A COMPLETE GUIDE TO THE REGIONAL TRADE AGREEMENTS OF THE ASIA-PACIFIC

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MARCH 2001

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REGIONALISATION AND FREE TRADE

REGIONAL INTEGRATION AND THE MULTILATERAL TRADING SYSTEM: BUILDING BLOCS OR STUMBLING BLOCS?

The issues surrounding RTAs are of special relevance to APEC, since many member economies are either participating in an existing RTA or are negotiating one (or both). The important questions one must ask are: do RTAs impede or facilitate the move towards a multilateral trading system anchored to the principle of (trade) non-discrimination? If they are an impediment, under what conditions can they be made instruments of multilateralism? To be succinct, how can we reform the rules (GATT) so that regionalism complements multilateralism?

INTRODUCTION

During the second half of the 1990's, trade liberalisation and the pursuit of global free trade underwent a metamorphosis. The political momentum shifted away from what was seen by some nations as the painstakingly slow process of multilateral tariff negotiations to smaller regional and bilateral arrangements – the Regional Trade Agreement.

Regional Trade Agreements (RTA) are not a new means of trade liberalisation; historically, whenever multilateral trade negotiations broke down, bilateral and plurilateral free trade agreements have filled the void. Such strategic trade arrangements have enabled many states, both past and present, to move towards freer trade at their own pace, and for their own benefit.

So is the recent proliferation of RTAs merely an interim policy measure, acting only (to borrow from a popular metaphor), to 'keep the bicycle moving' or has the process of trade liberalisation switched over to a new vehicle all together, forever?

FREE TRADE AND MULTILATERAL TARIFF REFORM

Tariff liberalisation has been a central focus of international negotiations for the past 50 years. Since WWII, there have been 8 rounds of multilateral trade negotiations as well as the beginning of a new round – the abandoned November 1999 Seattle WTO meeting. Despite a recent slowdown, these multilateral rounds have played a major role in cutting tariffs in the postwar period – from an average of around 40 per cent to 3.8 per cent on industrial goods in developed countries.[i]

By opening up world markets, the General Agreement on Tariffs and Trade (GATT) and subsequent World Trade Organisation (WTO) have been major factors in an eighteen-fold growth in international trade since the second world war.

PREFERENTIAL TRADE AGREEMENTS

Around 50 per cent of world trade is currently carried out under preferential trade agreements. Preferential trade is growing at a faster rate than global trade – between 1993 and 1997, preferential trade grew at 66 per cent while global trade grew at 34 per cent.[ii] The spread of RTAs has given rise to concerns that such selective trade arrangements will undermine the benefits of global tariff reform and entrench trading blocs rather than free trade.

The different types of RTA pose different challenges to global free trade. Essentially, though, RTAs have the same effect: by discriminating against non-members the agreements construct tariff barriers against the most efficient movement of trade.

THE DIFFERENT TYPES OF REGIONAL TRADE AGREEMENTS

By definition, RTAs are agreements whereby members accord preferential treatment to one another in respect to trade barriers. RTAs vary in terms of the level of integration amongst participating nation-states, and so can be described by a number of different categories.

At the most basic level, Preferential Trading Agreements (PTAs) lower trade barriers among members. Such preferential trade is usually limited to a portion of actual trade flows, and is often non-reciprocal. While some PTAs are in origin a political expression of desired closer economic relations, they can act as a catalyst to eventual free trade amongst participants. PTAs are also employed to help developing nations gain access to a larger export market, and therefore greater economic development. An example of such an agreement is the Papua New Guinea – Australia Trade and Commercial Relations Agreement (PATCRA II) that has been in effect since 1977.

A Free Trade Agreement/Area (FTA) is a reciprocal arrangement whereby trade barriers (usually tariffs) between participating nations are abolished. However, each member determines its' own external trade barrier against non-FTA members independently. Most commonly, barriers to trade are reduced over time and in most cases, not all trade is completely free of national barriers. A prominent example of a FTA is the North American Free Trade Agreement (NAFTA).

The next level of economic integration is the Custom Union. In a Customs Union, all participating nations adopt a common external trade policy (e.g. common external tariff regime or CET). The Common Market of the Southern Cone - Mercosur – represents such an arrangement.

Although there are none amongst the nations of the Asia-Pacific, Common Markets and Economic Unions such as the European Union adopt further integration measures to facilitate the free movement of labour and capital, as well as the harmonisation of independent national policies. However, as you will see from the RTA reports, many APEC nations have trade relationships with such blocs, and are currently seeking further economic integration with them as a means around their external tariff barriers.

THE POLITICAL ECONOMY OF TRADE REFORM

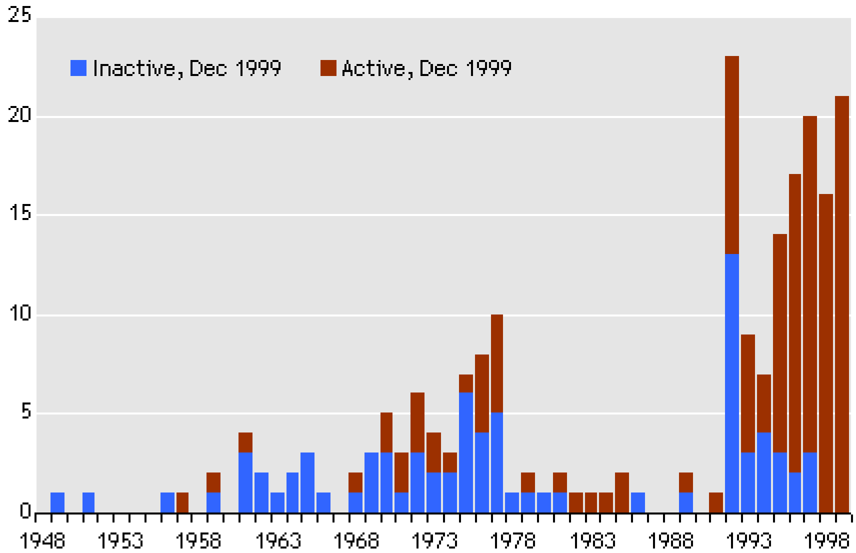
In the complex environment of international trade liberalisation, politics and economics operate hand-in-hand. Ultimately, trade ministers and political leaders are held accountable by their domestic constituencies for any perceived disadvantages suffered as a result of tariff reform.

The concept of ‘comparative advantage’ underpins the economic logic of multilateral trade reform by dictating that under global free trade, production will be shifted to the most efficient producers. However, as all economic efficiency is relative, there is little incentive to lower tariff barriers against your competitors without them following suit. In addition, domestic industries such as agriculture are often concentrated geographically, and so pose a significant political threat under an electoral system of government. Political concerns, as has proven time and again, often outweigh those economic. ‘Negotiated liberalisation’ amongst strategic trade partners has thus turned out to be far more feasible than unilateral or multilateral trade liberalisation.

So what role do Regional Trade Agreements play? RTAs may not always be beneficial to the global economy, but they are both beneficial and logical in a domestic sense. As a result, the proliferation of RTAs is, from a political-economic point of view, best practice.

THE RISE AND RISE OF THE RTA

The number of RTAs notified each year 1948-1999



<u>Source</u>: World Trade Organisation – Regionalism: Facts and Figures www.wto.org

TRADE CREATION VS TRADE DIVERSION

“Despite a world theoretically committed to free trade, regional trade blocs have proliferated.” Dennis Kennedy[iii]

The jury is still out on whether RTAs ultimately lead to an improvement in global economic welfare. Earlier analyses of the costs and benefits of preferential trade agreements concluded that welfare gains, in effect, result from a positive balance between trade creation and trade diversion. This is incredibly difficult to measure, and can only be assessed some years after an agreement. Often, such analyses result in ambiguous economic conclusions; however, these trade partnerships do produce further political associations.

Trade agreements encourage economic and political integration, which in turn acts to increase the level of trade. This is because trade agreements are complemented by other areas, (such as Foreign Direct Investment and Services trade), that require participating nations to harmonize industry practices and government legislation in an effort to facilitate trade; such Trade Facilitation results in further integration.

At the same time, preferential trade agreements usually prevent the more efficient producers from competing on a level playing field. Such strategic partnerships are often for development purposes, but nevertheless, impede an efficient division of labour via comparative advantage.

In short, the welfare gain or welfare loss resulting from a new RTA can be deduced by comparing the level of trade creation with that of trade diversion.

FREE TRADE VS TRADE BLOCS

In principle, trade blocs run counter to the ethos of the GATT and the WTO. Preferential trade agreements at once violate the GATT's operative principle of non-discrimination, and provide the potential to speed up the process towards free trade by enabling groups of states to move together, rather than multilaterally.

The growth in regional integration could potentially strengthen the multilateral system, provided that RTAs operate in accordance with GATT principles.

RTA's AND GATT/WTO PRINCIPLES

Perhaps the important principle underpinning the WTO rules is the Most Favoured Nation principle (MFN). However, despite its importance, MFN compliance is also the most contentious topic amongst WTO nations. MFN – as advised by section XXIV of the GATT - decrees that all trading partners must be treated equally (non-discrimination). Grant someone special treatment (such as lower customs duty for one product) and you will have to do the same for all other WTO members.

Some exceptions to the MFN principle are allowed, such as the formation of RTAs. The WTO recognises the value of closer economic integration amongst economic allies through freer trade in goods and services. It therefore permits special arrangements for economic integration, provided that certain criteria are met. These criteria are:

<u>For trade in goods</u>

1. Members of a RTA are not permitted to raise trade barriers (both tariff and non-tariff) against non-members
2. Members of a RTA must eliminate, rather than lower, *substantially* all trade barriers among themselves

3. Members must achieve free trade among members by a certain date.

<u>For trade in services</u>

1. The RTA must have substantial sectoral coverage in terms of the number of services sectors and volumes of trade.
2. Members of a RTA must eliminate existing discriminatory measures and/or prohibit new or more discriminatory provisions in these services sectors.

Despite these obligations, no clear stance has been taken against RTA's in violation of the GATT (most of them). In the absence of any new multilateral rules, regionally negotiated legislation has begun to replace the MFN principle.

In conclusion, an answer to the question of how best to deal with RTA's within a system of multilateral tariff reform may well lie in shifting our focus. The debate needs to move from whether GATT obligations have been met, to determining what is happening in the practice of these RTA's, and what the economic consequences will be.

AFTA:

Trade Agreement Type

Free Trade Area

Participating Nations

Brunei Darussalam, Indonesia, Lao People's Democratic Republic, Malaysia, Myanmar, Philippines, Singapore, Thailand and Vietnam.

Notes

The ASEAN region has a population of about 500 million, and a combined gross domestic product of US $737 billion, with total trade amongst ASEAN members reaching US $720 billion in 1999. (1)

Negotiations

The ASEAN Heads of State and Government decided to establish an ASEAN Free Trade Area or AFTA in 1992. The AFTA involves phasing all intra-regional tariffs down to between 0-5 per cent (over a 15-year period) for most manufactured products as of January 1st 1993. All tariff reductions are made via a common effective preferential tariff (CEPT) mechanism, with allowances for fast-track tariff cuts and temporary and permanent exclusions. Although originally scheduled for 2008, the target of a free trade area in ASEAN was continuously moved forward. AFTA will now be fully completed by 2002. The new members of ASEAN have up to 2006 (Vietnam), 2008 (Laos and Myanmar) and 2010 (Cambodia) to meet this deadline. (2)

By the end 2000, 83% of all tariff lines in ASEAN had been liberalised. When the AFTA was launched in 1993, the average tariff amongst ASEAN countries was 12.75%. By the end of 2000, that had come down to 3.75%. (3)

Member countries are working towards the total elimination of all import duties on all products by 2015 for the six original ASEAN Member countries and 2018 for the newer members. (2)

Economic Data

ASEAN's exports grew by 6.4 percent between 1998 and 1999, from US $322.8 billion in 1998 to US $343.4 billion in 1999. Similarly, ASEAN imports grew from US $268.8 billion in 1998 to US $281.8 billion in 1999. (1)

However, intra-ASEAN trade declined by 5.6 percent, from US $33.4 billion in the first half of 1998 to US $ 31.5 billion in the first half of 1999. (1)

Source: Public Information Unit, The ASEAN Secretariat Jakarta, www.asean.or.id (1)

Source: 'ASEAN FTA UPDATE', ASEAN Secretariat www.asean.or.id (2)

Source: East Asia Analytical Unit, DFAT www.dfat.gov.au (3)

AFTA-CER:

Trade Agreement Type

Bilateral Free Trade Agreement between a bilateral Free Trade Area (CER) and a Plurilateral Free Trade Area (AFTA)

Participating Nations

Australia, Brunei Darussalam, Indonesia, Lao People's Democratic Republic, Malaysia, Myanmar, New Zealand, Philippines, Singapore, Thailand and Vietnam

Notes

The ASEAN region has a population of about 500 million, and a combined gross domestic product of US$737 billion, with total trade amongst ASEAN nations reaching US $720 billion in 1999. (1)

The Closer Economic Relations (CER) between Australia and New Zealand represents a combined market of over 24 million people with a combined GDP of $US 640 billion. (3)

A Free Trade Agreement between AFTA and CER would represent a total market of about 524 million people and a combined GDP of almost US $1.38 trillion.

Negotiations

Since its inception in 1995, the linkage between Australian and New Zealand Closer Economic Relations (CER) and the ASEAN Free Trade Area (AFTA) has expanded to promote trade facilitation.

In October 1999, Ministers from ASEAN and CER agreed to look into further integrating trade and investment between the two regional groups, and discussed the plausibility of a Regional Trade Agreement. To this end, the AFTA-CER Free Trade Area Task Force was established. At the inaugural meeting of the task force in February 2000, it was agreed that any FTA should be comprehensive in scope, and cover all trade in goods, services and investment.

The scenario modelled is for a free trade area between members of AFTA and CER with zero tariffs on goods and services by 2005.

Opposition from Malaysia, Thailand and the Philippines remains an obstacle to linking CER to AFTA. (2)

Economic Data

The gains from forming an AFTA-CER free trade area are estimated to be US $48.1 billion of GDP (in net present value terms over the period 2000 to 2020). The gains are US $25.6 billion for AFTA, and US $22.5 billion for CER of which New Zealand gains US$3.4 billion. The gains rise through time reaching around 0.3 per cent of additional GDP by 2010 for both AFTA and CER. (1)

For AFTA as a whole the gain in real welfare is 1 per cent above what it would otherwise be in 2005 and for the CER the corresponding gain in welfare is over 0.6 per cent. (1)

Source: 'Economic benefits from an AFTA-CER free trade area - Year 2000 study' www.dfat.gov.au (1)

Source: The Australian, 'Canberra almost a wallflower at free trade dance', by Florence Chong, 16/11/00 www.news.com.au (2)

Source: The Lonely Planet World Guide www.lonelyplanet.com/destinations

ANDEAN COMMUNITY:

Trade Agreement Type

Customs Union

Participating Nations

Bolivia, Colombia, Equador, Peru, Venezuela

Notes

The Andean community Customs Union caters for almost 112 million people with a combined GDP of US $650 billion. (2)

Negotiations

Originally founded 1969, the agreement was revised 1989 in an effort to effect closer economic integration amongst member nations.

In 1992, Colombia and Venezuela established a bilateral free trade area and customs union. Ecuador failed to join the customs union in July 1992 as scheduled, but signed FTAs with Colombia and Venezuela in October 1992 and February 1993, respectively. Bolivia announced the elimination of tariffs on manufactured goods imported from Colombia, Venezuela, and Ecuador in October 1992 and maintains FTAs with all three countries. Free trade between Bolivia, Colombia, Ecuador, and Venezuela has been in effect since February 1993, when virtually all intra-regional tariffs were removed. Peru suspended its participation in1992 but signed FTA with Bolivia and negotiated provisional agreements--providing duty-free treatment on a limited range of goods--with Colombia, Ecuador, and Venezuela.

A CET was implemented on 1 February 1995 with Colombia, Ecuador, and Venezuela acceding to a four-tier external tariff structure of between 5 and 20 percent. To prevent Lima's withdrawal, the Community agreed in mid-1997 to exempt Peru from the common external tariff, to give Lima until the year 2005 to reintegrate fully into the Community's free trade area.

The Trujillo Act, signed in March 1996, renamed the Andean Pact as the Andean Community and mandated institutional reforms intended to promote cooperation in the political realm, make the economic integration process more dynamic, and facilitate negotiation with other trade blocs. (1)

Currently, negotiations within the Andean Community have centered on the harmonization of macroeconomic and agricultural policies to develop a common market and establish free trade in services. (1)

Economic Data

In 1999, total intra-regional trade amounted to US $5.1 billion. (1)

Sources: IMF Direction of Trade Statistics for Latin American and Canadian Trade; US Bureau of the Census for US Trade. (1)

Source: The Lonely Planet World Guide www.lonelyplanet.com/destinations (2)

ANDEAN COMMUNITY-MERCOSUR:

Trade Agreement Type

Bilateral Free Trade Area between two Customs Unions

Participating Nations

Argentina, Bolivia, Brazil, Colombia, Equador, Paraguay, Peru, Uruguay, Venezuela

Notes

The Andean Community Customs Union caters for almost 112 million people with a combined GDP of US $650 billion. (2)

Mercosur represents a market of 215 million and a total GDP of US $1.44 trillion. (1)

A Free Trade Agreement between the Andean Community and Mercosur represents a market of 327 million people and a total GDP of almost US $2.1 trillion.

Negotiations

A Framework Agreement for the creation of a Free Trade Area between the Andean Community and Mercosur was signed on April 16th 1998. This Agreement initiated free trade on a limited number of exports, and set out a timeline for the further liberalisation. (3)

On the 30th of September 1998, the Andean Community and Mercosur negotiated the tariff liberalisation of an extended range of export goods, as well as an updated timeline for the achievement of free trade in goods. (3)

Between October 1st 1998 and December 31st 1999, both the Andean Community and Mercosur eliminated tariffs on all export goods. (3)

On January 1st 2000, the Andean Community and Mercosur announced the achievement of a comprehensive Free Trade Area. (3)

Economic Data

In 1999, total two-way trade between Mercosur and the Andean Community amounted to almost US $4.6 billion. (4)

Source: Embassy of the Argentine Republic, Washington, D.C. (1)

Source: The Lonely Planet World Guide www.lonelyplanet.com/destinations (2)

Source: SICE – Foreign Trade Information System – Organisation of American States www.sice.oas.org (3)

Source: Direction of Trade Statistics Yearbook 2000, published by the International Monetary Fund, Geneva 2000 (4)

CACM-CHILE:

Trade Agreement Type

Bilateral Free Trade Agreement between a plurilateral Free Trade Area (CACM) and a single nation-state

Participant Nations

Costa Rica, Chile, El Salvador, Honduras, Guatemala, Nicaragua

Notes

The CACM represents a market of 32 million people, with an internal trade turnover of US $2 billion in 1998. The combined GDP of CACM states in 1998 was US $44 billion. (1)

Chile has a population of 15 million people and a GDP of $US 184 billion. (2)

The FTA between the CACM and Chile represents a market of 47 million people with a total GDP of $US 228 billion. (2)

Negotiations

The FTA between the CACM and Chile was signed in 1999. (1)

Economic Data

In 1999, total two-way trade between CACM member nations and Chile totaled US $122 million. (3)

In 1999, Chile's exports to the CACM amounted to US $92 million, whilst the CACM exported US $30 million worth of merchandise goods to Chile. (3)

Source: Foreign Trade Barriers Report 2000,' United States Trade Representative, Department of Commerce www.doc.gov (1)

Source: The Lonely Planet World Guide www.lonelyplanet.com/destinations (2)

Source: Direction of Trade Statistics Yearbook 2000, published by the International Monetary Fund, Geneva 2000 (3)

CANADA-ISRAEL:

Trade Agreement Type

Bilateral Free Trade Agreement

Notes

The CIFTA represents a market of 37 million people and a total GDP of US $794 billion. (2)

Negotiations

The Canada-Israel Free Trade Agreement (CIFTA) has been in effect since the 1st of January 1997. (1)

Tariffs have been removed from most industrial goods and duty-free access or low duties are applied to a variety of agricultural products exported by both countries. Negotiations have begun to expand free trade benefits over a wider range of products in the agricultural sector. (1)

Economic Data

Two-way trade between Canada and Israel reached a record US $650 million in 1998, an increase of 30% since the CIFTA was implemented in 1997. (1)

Source: Press Release 'Canada and Israel Mark Second Anniversary of CIFTA' February 28, 1999 Canadian Department of Foreign Affairs and International Trade www.dfait-maeci.gc.ca

Source: The Lonely Planet World Guide www.lonelyplanet.com/destinations (2)

CANADA-SINGAPORE:

Trade Agreement Type

Bilateral Free Trade Agreement

Notes

A free trade agreement between Canada and Singapore would cover a combined market of 35 million people with a total GDP US $806 billion. (3)

Negotiations

A Joint statement between the respective trade ministers was made at the APEC Trade Minister's Meeting in Darwin in June 2000. In the statement, the two trade ministers expressed a mutual interest in negotiating a bilateral FTA. Exploratory talks between officials were held in Singapore from 2-3 October 2000. (2)

Economic Data

Current trade between Singapore and Canada is worth around US $1.6 billion. (1)

In 1999, Canada exported $US 367 million in goods to Singapore and imported US $1.2 billion. (1)

In 1998, the main Canadian exports to Singapore were Information Technology (IT) parts, cobalt, turbo-jets/turbo-propellers, newsprint and nickel. Parts for information technology and telecommunications equipment are, by far, the most significant imports from Singapore.

Globally, Singapore is the third largest exporter and importer of IT and telecommunications equipment. (2)

Source: Department of Foreign Affairs and International Trade, Canada, 1999 www.dfait-maeci.gc.ca (2)

Source: FTA Index, Ministry of Trade and Industry, Singapore, www.mti.gov.sg (1)

Source: The Lonely Planet World Guide www.lonelyplanet.com/destinations (3)

CER:

Trade Agreement Type

Bilateral Free Trade Area

Participating Nations

Australia and New Zealand

Notes

The Free Trade Area between Australia and the New Zealand covers almost 24 million people with a combined GDP of US $640 billion. (2)

Negotiations

The CER Agreement was built on a series of preferential trade agreements between Australia and New Zealand that had resulted in the removal of tariffs and quantitative restrictions on 80 per cent of trans-Tasman trade. In March 1980 the concept of "closer economic relations" between Australia and New Zealand was introduced by a joint Ministerial communique. The essence of this policy proposal was to capitalize on the close political relationship, and historical partnership, between Australia and New Zealand. By harmonizing the two economies, 'Closer Economic Relations' would deliver a mutually beneficial economic partnership. The CER Agreement took effect on 1 January 1983. It provided for the establishment of free trade in goods (those meeting CER rules of origin) between Australia and New Zealand. (3)

The first general review of CER in 1988 resulted in the signing of three protocols, which in turn accelerated the process of tariff liberalisation in the trade of goods, established 'best practice' quarantine procedures and brought trade in services under the CER Agreement. (3)

A 1992 general review updated the list of services exempt from the CER Protocol on Trade in Services and clarified the CER Rules of Origin. (3)

The 1995 review focused on advancing trade facilitation issues, including removing all remaining regulatory impediments to trade. (3)

The CER Agreement is widely recognised as one of the most comprehensive and WTO compatible bilateral RTA's in existence today, and the first to include free trade in services. (3)

Economic Data

Since the CER was established in 1983, the value of bilateral trade between Australia and New Zealand has increased more than 400 per cent. (1)

In 1999, two-way merchandise trade between Australia and New Zealand was worth almost US $6.86 billion. Australia exported almost US $4.2 billion of goods to New Zealand, while New Zealand accounted for nearly US $2.7 billion. (4)

Source: 'Trade Outlook and Objectives Statement 2000.' Department of Foreign Affairs and Trade www.dfat.gov.au (1)

Source: The Lonely Planet World Guide www.lonelyplanet.com/destinations (2)

Source: 'CER – A Background Guide to the Australia New Zealand Economic Relationship' DFAT paper February 1997 www.dfat.gov.au (3)

Source: Direction of Trade Statistics Yearbook 2000, published by the International Monetary Fund, Geneva 2000 (4)

CER-MERCOSUR:

Trade Agreement Type

Bilateral Free Trade Agreement between a Customs Union (Mercsour) and a bilateral RTA (CER)

Participating Nations

Argentina, Australia, Brazil, New Zealand, Paraguay, Uruguay

Notes

The CER Free Trade Agreement represents a market of 24 million people with a combined GDP of US $640 billion. (2)

Mercosur represents a market of 215 million people with a total GDP of US $1.4 trillion. (2)

A Free Trade Agreement between Mercosur and CER would therefore create a combined market of 239 million people and a total GDP of over US $2 trillion. (2)

Negotiations

Ministers from member economies of both CER and Mercosur met for the first time in June 1997 to discuss international trade policy developments and to facilitate trade and investment links between the two regions. Developments since then have been slow, reflecting Mercosur's preoccupation with the Free Trade Area of the America's (FTAA), and its relations with the EU and regional countries. (1)

Economic Data

In 1999, two-way trade between CER countries and the member states of Mercosur totaled US $722 million. The total value of the combined exports of Australia and New Zealand to Mercosur was US $370 million. The total value of exports from Mercosur countries to Australia and New Zealand was US $352 million. (3)

Source: Statement to the Press, 2000, Department of Foreign Affairs and Trade www.dfat.gov.au (1)

Source: The Lonely Planet World Guide www.lonelyplanet.com/destinations (2)

Source: Direction of Trade Statistics Annual Yearbook, 2000; published by the IMF, Geneva 2000 (3)

CHILE-CANADA:

Trade Agreement Type

Bilateral Free Trade Agreement

Notes

The Free Trade Agreement between Canada and Chile represents a market of over 36 million people with a combined GDP of US $905 billion. (3)

Negotiations

Agreement signed in November 1996, went into effect July 1997.

The agreement specifies the immediate elimination of tariffs on almost 80 percent of traded items; tariffs on all remaining items are to be phased out over a period of up to 18 years. Included in the FTA is the liberalisation of some service industries. (1)

On January 1, 2000, trade in a number of products became duty free between 2 and seven years earlier than planned. The value of bilateral trade in these products is estimated at US $25 million. (2)

Economic Data

Two-way trade between Canada and Chile totaled US $392 million in 1999. (4)

In 1999, Chile's imports from Canada totaled US $218 million, making up 2 percent of Chile's total imports. Canada's imports from Chile totaled US $174 million, making up 0.1 percent of its' total imports. (1)

Sources: IMF Direction of Trade Statistics for Latin American and Canadian Trade; US Bureau of Census for US Trade. (1)

Source: Press Release - 'International Trade Minister Signs Tariff Acceleration Agreement with Chile' www.dfait-maeci.gc.ca (2)

Source: The Lonely Planet World Guide www.lonelyplanet.com/destinations (3)

Source: Direction of Trade Statistics Annual Yearbook, 2000; published by the IMF, Geneva 2000 (4)

CHILE-COLOMBIA:

Trade Agreement Type

Bilateral Free Trade Area

Notes

The Free Trade Area between Chile and Colombia represents a market of 55 million people with a combined GDP of US $438 billion. (2)

Negotiations

A partial Economic Complementation Agreement was signed on December 6th 1993. This negotiated the elimination of tariffs on 40 percent of bilateral exports under first phase of the Agreement, which became effective on January 1st 1994. (1)

The second phase of the Free Trade Agreement was the elimination of tariffs on a further 30 percent of exports, in two stages over a five-year period. (1)

Tariffs on the remaining 30% of exports between Chile and Colombia have yet to be liberalised. (3)

Economic Data

In 1998, Chile's imports from Colombia reached US $222 million, or 1 percent of its' total imports. In the same year, Colombia's imports from Chile totaled US $212 million, or 1 percent of its' total imports. (1)

Sources: IMF Direction of Trade Statistics for Latin American and Canadian Trade; US Bureau of Census for US Trade. (1)

Source: The Lonely Planet World Guide www.lonelyplanet.com/destinations (2)

Source: SICE – Foreign Trade Information System – Organisation of American States www.sice.oas.org (3)

CHILE-EQUADOR:

Trade Agreement Type

Bilateral Free Trade Agreement

Notes

The Free Trade Agreement between Chile and Equador represents a market of 28 million people with a combined GDP of almost US $243 billion. (2)

Negotiations

An Economic Complementation Agreement between Chile and Equador was signed on December 20th 1994, and went into effect on January 1st 1995. This set out a timetable for the gradual liberalisation of tariffs between the two countries. (3)

By 1998, Chile and Equador had removed import tariffs on most bilaterally traded products. (3)

Economic Data

In 1998, Chilean imports from Ecuador, $225 million, 1 percent of total imports; Ecuadorian imports from Chile, $159 million, 4 percent of total imports. (1)

Sources: IMF Direction of Trade Statistics for Latin American and Canadian Trade; US Bureau of the Census for US Trade. (1)

Source: The Lonely Planet World Guide www.lonelyplanet.com/destinations (2)

Source: SICE – Foreign Trade Information System – Organisation of American States www.sice.oas.org (3)

CHILE-MEXICO:

Trade Agreement Type

Bilateral Free Trade Area

Notes

The Free Trade Agreement between Chile and Mexico represents a market of over 115 million people and a combined GDP of almost US $1 trillion. (2)

Negotiations

The main objectives of the initial agreement between Chile and Mexico were the promotion of bilateral trade and investment, and the harmonization of tax and investment rules. (1)

To solidify the initial trade pact, an Economic Complementation Agreement was signed on September 22nd 1991. (3)

The Agreement came into effect January 1st 1992. Tariffs on nearly all products were gradually reduced and eliminated by January 1996. Tariffs on 181 other products were reduced from 6 to 4 percent in January 1996 and subsequently abolished in 1998. Approximately 100 products are excluded from the agreed tariff cuts, including sugar, tobacco, and petroleum products. Some liberalization covering investment, services, and intellectual property began in 1998. (1)

Economic Data

In 1998, Chile's imports from Mexico amounted to US $927 million, or 5 percent of total imports. In the same year, Mexico's imports from Chile reached a total of US $442 million, or 0.5 percent of total imports. (1)

Sources: IMF Direction of Trade Statistics for Latin American and Canadian Trade; US Bureau of Census for US Trade. (1)

Source: The Lonely Planet World Guide www.lonelyplanet.com/destinations (2)

Source: SICE – Foreign Trade Information System – Organisation of American States www.sice.oas.org (3)

CHILE-ROK:

Trade Agreement Type

Bilateral Free Trade Agreement

Notes

A Free Trade Agreement between Chile and the Republic of Korea would represent a market of 60 million people and a combined GDP US $659 billion. (2)

Negotiations

The republic of Korea and Chile agreed to undertake specific measures aimed at establishing a Free Trade Agreement (FTA) on 4 December 1998. (1)

The bilateral FTA, when finalised, aims to encompass the trade of goods and services, as well as investments and intellectual property rights. (1)

The first Chile-ROK FTA high-level working group meeting was held in March 1999. The next official meeting has yet to be scheduled; however, unofficial negotiations are still under way. (1)

Economic Data

In 1999, two-way trade between Chile and the Republic of Korea amounted to US $1139 million. Chile's exports to Korea amounted to US $684 million, and Korea exported merchandise goods to the value of US $455 million. (3)

Source: 'Korea and Chile Agree on Specific Measures to Establish a Free Trade Agreement', Ministry of Foreign Affairs and Trade, Republic of Korea www.mofat.go.kr (1)

Source: The Lonely Planet World Guide www.lonelyplanet.com/destinations (2)

Source: Direction of Trade Statistics Annual Yearbook, 2000; published by the IMF, Geneva 2000 (3)

CHILE-US:

Trade Agreement Type

Bilateral Free Trade Agreement

Notes

A Free Trade Agreement between Chile and the United States of America would represent a market of 290 million people with a combined GDP of almost US $9.2 trillion. (2)

Negotiations

1st round of negotiations launched in Washington D.C on December 6, 2000. (1)

2nd round of negotiations held January 8-11 2001, in Santiago, Chile. (1)

The two countries have agreed to hold a third round as soon as possible. (1)

Economic Data

Bilateral trade between the United States and Chile has more than doubled in the past decade and is currently nearly US $6 billion annually. (1)

Chile is the US's 32nd largest export market, taking around $3.1 billion (US) in exports in 1999. (1)

Source: 'Barshefsky Praises Progress in the US-Chile Free Trade Agreement Negotiations,' USTR Press Release January 16, 2001, USTR web site www.ustr.gov (1)

Source: The Lonely Planet World Guide www.lonelyplanet.com/destinations (2)

CHILE-VENEZUELA:

Trade Agreement Type

Bilateral Free Trade Area

Notes

The Free Trade Area between Chile and Venezuela represents a market of 38.5 million people and a combined GDP of US $378.5 billion. (2)

Negotiations

Negotiations on a Free Trade Agreement began March 1991. (1)

An Economic Complementation Agreement was signed on April 2nd 1993, and came into effect on Jan 1st 1994. (3)

The Agreement established a timeline for trade liberalisation, and resulted in the elimination of tariffs on most traded items by 1997. (1)

Economic Data

In 1998 Chile's imports from Venezuela amounted to US $313 million, or 2 percent of total its' imports. In the same year, Venezuela's imports from Chile reached a total of US $155 million, or 1 percent of total imports. (1)

Sources: IMF Direction of Trade Statistics for Latin American and Canadian Trade; US Bureau of Census for US Trade. (1)

Source: The Lonely Planet World Guide www.lonelyplanet.com/destinations (2)

Source: SICE – Foreign Trade Information System – Organisation of American States www.sice.oas.org (3)

EFTA-MEXICO:

Trade Agreement Type

Bilateral Free Trade Area between a Plurilateral RTA (EFTA) and a single nation-state

Participant Nations

Iceland, Liechtenstein, Mexico, Norway and Switzerland

Notes

EFTA represents a market of 12.1 million people with a total market of US $319.5 billion. (3)

Mexico has a population of 100.3 million people and a GDP of US $815.3 billion. (3)

A Free Trade Area between EFTA and Mexico would represent a market of 112.4 million people and a total GDP of $US 1.13 trillion. (3)

Negotiations

The negotiation started in July 2000 and involved four rounds of talks. The negotiations were modeled on the Mexico-EU FTA. (2)

The European Free Trade Association and Mexico concluded successful negotiations on a FTA at EFTA headquarters in Geneva November 3, 2000. The agreement was signed in Cancun, Mexico, at the end of November 2000. (2)

This agreement will enter into force on 1 July 2001. Once the agreement comes into effect, 60 percent of EFTA exports will receive free entry into Mexico, and as of 2005 remaining tolls will drop to maximum 5 percent (now as high as 15 percent) before all tariffs are lifted in 2007. (1)

The scope of the agreement covers all areas of trade relations, including services and investment, public procurement markets, rules on competition and intellectual property, and a dispute settlement system. (1)

EFTA exports are mostly from the pharmaceutical, machine, and chemical industries; Mexican exports include vehicles, coffee, tea, cocoa and spices. (1)

Economic Data

In 1999, two-way merchandise trade between Mexico and EFTA reached US $1.2 billion. Mexican exports represented US $456 million and EFTA exports US $782 million. (2)

Source: Trade Information Center, International Trade Administration U.S. Department of Commerce, www.doc.gov (1)

Source: Press Release from SECOFI, linked to Mexican Ministry of Foreign Affairs www.sre.gob.mx/english (2)

Source: The Lonely Planet World Guide www.lonelyplanet.com/destinations (3)

EU-CHILE:

Trade Agreement Type

Bilateral Free Trade Agreement between a Plurilateral Economic Union (EU) and a single nation-state

Participant Economies

Austria, Belgium, Chile, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain, Sweden, United Kingdom

Notes

The fifteen member countries of the European Union (EU) together comprise a market of some 370 million consumers with a total GDP of over $8 trillion. (1)

Chile has a population of 15 million people and a GDP of $US 184 billion. (2)

A Free Trade Area between the EU and Chile would represent a market of 385 million people and a total GDP of US $8.18 trillion.

Negotiations

A Framework Co-operations Agreement, between the member states of the European Community and the Republic of Chile, was signed on 21 June 1996 in Florence, Italy. This Agreement entered into force on 1st of February 1999. (1)

On 24 November 1999, in the city of Brussels, the first meeting of the Joint Council was held to discuss content of the bilateral RTA. The Heads of State of the European Union and Chile launched negotiations aiming at bilateral, gradual and reciprocal trade liberalization, without excluding any sector and in accordance with WTO rules. (1)

The Negotiations Committee continued to discuss the FTA in March 2000 in Santiago. (1)

Economic Data

In 1999, two-way trade between the European Union and Chile reached US $6.33 billion. Chile's exports to the EU amounted to almost US $3.7 billion, whilst the total value of the EU's merchandise exports was US $2.63 billion. (3)

Source: EU trade database, Social and Economic Committee www.europa.org (1)

Source: The Lonely Planet World Guide www.lonelyplanet.com/destinations (2)

Source: Direction of Trade Statistics Annual Yearbook, 2000; published by the IMF, Geneva 2000 (3)

EU-MEXICO:

Trade Agreement Type

Bilateral Free Trade Agreement between a Plurilateral Economic Union (EU) and a single nation-state

Participant Nations

Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Mexico, Netherlands, Portugal, Spain, Sweden and the United Kingdom

Notes

The fifteen member countries of the European Union (EU) together comprise a market of some 370 million consumers with a total GDP of over US $8 trillion. (1)

Mexico has a population of 100.3 million and a GDP of US $815.3 billion. (2)

The Free Trade Area between the EU and Mexico represents a market of 470.3 million people and a total GDP US $8.82 trillion.

Negotiations

On November 24, 1999, the Trade Ministers of the European Union and Mexico successfully concluded EU-Mexico FTA (free trade agreement) negotiations in Brussels. (1)

The FTA will liberalise over 96% of EU-Mexico trade by 2007 at the latest. The bulk of tariff dismantling (industrial products) will be completed by 1st of January 2003. Currently, 82% of Mexico's industrial exports can enter the EU duty free whilst 50%

of European exports no longer pay any duties. Elements of the Agreement that remain to be settled are:

(1) A special EU-Mexico automotive package;
(2) The exclusion of a number of agricultural products;
(3) Mexico's commitment to negotiate a separate wine agreement covering geographic denominations and traditional expressions;
(4) A progressive and reciprocal liberalization of services trade; and
(5) A procurement arrangement that is close to NAFTA provisions. (1)

The EU-Mexico FTA officially entered into force on 1 July 2000. (1)

Economic Data

In 1999, two-way trade between the European Union and Mexico was valued at US $16.31 billion. Mexico’s exports to the EU were worth almost US $5.05 billion, whilst the EU’s merchandise exports to Mexico totaled US $11.26 billion. (3)

Source: Trade Information Center, International Trade Administration U.S. Department of Commerce, www.doc.gov (1)

Source: The Lonely Planet World Guide www.lonelyplanet.com/destinations (2)

Source: Direction of Trade Statistics Annual Yearbook, 2000; published by the IMF, Geneva 2000 (3)

FTAA:

Trade Agreement Type

Plurilateral Free Trade Area

Participating Nations

Antigua and Barbuda, Argentina, Bahamas, Barbados, Belize, Bolivia, Brazil, Canada, Chile, Colombia, Costa Rica, Dominica, Domincan Republic, El Salvador, Equador, Grenada, Guatemala, Guyana, Honduras, Jamaica, Mexico, Nicaragua, Panama, Paraguay, Peru, St. Kitts and Nevis, St. Lucia, St. Vincent, Suriname, Trinidad and Tobago, Uruguay, The United States of America and Venezuela

Notes

The FTAA negotiations hold the potential for creating the world’s largest free trade area, with 800 million people and a combined Gross Domestic Product (GDP) of nearly US $11 trillion. (2)

Negotiations

At the Summit of the Americas, which was held in December of 1994 in Miami, the effort to unite the economies of the Western Hemisphere into a single free trade arrangement was initiated. The Heads of State of the 34 democracies in the region agreed to construct a Free Trade Area of the Americas or FTAA and to complete negotiations for the agreement by 2005. (1)

Since the Miami Summit, the Hemisphere's Trade Ministers have met four times to formulate and execute a work plan for the FTAA. At the third of these meetings, during May of 1997 in Belo Horizonte, Brazil, it was agreed upon that the formal negotiations leading towards a FTAA would begin in April, 1998, at the Second Summit of the Americas in Santiago, Chile. (1)

At the second Summit of the Americas, the heads of government began to negotiate the actual design of the FTAA, in line with the structure, objectives and principles set out by the San Jose Trade Ministerial Declaration of March 1998. The initial structure for the FTAA process established the vice-ministerial level Trade Negotiations Committee (TNC) to oversee the negotiations, as well as nine negotiating groups, and three non-negotiating entities. A detailed Plan of Action was announced on four Summit themes: economic integration, democracy and human rights, education, and poverty and discrimination. (3)

In April 2001, the 34 heads of government will gather in Quebec City for the third Summit of the Americas. At the 2001 Summit, leaders will address common hemispheric challenges, including economic integration, improved access to education, poverty alleviation, enhanced respect for human rights and democratic development. (3)

According to all official accounts, the FTAA will be operational by the set date of 2005.

Source: Trade Information Center, International Trade Administration U.S. Department of Commerce, www.doc.gov (1)

Source: FTAA backgrounder, Department of Foreign Affairs and International Trade, 1999 www.dfait-maeci.gc.ca (2)

Source: 'Overview of the FTAA' – Official FTAA website www.alca-ftaa.org (3)

G3:

Trade Agreement Type

Trilateral Free Trade Area

Participating Nations

Colombia, Mexico and Venezuela

Notes

The G3 common market represents a market of almost 164 million people and a total GDP of US $1.26 trillion. (2)

Negotiations

The Group of Three Treaty on Free Trade (G3 FTA) came into effect on 1 January 1995 and committed the countries to the phased implementation of a trilateral free trade area over 10 years. The Agreement provides for the removal of tariff and non-tariff barriers (Tariff Elimination Program or TEP), uniform customs procedures, and cooperation accords in various non-trade areas. It aims to eliminate trade barriers within 10 years (12 years for vehicles), though there are important exceptions in the agricultural sector. Included in the trade provisions are statutes on property rights and services. (1)

Economic Data

In 1999, the value of total internal trade amongst G3 member states was US $3.01 billion. (3)

Source: IMF Direction of Trade Statistics for Latin American and Canadian Trade; US Bureau of the Census for US Trade. (1)

Source: The Lonely Planet World Guide www.lonelyplanet.com/destinations (2)

Source: Direction of Trade Statistics Annual Yearbook, 2000; published by the IMF, Geneva 2000 (3)

JAPAN-REPUBLIC OF KOREA:

Trade Agreement Type

Bilateral Free Trade Agreement

Notes

A Free Trade Area between Japan and the Republic of Korea would represent a market of 171.5 million people and a combined GDP of US $4.68 trillion. (2)

Negotiations

Although long opposed to free-trade areas, Japan and South Korea have released a study on the feasibility of a Japan-Korea FTA. (1)

Economic Data

In 1999, two-way merchandise trade between the Republic of Korea and Japan reached a total value of almost US $39 billion. (3)

The feasibility study estimates that a Korea-Japan FTA would create a $US5 trillion ($AUS 9.6 trillion) market and lift Japan's real national income growth by 10.45 per cent a year and South Korea's by 9.11 per cent. (1)

Source: The Australian, 'Canberra almost a wallflower in free trade dance', by Florence Chong 16/11/00 www.news.com.au (1)

Source: The Lonely Planet World Guide www.lonelyplanet.com/destinations (2)

Source: Direction of Trade Statistics Yearbook 2000, published by the International Monetary Fund, Geneva 2000 (3)

JAPAN-SINGAPORE:

Trade Agreement Type

Bilateral Free Trade Agreement

Notes

A Free Trade Area between Japan and Singapore would represent a market of 130 million people and a combined GDP of US $4.29 trillion. (2)

Negotiations

On 8 December 1999, Japan and Singapore agreed to conduct a joint study to examine the feasibility and desirability of concluding a free trade agreement between the two countries. (1)

On 22 October 2000, the Prime Ministers of Japan and Singapore held a meeting in Tokyo to discuss the importance of establishing a new free trade partnership between Japan and Singapore. They also decided that formal negotiations should begin in January 2001 and to conclude the agreement within a reasonably short period of time, but not later than 31 December 2001. (1)

This 'new age' FTA will concentrate on trade liberalisation and co-operation in the high-growth services sectors and information and communications technology sectors (rather than more contentious sectors such as agriculture). (1)

Economic Data

In 1999, Japan was Singapore's third largest trading partner whilst Singapore was Japan's ninth largest. In the same year, Japan's exports to Singapore were worth almost US $18 billion, whilst Singapore's exports to Japan were wroth US $8.25 billion. (1)

Source: Official Statistics, Singapore Ministry for Trade and Industry www.mti.gov.sg (1)

Source: The Lonely Planet World Guide www.lonelyplanet.com/destinations (2)

MERCOSUR:

Trade Agreement Type

Customs Union

Participating Nations

Argentina, Brazil, Paraguay and Uruguay.

Notes

Mercosur is the 3rd Largest RTA in the world. It's combined population is 215 million (63% of South America's total population) and the combined GDP of its member nations is US $1.44 trillion. (1)

	AREA	**INHABITANTS**	**GDP**
	Million of Km2	Million	US $ billion
ARGENTINA	2.8	36.3	348.2
BRAZIL	8.5	169.8	1,040
PARAGUAY	.4	5.3	21.9
URUGUAY	.2	3.3	29.1
TOTAL	11.9	215	1,439.2
CHILE & BOLIVIA	(Associated Countries)	237.6	1,630.8

Source: CIA Factbook 1999

Negotiations

The 'Asuncion Treaty' between Argentina, Brazil, Paraguay and Uruguay, was signed on the 26 March 1991. (1)

A partial Customs Union was launched 1 January 1995. This paved the way for a phased reduction of intra-group tariffs, although most intra-group trade was already free from tariff barriers. A common external tariff (CET) of between 0 and 20 percent applied to most foreign goods in 1995. (2)

Mercosur widened the scope of its free trade by signing a free trade agreement with Chile that went into effect in October 1996. In addition, a free trade agreement with Bolivia took effect in March 1997. (2)

In 1997, Mercosur decided that from 1 December 1997 to 31 December 2000 the unified tariff rates for external trading partners would be raised by three percent, i.e. the highest unified tariff rates would reach 23%. (1)

In June 1999, the 16th summit meeting decided to attain the strategic goal of setting up the regional monetary union by way of harmonising the macroeconomic policies among the member nations. (1)

Economic Data

Mercosur's trade has grown by an average of 18% a year since 1991, while trade within Mercosur itself has increased 28%. (3)

Total intra-group trade amounted to $18.1 billion in 1999. (2)

Source: Embassy of the Argentine Republic, Washington, D.C. (1)

Sources: IMF Direction of Trade Statistics for Latin American and Canadian Trade; US Bureau of the Census for US Trade. (2)

Source: SICE – Foreign Trade Information System – Organisation of American States www.sice.oas.org (3)

MERCOSUR-BOLIVIA:

Trade Agreement Type

Bilateral Free Trade Area between a Customs Union (Mercosur) and a single nation-state

Participating Nations

Argentina, Brazil, Bolivia, Paraguay, Uruguay

Notes

Mercosur represents a market of 215 million people with a combined GDP US $1.44 trillion. (1)

Bolivia has a population of 8.3 million and a GDP of US $24.2 billion. (3)

The Free Trade Area between Mercosur and Bolivia represents a market of 223.3 million people and a total GDP of US $1.46 trillion.

Negotiations

The Mercosur agreement with Bolivia was first negotiated as part of the 'Montevideo Treaty'. Bolivia and Mercosur took the first steps toward a free trade area in December 1995 with a large-scale preferential trade agreement that replaced previous bilateral preferential trade treaties. The Mercosur member nations established a uniform list of more than 1,000 Bolivian goods that would be given duty-free access or low tariffs starting on 1st of January 1996, while Bolivia agreed to a uniform list of some 900 Mercosur products that would receive preferential treatment. (2)

A free trade agreement between Mercosur and Bolivia began with an Economic Complementation Agreement that was signed on December 17th 1996, and came into effect on March 2nd 1997. This Agreement committed both sides to the goal of reaching free trade by 2015. Most tariffs will be phased out in the medium term. (4)

Economic Data

In 1998, Bolivia's imports from Mercosur amounted to US $326 million, or 20 percent of its' total imports. In the same year, Mercsour imported US $219 million worth of products from Bolivia, or 0.3 percent of its' total imports. (2)

Source: Embassy of the Argentine Republic, Washington, D.C. (1)

Sources: IMF Direction of Trade Statistics for Latin American and Canadian Trade; US Bureau of the Census for US Trade. (2)

Source: The Lonely Planet World Guide www.lonelyplanet.com/destinations (3)

Source: SICE – Foreign Trade Information System – Organisation of American States www.sice.oas.org (4)

MERCOSUR-CHILE:

Trade Agreement Type

Bilateral Free Trade Area between a Customs Union (Mercsour) and a single nation-state

Participating Nations

Argentina, Brazil, Chile, Paraguay and Uruguay

Notes

Mercosur represents a market of 215 million people with a total GDP of US $1.44 trillion. (1)

Chile has a population of 15 million and a GDP of US $184 billion. (3)

The FTA between Mercosur and Chile represents a market of 240 million people and a total GDP US $1.62 trillion.

Negotiations

The MERCOSUR agreement with Chile was negotiated as part of the 'Montevideo Treaty'. (2)

On June 25th 1996, Mercosur signed an Economic Complementation Agreement that committed both sides to mutually reduce customs tariffs so as to achieve a Free Trade Area within a period of 8-15 years. The Accord went into effect on October 1st 1996. (2)

The objective of the agreement was to maintain and expand preferential tariff arrangements between Chile and Mercsour, especially in the area of agriculture. (2)

The basic timeline for tariff reductions is as follows:

- For tariffs on products that had been negotiated between Mercosur and Chile within the framework of bilateral agreements, ten years was given to cut tariffs.
- For products on the exception list at the beginning of the bilateral negotiations, the period would be 15 years.
- For specific products such as wheat and flour, an 18-year period would apply. (2)

Economic Data

In 1998, Chile's imports from Mercosur amounted to US $4.5 billion, or 16 percent of its' total imports. In the same year, Mercsour imported from Chile US $1.7 billion worth of merchandise goods, or 2 percent of total its' imports. (2)

Source: Embassy of the Argentine Republic, Washington, D.C. (1)

Sources: IMF Direction of Trade Statistics for Latin American and Canadian Trade; US Bureau of the Census for US Trade. (2)

Source: The Lonely Planet World Guide www.lonelyplanet.com/destinations (3)

MERCOSUR-EU:

Trade Agreement Type

Bilateral Free Trade Agreement between an Economic Union (EU) and a Customs Union (Mercosur)

Participating Nations

Argentina, Austria, Belgium, Brazil, Denmark, Finland, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Paraguay, Portugal, Spain, Sweden, United Kingdom and Uruguay

Notes

The fifteen member countries of the European Union (EU) together comprise a market of some 370 million consumers with a total GDP of over US $8 trillion. (2)

Mercosur represents a market of 215 million people and a Total GDP of US $1.44 trillion. (1)

A FTA between Mercosur and the EU would represent a market of 585 million people and a total GDP of over US $9.44 trillion.

Negotiations

At present, negotiations between the EU and Mercosur are yet to commence. The nature of the agreement, and the extent of tariff liberalisation, are still unknown. Subsequently, the economic outlook depends on the extent of tariff liberalisation that is agreed upon in upcoming FTA negotiations. The ideal outcome, with substantial reductions in agricultural barriers, would put the EU's welfare gain at about US $6.2 billion, but the figure would be US $44.8 billion if the barriers remained in part. Accordingly, Mercosur's welfare gain would be about US $5.1 billion in the first case and US $3.5 billion in the second. (2)

At present, 61% of European imports from Mercosur (59% for industrial goods and 63% for agricultural goods) already enter without customs protection. (2)

Economic Data

In 1999, two-way merchandise trade between the European Union and Mercosur reached a total value of US $42.87 billion. In the same year, exports from the EU to Mercosur reached the value of US $19.14 billion, while Mercosur exported US $23.13 billion worth of merchandise goods. (3)

Source: Embassy of the Argentine Republic, Washington, D.C. (1)

Source: Commission staff working paper concerning the establishment of an inter-regional association between the European Union and Mercosur. www.europa.org (2)

Source: Direction of Trade Statistics Yearbook 2000, published by the International Monetary Fund, Geneva 2000 (3)

MEXICO-BOLIVIA:

Trade Agreement Type

Bilateral Free Trade Area

Notes

The Free Trade Agreement between Mexico and Bolivia represents a market of 108.6 million people and a combined GDP of US $829.5 billion (of which Mexico represents US $815.3 billion). (1)

Negotiations

FTA signed in October 1994; went into effect January 1995. (2)

The Bilateral FTA brought into effect a trade liberalisation timeline that seeks the elimination of tariffs on most traded items by 2005. (2)

Economic Data

In 1998, Bolivia's imports from Mexico amounted to US $26 million, or 2 percent of its' total imports. In the same year, Mexico's imports from Bolivia reached a total of US $8.8 million, or 0.01 percent of its' total imports. (2)

Source: The Lonely Planet World Guide www.lonelyplanet.com/destinations (1)

Sources: IMF Direction of Trade Statistics for Latin American and Canadian Trade; US Bureau of the Census for US Trade. (2)

MEXICO-COSTA RICA:

Trade Agreement Type

Bilateral Free Trade Area

Notes

The Free Trade Agreement between Mexico and Costa Rica represents a market of 104 million people and a combined GDP of over US $839 billion (of which Mexico represents US $815.3 billion). (1)

Negotiations

FTA entered into force in 1995. Import tariffs have subsequently been eliminated on most traded items. (2)

Economic Data

In 1999, two-way merchandise trade between Mexico and Costa Rica totalled US $441 million. (3)

Source: The Lonely Planet World Guide www.lonelyplanet.com/destinations (1)

Sources: IMF Direction of Trade Statistics for Latin American and Canadian Trade; US Bureau of the Census for US Trade. (2)

Source: Direction of Trade Statistics Yearbook 2000, published by the International Monetary Fund, Geneva 2000 (3)

MEXICO-ISRAEL:

Trade Agreement Type

Bilateral Free Trade Agreement

Notes

The Free Trade Agreement between Mexico and Israel represents a market of over 106 million people and a combined of over GDP of US $888 billion (of which Mexico represents US $815.3 billion). (1)

Negotiations

Israel and Mexico signed a FTA on March 6, 2000 in Jerusalem. (2)

The Agreement came into effect in July 2000, immediately effecting the elimination of import duties on 83 percent of Israel's exports to Mexico. Among the Israeli products that will be affected by the agreement are agricultural inputs, telecommunications equipment, medical equipment, educational aides, early warning equipment, and some chemicals. Some categories of goods will retain duties until 2003 and certain "sensitive" goods, including textiles, construction steel, metal pipes, and certain electrical equipment, until 2005. (2)

The Mexican agricultural exports to Israel that will enjoy reduced or no tariffs include sugar, sesame seeds, fruit juices, coffee, chocolate, peanut butter, beer, and other processed food products. (2)

Economic Data

In 1999, two-way merchandise trade between Israel and Mexico reached a total value of US $164 million. (3)

Source: The Lonely Planet World Guide www.lonelyplanet.com/destinations (1)

Source: Trade Information Center, International Trade Administration U.S. Department of Commerce, Washington (2)

Source: Direction of Trade Statistics Yearbook 2000, published by the International Monetary Fund, Geneva 2000 (3)

MEXICO-NICARAGUA:

Trade Agreement Type

Bilateral Free Trade Area

Notes

The Free Trade Agreement between Mexico and Nicaragua represents a market over 105 million people and a combined GDP of US $827 billion (of which Mexico represents US $815.3 billion). (1)

Negotiations

FTA entered into force in 1998. Import tariffs have been eliminated on most traded items. (2)

Economic Data

In 1999, two-way merchandise trade between Mexico and Nicaragua reached a total value of US $79 million. (3)

Source: The Lonely Planet World Guide www.lonelyplanet.com/destinations (1)

Sources: IMF Direction of Trade Statistics for Latin American and Canadian Trade; US Bureau of the Census for US Trade (2)

Source: Direction of Trade Statistics Yearbook 2000, published by the International Monetary Fund, Geneva 2000 (3)

MEXICO-SINGAPORE:

Trade Agreement Type

Bilateral Free Trade Agreement

Notes

A Free Trade Agreement between Mexico and Singapore would represent a market of almost 104 million people with a combined GDP of over US $900 billion. (1)

Negotiations

FTA negotiations between Singapore and Mexico commenced in late July 2000. On 13 November 2000, Singapore and Mexico signed a joint declaration, setting out the scope of the bilateral FTA and the intent to conclude an Agreement as soon as possible. Both sides agreed that the FTA should be comprehensive in nature and cover trade in goods and services, investments, government procurement, intellectual property and a dispute-settlement mechanism, amongst others. (2)

Economic Data

Trade between Mexico and Singapore has strengthened over the years, increasing at an average rate of over 30% every year for the last ten years, reaching US $1.5 billion in 1999. (2)

Source: The Lonely Planet World Guide www.lonelyplanet.com/destinations (1)

Source: FTA Index, Ministry for Trade and Industry, Singapore, www.mti.gov.sg (2)

NAFTA:

Trade Agreement Type

Trilateral Free Trade Area

Participating Nations

Canada, Mexico, United States of America

Notes

The North American Free Trade Area represents a market of 406.5 million people and a total GDP of US $10.54 trillion (of which the US represents US $9 trillion). (2)

Negotiations

In 1986, representatives of the Canadian and US governments began meeting to work out the provisions of a free trade area. In 1991, many of the trade barriers between the two countries were removed, establishing an essentially open market between Canada and the US. (3)

The US-Canada pact provided a dry-run for the more difficult step of incorporating Mexico into a NAFTA. One of the initial stumbling blocs was the substantial differences in economic development. Nonetheless, on 11th of June 1990, bilateral talks between the then US and Mexican presidents began, an NAFTA was on the drawing board. (3)

An in-principle agreement between all three participating nations was signed in December 1992. Following the implementation of stringent compatibility measures, the NAFTA became effective as of January 1994. (1)

The NAFTA stipulated the elimination of most intra-group tariffs by January 2003. In addition, tariff and non-tariff restrictions on some sensitive goods are to be abolished by 1 January 2008. Further measures include the liberalization of services trade and investment restrictions and improved intellectual property protection. (1)

Economic Data

In 1999, intra-group trade totaled US $437.8 billion. (1)

In the same year, Canadian and Mexican imports from the US reached US $201 billion; Canadian imports from Mexico, US $4.7 billion; Mexican imports from Canada, US $1.9 billion; US imports from Canada and Mexico, US $230.2 billion. Exports to the US equal 83 percent of total Canadian and Mexican exports. (1)

Sources: IMF Direction of Trade Statistics for Latin American and Canadian Trade; US Bureau of the Census for US Trade. (1)

Source: The Lonely Planet World Guide www.lonelyplanet.com/destinations (2)

Source: LeClair, M. *Regional Integration and Global Free Trade*, Avebury 1997 (London) p.12. (3)

NAFTA-AUSTRALIA:

Trade Agreement Type

Bilateral Free Trade Agreement between a trilateral Free Trade Area (NAFTA) and a single nation-state

Participating Nations

Australia, Canada, Mexico, United States of America

Notes

A Free Trade Agreement between NAFTA and Australia would represent a market of 425.5 million people and a total GDP of almost US $11.1 trillion (of which NAFTA represents US $10.54 trillion). (1)

Negotiations

Informal discussions have commenced between the US consulate and representatives from the Australian government. Anecdotal evidence has indicated that further discussions will continue when Australian PM John Howard meets US President George. W. Bush on his trip to the US sometime between May and August. The new Republican administration currently has a heavy trade agenda, and so any future definitive negotiations are likely to occur later rather than sooner.

Probably *the* major obstacle to a successful conclusion of FTA negotiations is agricultural trade (and non-tariff barriers). Agricultural trade must be on the agenda of any Free Trade Agreement otherwise there is little incentive from an Australian perspective; the US has implied its willingness to co-operate on this matter.

The welfare gain of a North America-Australia FTA to participating nations will depend on the extent of the concessions that both parties are willing to make.

Economic Data

In 1999, two-way merchandise trade between Australia and NAFTA reached a total value of US $18.43 billion. Australia's exports to NAFTA countries were worth US $6.35 billion, whilst NAFTA exported into Australia merchandise goods to the value of US $12.08 billion. (2)

Source: The Lonely Planet World Guide www.lonelyplanet.com/destinations (1)

Source: Direction of Trade Statistics Yearbook 2000, published by the International Monetary Fund, Geneva 2000 (2)

NORTHERN TRIANGLE-MEXICO:

Trade Agreement Type

Bilateral Free Trade Agreement between a Trilateral Free Trade Area (Northern Triangle) and a single nation-state

Participating Nations

El Salvador, Guatemala, Honduras and Mexico

Notes

The Northern Triangle represents a market of almost 25 million people and a total GDP of almost US $80 billion dollars. (2)

Mexico has a population of 100.3 million people and a GDP of US $815.3 billion. A Free Trade Area between the Northern Triangle countries and Mexico represents a market of more than 125 million people and a total GDP of more than US $895 billion. (2)

Negotiations

The Free Trade Agreement between the Northern Triangle countries and Mexico was signed on June 29th 2000. (1)

The Free Trade Agreement came into effect on January 1st 2001. (1)

Economic Data

In 1999, two-way merchandise trade between the Northern Triangle countries and Mexico reached a total value of US $1.05 billion. Mexico exported in Northern Triangle countries' goods to the value of US $944 million, whilst the Northern Triangle exported US $109 million worth of goods to Mexico. (3)

Source: SICE – Foreign Trade Information System – Organisation of American States www.sice.oas.org (1)

Source: The Lonely Planet World Guide www.lonelyplanet.com/destinations (2)

Source: Direction of Trade Statistics Yearbook 2000, published by the International Monetary Fund, Geneva 2000 (3)

PARTA:

Trade Agreement Type

Plurilateral Free Trade Agreement

Participating Nations

Australia, Cook Islands, Fiji, Kiribati, New Zealand, Niue, Papua New Guinea, Solomon Islands, Tonga, Tuvalu, Western Samoa

Notes

A PARTA would represent a market of almost 29 million and a total GDP of US $657.7 billion (of which Australia and New Zealand account for US $640 billion). (3)

Negotiations

At the 1997 meeting of the Forum Economic Ministers Meeting in Cairns, it was agreed that a study be undertaken on options for the creation of a FTA among FICs. In 1998, the Forum Leaders directed the Forum Trade Ministers to consider a draft Framework Agreement for the creation of a FTA. A number of studies have been completed and at the South Pacific Forum (28-30 August) in Nadji, Fiji, negotiations for a Pacific Regional Trade Agreement (PARTA) began. (1)

The Forum members will have an eight year timetable to eliminate tariff barriers, while the nine Forum members who are Smaller Island States will have ten years to do so. (1)

By 2012, it is expected that the free trade area across the Forum Island Countries will be complete. (1)

Talks will continue in March 2001. Perhaps the most contentious issue amongst Forum Island Countries, and therefore, obstacle to a RTA is how to include Australia and New Zealand in a reciprocal Free Trade Agreement without disadvantaging the smaller Pacific Island economies. (2)

Economic Data

In 1999, intra-group merchandise trade reached a total of US $8.55 billion. Of this total, two-way trade between Australia and New Zealand was worth US $6.86 billion. (4)

Source: 'Can protectionism be eliminated in the 21st century?' W. Noel Levi, 32nd International General Meeting of the Pacific Basin Economic Council, Monday, May 17, 1999 www.forumsec.org.fj/news (1)

Source: Press Statement 25 August 2000 'Forum Free Trade Area Negotiations,' Forum Secretariat www.forumsec.org.fj/news (2)

Source: The Lonely Planet World Guide www.lonelyplanet.com/destinations (3)

Source: Direction of Trade Statistics Yearbook 2000, published by the International Monetary Fund, Geneva 2000 (4)

REPUBLIC OF KOREA-NZ:

Trade Agreement Type

Bilateral Free Trade Agreement

Notes

A Free Trade Agreement between the Republic of Korea and New Zealand would represent a market of almost 49 million people and a combined GDP of US $560 billion (of which ROK represents US $475 billion). (1)

Negotiations

On 14th November 2000 at the APEC leaders meeting in Brunei, the Prime Ministers of New Zealand and the Republic of Korea discussed the creation of a Free Trade Area between the two nations. (3)

Recent feasibility studies have been conducted by both New Zealand and Korea's Ministry of Foreign Affairs and Trade, concerning a future bilateral Free Trade Agreement. (2)

Economic Data

In 1999, two-way merchandise trade between the Republic of Korea and New Zealand reached a total of US $780 million. New Zealand's exports to Korea amounted to US $503 million, whilst the Republic of Korea exported into New Zealand, goods to the value of US $277 million. (4)

Source: The Lonely Planet World Guide www.lonelyplanet.com/destinations (1)

Source: World Trade Organisation, Trade Policy Review Body Minutes of Meeting 31 October 2000. (2)

Source: 'Korea Update' November 2000 Newsletter, p.3 www.mft.govt.nz (3)

Source: Direction of Trade Statistics Yearbook 2000, published by the International Monetary Fund, Geneva 2000 (4)

REPUBLIC OF KOREA-THAILAND:

Trade Agreement Type

Bilateral Free Trade Agreement

Notes

A Free Trade Agreement between the Republic of Korea and Thailand represents a market of 106 million people and a combined GDP of US $641 billion. (1)

Negotiations

Initial feasibility studies have been conducted. Bilateral negotiations to continue. (2)

Economic Data

In 1999, two-way merchandise trade between the Republic of Korea and Thailand reached a total value of US $2.81 billion. Thailand's exports to Korea amounted to US $1.07 billion, whilst the Republic of Korea exported into Thailand goods to the value of US $1.74 billion. (3)

Source: The Lonely Planet World Guide www.lonelyplanet.com/destinations (1)

Source: World Trade Organisation, Trade Policy Review Body Minutes of Meeting 31 October 2000 (2)

Source: Direction of Trade Statistics Yearbook 2000, published by the International Monetary Fund, Geneva 2000 (3)

SINGAPORE-NZ:

Trade Agreement Type

Bilateral Free Trade Agreement

Notes

The partnership between New Zealand and Singapore represents a market of 7.3 million people and a combined GDP of US $170 billion. (3)

Negotiations

The launch of the ANZSCEP negotiations was announced at the APEC Leaders' Summit in Auckland on 11 September 1999.

Negotiations have since concluded after 6 rounds. On 14 November 2000, Singapore and New Zealand signed the Free Trade Agreement between New Zealand and Singapore on a Closer Economic Partnership (ANZSCEP). ANZSCEP came into effect on Jan 1st 2001 (1)

The Agreement is comprehensive, covering goods, services, investment and technical barriers to trade in goods. The achievement of full liberalisation of services over time will, however, require regulatory changes. Both sides have agreed to meet by the 1st of January 2008 to draw up a list of those service sectors that remain to be liberalised by 2010.

A general review of the Agreement shall be conducted in 2005. (2)

Economic Data

In 1999, total two-way trade between New Zealand and Singapore was worth US $635 million. Singapore's exports to New Zealand amounted to US $412 million, and New Zealand exported US $223 million worth of products to Singapore. (4)

Source: Singapore Ministry of Trade and Industry www.mti.gov.sg (1)

Source: National Interest Analysis Agreement between New Zealand and Singapore on a Closer Economic Partnership, December 2000, Ministry of Foreign Affairs www.mft.govt.nz (2)

Source: The Lonely Planet World Guide www.lonelyplanet.com/destinations (3)

Source: Direction of Trade Statistics Yearbook 2000, published by the International Monetary Fund, Geneva 2000 (4)

US-ISRAEL:

Trade Agreement Type

Bilateral Free Trade Agreement

Notes

The Free Trade Agreement between the United States of America and Israel represents a market of almost 281 million people and a combined GDP of US $9.73 trillion (of which the US represents US $9 trillion). (1)

Negotiations

The United States-Israel Free Trade Area Agreement, implemented on September 1, 1985, initiated a process of phased tariff reductions, culminating in the complete elimination of duties on non-agricultural products effective January 1, 1995. (2)

Israel's agricultural sector is the only industry where substantial non-tariff barriers and levies remain. (2)

Given the substantial trade barriers remaining in the agricultural sector, the United States and Israel signed a five-year Agricultural Agreement on November 4th 1997, establishing a program of gradual and steady market access liberalisation for food and agricultural products. (2)

Economic Data

In 1999 U.S. merchandise exports to Israel totaled US $7.7 billion, up 10.3 percent over 1998 levels. (2)

In 1999 Israeli merchandise exports to the U.S. totaled US $9.9 billion, up 14.4 percent from 1998. (2)

Source: The Lonely Planet World Guide www.lonelyplanet.com/destinations (1)

Source: 'Foreign Trade Barriers Report 2000,' United States Trade Representative, Department of Commerce www.doc.gov (2)

US-JORDAN:

Trade Agreement Type

Bilateral Free Trade Agreement

Notes

The Free Trade Agreement between the United States of America and Jordan represents a market of almost 280 million people and a combined GDP of US $9.16 trillion (of which the US represents $US 9 trillion). (1)

Negotiations

The US-Jordan Free Trade Agreement was signed on the 24th October 2000. (2)

The Free Trade Agreement provides for the elimination of virtually all tariffs on industrial goods and farm products within 10 years, free trade in services and important provisions for core labour principles and environmental standards. (2)

Economic Data

Two-way Merchandise trade between Jordan and the United States totaled US $287 million in 1999, US $276 million in US exports to Jordan and US $11 million in Jordanian exports to the US. (2)

Source: The Lonely Planet World Guide www.lonelyplanet.com/destinations (1)

Source: 'US and Jordan Sign Historic Free Trade Agreement', USTR Press Release October 24, 2000, USTR website www.ustr.gov (2)

US-SINGAPORE:

Trade Agreement Type

Bilateral Free Trade Agreement

Notes

A Free Trade Agreement between the United States of America and Singapore would represent a market of almost 279 million people and a combined GDP of almost US $9.09 trillion (of which the US represents US $9 trillion). (4)

Negotiations

The United States and Singapore have conducted two rounds of negotiations for the US-Singapore Free Trade Agreement (FTA), the first from December 4-21 and the second from January 10-January 18, 2001, in Washington D.C (2)

Practically all imports, 99.96% of tariff lines, already enter Singapore duty free. (1)

Economic Data

Two-way trade in 1999 was US $38.4 billion. In the same year, US exports to Singapore amounted to US $16.35 billion, whilst Singapore's exports to the US reached a total value of US $22.01 billion. (5)

The US is Singapore's largest trading partner, as well as its largest export market, with around 20% of Singapore's exports headed for the United States in 1998. The US is also Singapore's largest foreign direct investor. US companies account for more than half of Singapore's exports to the US. (3)

Singapore was the tenth largest market for U.S. exports in 1998. (3)

Source: WTO Trade Policy Review Body 29 and 31 March 2000: Singapore www.wto.org (1)

Source: 'Joint Declaration of the US-Singapore FTA', January 17, 2001, USTR website at www.ustr.gov (2)

Source: Opening Statement by Professor Tommy Koh, Singapore's Ambassador-At-Large, at the Initial Plenary Meeting for US-Singapore Free Trade Agreement Negotiations, Singapore Embassy In Washington DC, 4 December 2000, www.mti.gov.sg (3)

Source: The Lonely Planet World Guide www.lonelyplanet.com/destinations (4)

Source: Direction of Trade Statistics Yearbook 2000, published by the International Monetary Fund, Geneva 2000 (5)

[i] WTO Secretariat estimates in *Review of Australia's General Tariff Arrangements – Submission to the Productivity Commission by the Department of Foreign Affairs and Trade*. 28 January 2000, p.5
[ii] *NAFTA After Five: the Impact of the North American Free Trade Agreement on Australia's Trade and Investment*. Report produced by the Department of Foreign Affairs and Trade, www.dfat.gov.au/geo/americas/nafta
[iii] *Regional Trade Blocs, Multilateralism and the new GATT Agreement*, Eds. T. Geiger and D. Kennedy. Pinter (London: 1996)