

# ASIA-PACIFIC TRADE AND INVESTMENT TRENDS 2022/2023

*Trade agreements in Asia and the Pacific: Bigger, deeper, digital and more supportive of sustainable development?*





*The shaded areas of the map indicate ESCAP members and associate members.\**

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## ACKNOWLEDGEMENT:

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## Highlights

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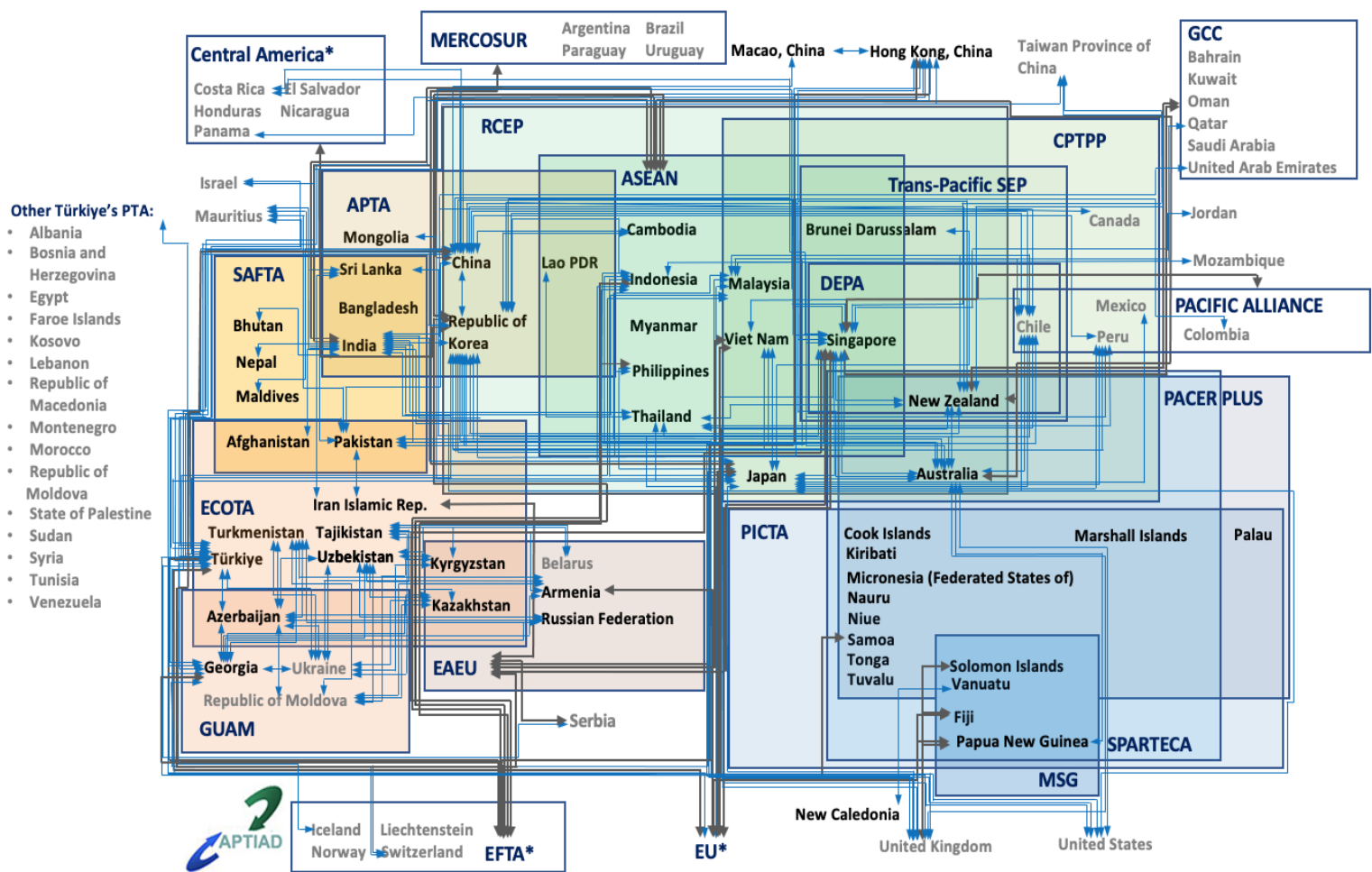
- The Asia-Pacific region continues to be the largest contributor to the worldwide build-up of preferential trade agreements (PTAs), accounting for about half of PTAs worldwide. PTAs have become bigger, deeper, more digital and increasingly supportive of sustainable development, with the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) exemplifying these trends.
- The noodle-bowl of Asia-Pacific trade agreements now comprises 333 PTAs with at least one party of the Asia-Pacific. Of those, 202 are in force, 21 have been signed and are pending ratification, and 96 are still under negotiation. Between January 2022 and October 2022 alone, eight new PTAs were signed, and six PTAs were under negotiation.
- Trade among PTA partners now accounts for about half of all trade by Asia and the Pacific economies, reflecting the fact that the economies increasingly sign agreements with partners outside the region (54 per cent). Trade covered by PTA partners varies considerably across the subregions. Central Asian economies and South Pacific islands are less engaged than economies of other subregions in recent PTAs.
- 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 in Asia-Pacific PTAs outside preferential tariffs are 'trade facilitation and customs cooperation' followed by 'competition policy', and 'intellectual property', all now found in more than 50 per cent of the signed and enforced PTAs.
- The Asia-Pacific region now has 81 signed and in-force PTAs featuring e-commerce chapters or provisions. A new type of stand-alone 'digital trade agreement' (DTA) or 'digital economy agreement' has also emerged following the Japan-United States of America DTA that was enforced in 2020. The number of DTAs has grown since then, which has raised concerns about a possible new 'digital noodle bowl'.
- Sustainable development is a broad concept and covers a wide range of economic, social and environmental issues, as reflected in the 17 Sustainable Development Goals (SDGs). As of October 2022, 127 of 223 signed and enforced PTAs had sustainable development-related provisions, including provisions related to labour protection, human rights, gender, health, environment and SMEs.



# 1. Introduction

The Asia-Pacific region continues to be the largest contributor to the worldwide build-up of PTAs, accounting for about half of PTAs worldwide.<sup>1</sup> The noodle-bowl of Asia-Pacific trade agreements is now made up of 333 PTAs with at least one party of the Asia-Pacific. Of those, 202 are in force, 21 are signed and pending ratification, and 96 are still under negotiation (figure 1).

Figure 1. Noodle bowl of Asia-Pacific's PTAs



Source: APTIAD (accessed 17 October 2022)

<sup>1</sup> As of October 2022, 355 PTAs in force have been notified to the World Trade Organization.



Between January 2022 and October 2022 alone, eight new PTAs were signed, and negotiation of six new PTAs began in 2022.<sup>2</sup> In addition, the Republic of Korea-Mexico; Thailand-EFTA and Thailand-European Union negotiations also resumed after a pause, in some cases linked to the COVID-19 crisis. Asia-Pacific economies are actively seeking trade partnerships both within as well as outside the region, and nearly all agreements signed or initiated in 2022 have been with economies outside the region (figure 2). As a result, 54 per cent of all PTAs entered into by Asia-Pacific economies are now with economies outside the region.

Seventy-seven per cent of PTAs in Asia-Pacific are bilateral agreements.<sup>3</sup> A notable trend is the negotiation of bigger trade agreements, so-called mega-regional trade agreements. The Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) became effective in December 2018, bringing together 11 trade partners (Australia, Brunei Darussalam, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore and Viet Nam).<sup>4</sup> Most recently, the Regional Comprehensive Economic Partnership (RCEP) entered into force on 1 January 2022 after being ratified by all 15 members except the Philippines and Myanmar. This makes RCEP arguably the world's largest trade agreement. However, the CPTPP's membership has continued to expand and the United Kingdom, China, Taiwan province of China and the Republic of Korea have all formally applied to accede to the CPTPP.

Economic size aside, the depth of PTAs is also increasing. Most of the PTAs signed over the past decades are Free Trade Agreements and Economic Integration Agreements. Accordingly, 53 per cent of in-force PTAs now go beyond liberalization of trade in goods, including addressing issues related to sustainable development. In parallel, a new type of narrow-focus PTA has also emerged in recent years, i.e., Digital Trade Agreements (DTA). This brief discusses some of these trends in more details below.

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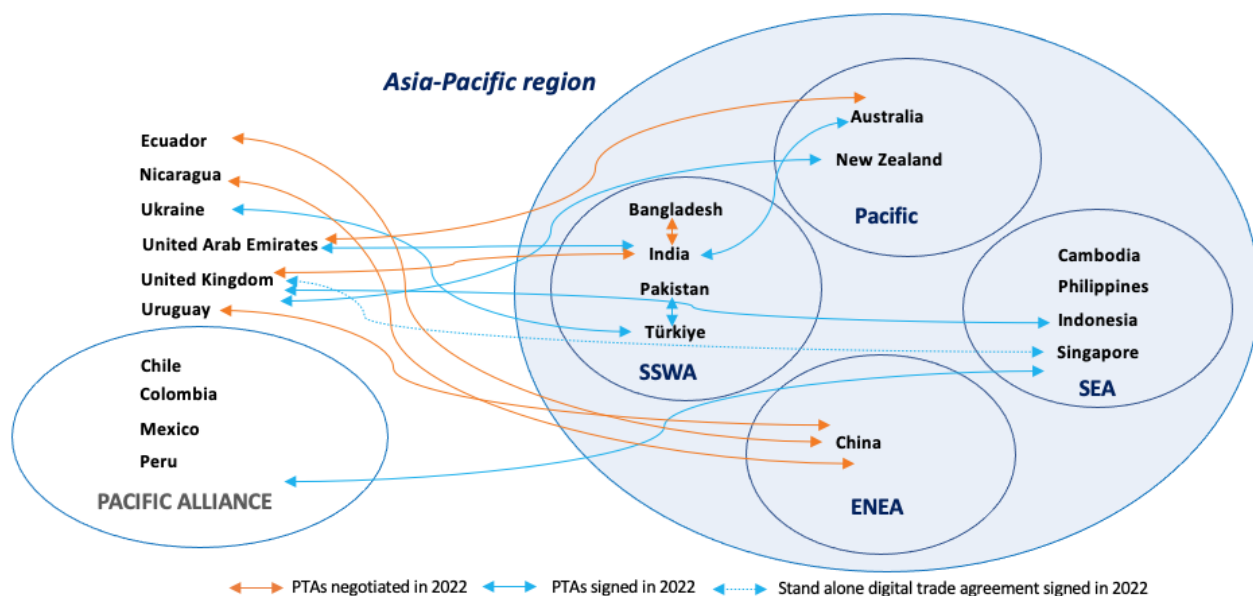
<sup>2</sup> The eight newly signed agreements: (1) Australia-India; (2) India-United Arab Emirates; (3) Indonesia-United Arab Emirates; (4) New Zealand-United Kingdom; (5) Pakistan-Türkiye; (6) Singapore-Pacific Alliance; (7) Türkiye-Ukraine; and another digital-only agreement: (8) Singapore-United Kingdom Digital Economy agreement. Regarding the new initiatives, negotiation of five PTAs has begun in 2022: (1) Australia-United Arab Emirates (UAE); (2) Bangladesh-India; (3) China-Ecuador; (4) China-Nicaragua; (5) China-Uruguay; and (6) India-United Kingdom.

<sup>3</sup> Only 10 per cent of the PTAs are "country blocs", bringing together several countries in close geographic proximity. Another 13 per cent are plurilateral.

<sup>4</sup> In 2022, Malaysia completed its ratification and the CPTPP was due to enter into force 60 days afterwards. All members have ratified the agreement except Brunei Darussalam and Chile.



Figure 2. New PTAs signed and negotiated after January 2022



Source: APTIAD (accessed 17 October 2022)

Note: 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). No new agreement is signed and negotiated by the North-Central Asian economies in 2022.

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