¹⁶, and mega trade agreement, the CPTPP. The digital chapters in these agreements have covered more than 50 digital trade-related areas with a greater number of binding commitments (figure 6).¹⁷

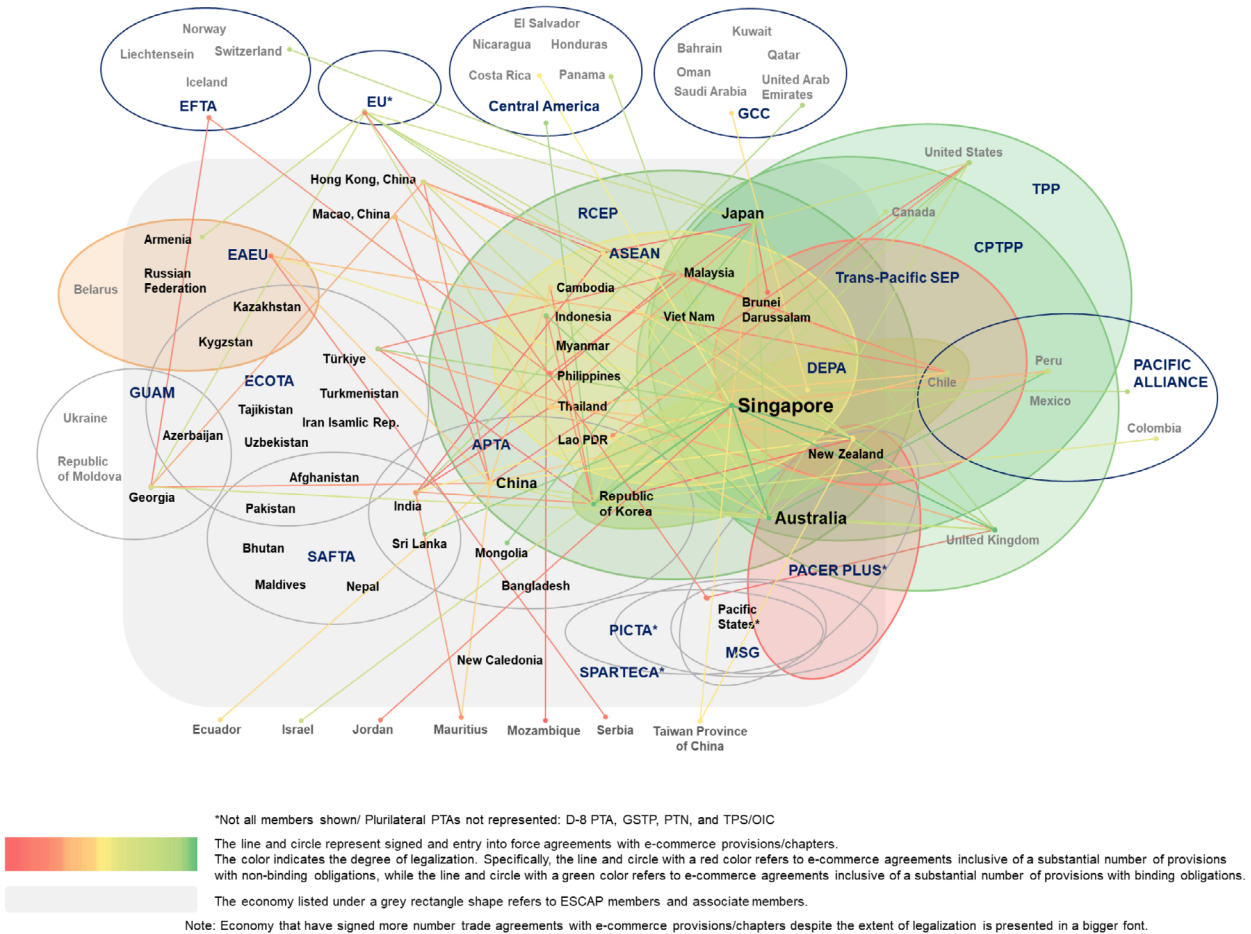
¹⁵ For more information about the sustainable development provisions and PTAs options for negotiators to enhance the contribution of trade to inclusive and sustainable development, see the Handbook on Provisions and Options for Inclusive and Sustainable Development in Trade Agreements, available at <https://hdl.handle.net/20.500.12870/5757>

¹⁶ The TPP was signed by 12 Pacific-rim economies in 2016, i.e., 11 CPTPP members and the United States. The United States withdrew from the Agreement, and in January 2018 negotiators were concluded on the CPTPP. For more information, see <https://www.mfat.govt.nz/en/trade/free-trade-agreements/free-trade-agreements-concluded-but-not-in-force/trans-pacific-partnership-agreement-tpp/>.

¹⁷ Binding commitments means the use of hard legalization, i.e., binding language safeguards the enforceability of the agreements that the parties will subject to dispute settlement mechanisms. In contrast, a non-binding approach gives the parties greater flexibility to address certain issues.



Figure 6. Noodle bowl of digital PTAs with the level of commitment



Source: APTIAD and TAPED (accessed 25 November 2023).

Note: *Not all members shown. The line and circle represent signed and entry into force agreements with e-commerce provisions/chapters. The colour indicates the degree of legalization. Specifically, the line and circle with a red color refers to e-commerce agreements inclusive of a substantial number of provisions with non-binding obligations, while the line and circle with a green colour refers to e-commerce agreements inclusive of a substantial number of provisions with binding obligations. The economy in the grey rectangle shape refers to ESCAP members and associate members. Economies that have signed a greater number of trade agreements with e-commerce provisions/chapters despite the extent of legalization is presented in a bigger font.



4. Trade with PTA partners

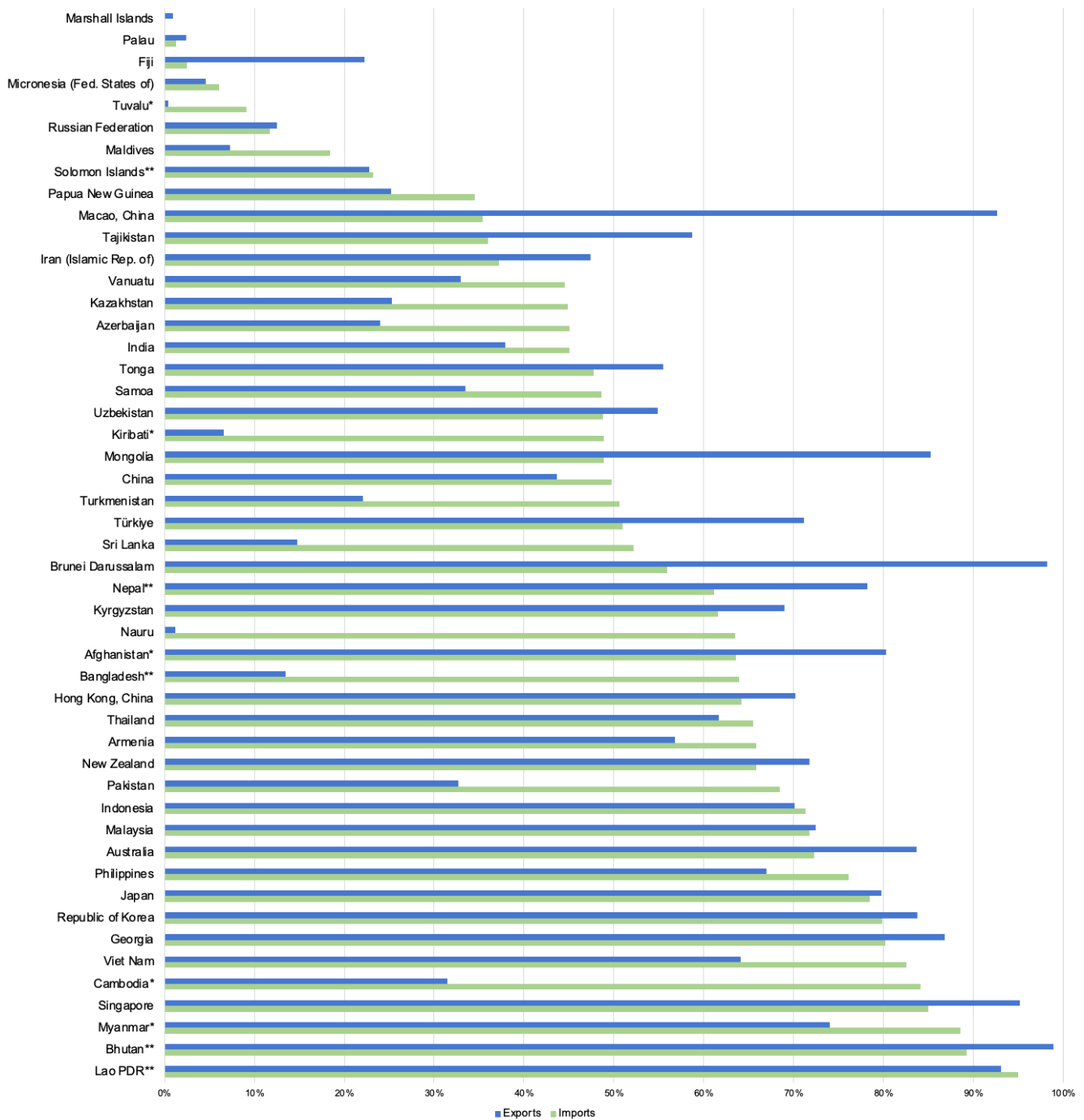
The share of Asia-Pacific trade has increased in line with the growing number of PTAs. By 2022, on average, exports to PTA partners accounted approximately for 49 per cent of the Asia-Pacific region's exports to the world, and imports from PTA partners amounted to 53 per cent of the total imports. Trade covered by PTA partners varies considerably across the subregions. South-East Asia, and East and North-East Asia on average exhibit higher exports and imports with their partners, surpassing 55 per cent due to numerous of in force PTAs. Notably, these subregions involve advanced economies, including Singapore, the Republic of Korea and Japan, which tend to have larger shares of trade conducted with PTA partners, highlighting their actively focused on negotiating deals with dominant trade and investment partners over the years.

Figure 7 shows that Bhutan (98.9 per cent), Brunei Darussalam (98.2 per cent), and Singapore (95.2 per cent) lead in exports, while Tuvalu (0.4 per cent), Marshall Islands (0.9 per cent) and Nauru (1.2 per cent) have the least exports. Land-locked least developed countries (LDCs), such as Bhutan, the Lao People's Democratic Republic and Nepal, frequently have preferential arrangements with neighbouring economies which often serve as their few or only export destinations (figure 7). Other LDCs and PIDES generally benefit from preferential tariffs and related measures, such as Duty-Free Quota-Free (DFQF) market access. Specifically, these economies, such as Bangladesh, Kiribati, Marshall Islands and Tuvalu, have lower export shares with their PTA partners as they benefit from preferential tariffs. Yet, trade with PTA partners is probably significantly greater than the portion of trade with PTA partners that benefited from preferential tariffs and other measures (ESCAP, 2022).

Concerning imports, Pacific Island economies and least developed economies, such as Nauru, Cambodia, Bangladesh and Kiribati, have significantly stronger shares of imports than exports with PTA partners, suggesting strong trade imbalances that cannot be addressed using existing agreements. In particular, the Lao People's Democratic Republic (95 per cent), Bhutan (89 per cent) and Myanmar (88 per cent) have the highest import shares with their partners, while the Marshall Islands have the lowest at 0.1 per cent.



Figure 7. Shares of trade with partners of the in-force PTAs in 2022



Source: IMF DOTS and APTIAD (accessed 25 November 2023).

Note: Only reciprocal PTAs in force are included; * refers to LDCs; ** refers to graduating LDCs.



5. Conclusion

The Asia-Pacific preferential trade agreements contribute to approximately half of the PTAs worldwide. East and North-East Asia, and South-East Asia actively contribute to the increasing size of the regional noodle bowl and high trade shares with their PTA partners. Alongside the growing number of PTAs, memberships of ASEAN, CPTPP, RCEP, and DEPA, tend to expand with the expected accession or successfully acceded by the new members. The proliferation of trade agreements continues to become more extensive and to encompass various aspects beyond trade, including sustainable development and digital economy.

Looking ahead, the landscape of PTAs tends to be increasingly more complex to cover a variety of agreement types, nature and topics. In response to the growing digital economy, new negotiation topics addressing digital will rise. Digital and sustainable development-related provisions are expected to be incorporated into newly negotiated or upgraded agreements. In addition, less formal trade initiatives, such as the IPEF and digital partnerships, are on the rise, setting a pathway towards regulatory harmonization among the like-minded memberships.



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