

What is going on where?

According to the World Bank, by mid-2004 there were a total of 229 FTAs in force worldwide, with 174 countries having signed on to at least one.¹ This is a conservative and obviously old figure, though it is the latest published. It does not take into account FTAs signed but not in force, nor those under negotiation or in the pipeline.

According to the WTO, by March 2007 a total of 194 FTAs had been “notified” to the organisation.² This is only a subset of all FTAs. The WTO requires that its members inform it of any outside trade agreements that they sign on to so that these can be examined for their compatibility with WTO rules. In reality, not all WTO members do this, nor do they do it for all their FTAs. Numerous non-WTO members have FTAs.

According to the Asian Development Bank, by the end of 2006 there were 192 FTAs – 84 concluded, 57 under negotiation and 51 proposed – in Asia and the Pacific alone.³ In Latin America, the Organisation of American States speaks of 81 FTAs (of all sorts) in force from Canada down to Chile.⁴

UNCTAD says that there were 5,500 international investment-related agreements in place by early 2007 – a figure growing by three per week.⁵ This includes not only BITs and FTAs with an investment chapter, but also double taxation treaties (agreements between two countries not to tax the same entity twice, whether a corporation or a worker). Besides these, there are about 2,500 BITs in place. Some 644 of them are South-South BITs, the most actively growing segment in the last ten years.⁶

There are many different processes and logics at play. To understand the different dynamics, we look at the big players, region by region.

Asia and Pacific

In terms of North-South dynamics, the US, the EU, EFTA, Japan, Australia and New Zealand are all actively trying to secure bilateral FTAs in Asia.

The US is playing several cards. While talk of an APEC-wide free trade area spanning the whole Pacific comes and goes, Washington is pushing hardest on a few other buttons. It wants an FTA with ASEAN (Association of South-east Asian Nations), which it has been pursuing in a bottom-up fashion: bilateral FTAs with each member first, then a single FTA with ASEAN as a whole. After it got a far-reaching FTA with Singapore, the Americans went after Thailand and Malaysia. The Thai talks broke down because of people’s protests, followed by a military coup, and Indonesia and the Philippines are not ready to start negotiations (in Washington’s eyes), so



FTA frenzy: all the world’s governments seem to want one – if not, they feel left behind (behind what?)

this plan is moving slowly. In the meantime, the US won a shaky deal with South Korea – a very strong trade partner and important geopolitical anchor for Washington – though it has yet to be ratified. In South Asia, the US is taking it step by step with India – securing first a nuclear deal, then moving on to stronger agricultural cooperation – and is, smartly, not in a rush. With Pakistan and Bangladesh, the US is trying to set up clear business relationships through BITs first. Meanwhile, the US has too many pressing problems with Beijing – a phenomenal trade deficit, a need to get the yuan devalued – even to consider an FTA.

Europe has been somewhat more distant. The European Free Trade Association (EFTA) has struck a few deals here and there, and the EU has promised ASEAN an FTA like the US. But the EU has been sidetracked in recent years,⁷ and only now are things starting to move. By 2008, the EU expects to have concluded deals with Korea, ASEAN and India. It has also started working with China to put their bilateral trade and investment relations on a firmer footing.

¹ Denis Medvedev, “Preferential trade agreements and their role in world trade”, World Bank Policy Research Working Paper 4038, October 2006, <http://go.worldbank.org/2KKER5K700>

² See http://www.wto.org/english/tratop_e/region_e/summary_e.xls.

³ The database of FTAs is available at the Asia Regional Integration Centre website, launched by ADB in October 2006: <http://aric.adb.org/FTAbCountryAll.php>

⁴ See the SICE database at http://www.sice.oas.org/agreements_e.asp

We exclude the multilateral agreement from the count but retain the rest.

⁵ See <http://www.unctad.org/Templates/meeting.asp?intItemID=1942&lang=1&m=13507>

⁶ UNCTAD, “World Investment Report 2006”, available at: <http://www.unctad.org/Templates/WebFlyer.asp?intItemID=3968&lang=1>

⁷ It was focusing more energy on Latin America, the Gulf countries, the Mediterranean region and the WTO.

Australia and New Zealand have been selectively trying to score deals with other countries in the region. The typical menu of Thailand, Malaysia, Korea and India have been on their radar. Both countries are going for the big fish: China and Japan. Australia's Labor government, elected late in 2007, is deeply committed to free trade.

Despite its strong dependence on trade for food and energy, and its critical geopolitical position, Tokyo has never really had an FTA strategy. Its business sector, formally represented through its federation, Nippon Keidanren, has been lobbying the government for years, but successive Liberal Democratic administrations have been weak on delivering anything more than dressed-up friendship treaties. Mexico, Singapore, Malaysia, Thailand and the Philippines were among Japan's early FTA forays – and they are not harmless agreements. But now that rival Washington has struck a deal with Seoul, with clear and immediate repercussions for certain Japanese conglomerates, Tokyo is trying to get bolder and more aggressive,⁸ with the ultimate goal of orchestrating an all-Asia FTA, including India, China, ASEAN and Korea. Unless anything changes in its relations with China and Korea, this is a far-off dream. We can expect Japan to upgrade the depth and scope of its FTAs; this is visible in its most recent deals with Bangkok, Manila and Kuala Lumpur.

On the South-South axis, the major FTA players in the region are China, India, Korea, Singapore, Thailand and Taiwan. Everyone wants a deal with ASEAN, though its secretariat is only now starting to accept the notion that FTAs can make up for a failed WTO. Serious deals, as seen from the ground, are in construction at the level of China-ASEAN, India-ASEAN and Korea-ASEAN. Singapore, Korea, Thailand and Taiwan are cutting deals with a smattering of countries, with Singapore running a highly proactive FTA programme. India has some FTAs with Sri Lanka, Singapore and Mauritius and, outside the region, is involved with Mercosur, the Gulf Cooperation Council (GCC) and the EU, but it does not seem to have a clear plan. China and India are the big Asian powers convinced that FTAs are a necessary approach and actively working to expand their networks.

In terms of regional blocs, not much is happening. ASEAN, SAARC (South Asian Association for Regional

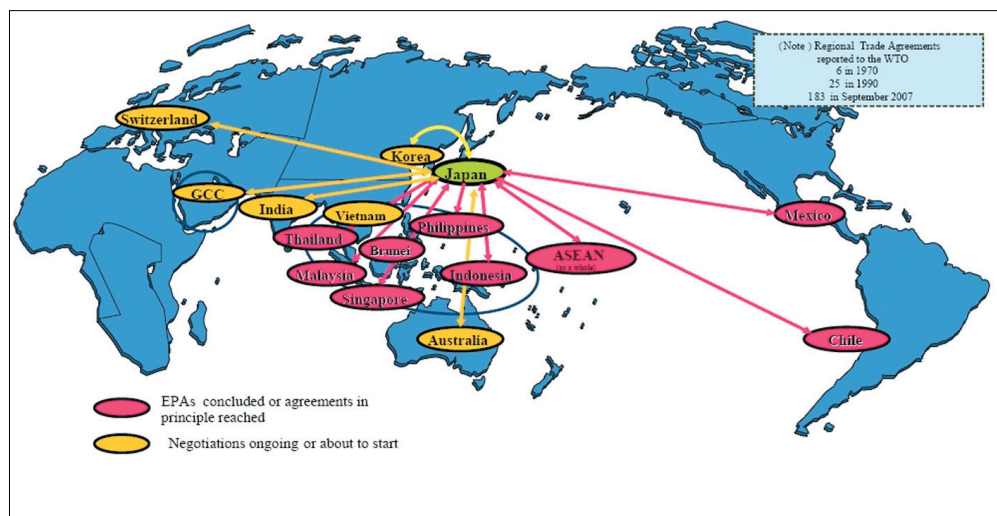
Cooperation) and BIMSTEC (Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation) all have plans to create common markets, but they are either not strong (e.g. ASEAN Free Trade Area [AFTA], and BIMSTEC FTA) or can't get off the ground (South Asia Free Trade Agreement – SAFTA).

West Asia and North Africa

In terms of North-South politics, the Middle East is a crossroads of competition to cut bilateral deals for two obvious reasons: oil and Israel. Both the US and the EU have grand plans for separate region-wide FTAs. Washington's is called the US-Middle East FTA (MEFTA), slated for completion in 2013. Brussels' is called the Euro-Mediterranean FTA (EMFTA), slated for implementation in 2010. The two deals, if successful, will differ in the typical way that US and EU FTAs differ: MEFTA will emphasise hard-nosed business rules and remove any discrimination towards Israel; EMFTA will pull the region into political harmonisation with the EU. But they will embrace the same countries (except for Libya and Turkey) and put them under strong pressure to conform to the West's corporate and geopolitical agendas, through competing market offers.⁹ The EU is well advanced on its roadmap to EMFTA, though it faces a backlash over non-enforcement of the human rights clause in its FTA with Israel and has been unable to sign its deal with Syria yet. The US is less advanced on the MEFTA roadmap. It has FTAs in force with Israel, Bahrain, Jordan and Morocco; a deal is done with Oman; the US-UAE deal was stalled by security paranoia in the US; and the rest is under construction.

Where the EMFTA and MEFTA do not collide geographically, the EU is trying to cut separate deals. This concerns Iran, Iraq, and the Gulf States, with whom the EU has been negotiating a bloc-to-bloc FTA since 1990. The EU-GCC deal is held up by the Gulf's hesitance to give EU firms ownership rights over the region's petrochemical companies.

As in other parts of the world, the EFTA grouping, led by Switzerland and Norway, is just a footstep behind the US and the EU. EFTA has its own FTAs with most countries of the region.



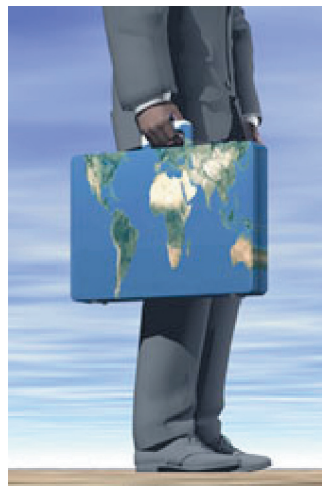
Japan's FTA scorecard, as of October 2007 (Image: Japan Ministry of Foreign Affairs)

⁸ See MITI, "Japan releases 2007 report on compliance by major trading partners with trade agreements – WTO, FTA/EPA, and BIT", 16 April 2007, wikified at http://www.bilaterals.org/article.php3?id_article=7911

⁹ How competitive depends on what the US decides about rules of origin: whether it will respect the EU's system, which recognises all countries in the region as a single country of origin ("cumulative" rules), or continue pushing its own.

Most other powerful economies are trying to seal their own bilateral FTAs with the GCC. Japan, EFTA, Australia and New Zealand have either started talks or are about to launch negotiations with the GCC.

There are several important regional initiatives to form South-South trade blocs: the Arab Maghreb Union (Algeria, Libya, Mauritania, Morocco and Tunisia), the Agadir Agreement (Egypt, Jordan, Lebanon, Morocco), the Greater Arab FTA (Arab League countries) and the GCC. The GCC attracts the most FTA bids from outside the region because of its oil. China, Mercosur (Argentina, Brazil, Paraguay, Uruguay and Venezuela), Korea, Pakistan and Singapore are at the top of the list. Bilaterally, Egypt, Israel and Morocco have the most FTAs with other nations.



Doing the rounds: Almost no country is not involved in some FTA, or FTA talks, today.

Sub-Saharan Africa

The trade scene in Africa seems like a tug of war between the pending EU Economic Partnership Agreements (EPAs), the struggle to put regional formations on a better footing, and China's serious penetration of the continent.

The EU EPAs are the biggest thing under discussion, as they promise to shake up African economies in a massive and devastating way.¹⁰ These agreements are basically FTAs between the EU and four different African regions crudely defined by Brussels for negotiation purposes: West Africa, Central Africa, East and Southern Africa and the Southern African Development Community (SADC).¹¹ The EPAs were supposed to be agreed to by the end of 2007 and will give the EU entire FTA coverage of Africa.¹² They aim to replace the current preferential trade relationship between Europe and Africa (where Africa gets duty-free access to the European market) with a reciprocal regime of full-scale liberalisation (where Europe will get duty-free access to Africa): investment, services, agriculture, IPR, fisheries, the works. If the EPAs are pushed through, Africa will be flooded with European products and companies coming in and taking over. African states will lose their chief sources of income and whatever capacity they have to compete.

The sheer threat of the EPAs has pushed many African governments into taking the possibility of strengthening their own regional trade blocs more seriously. Africa is covered by a patchwork of sub-regional formations – SADC, SACU, COMESA, ECOWAS, CEMAC, COMESSA, WAEMU,¹³ etc. – which are in various stages of integration, including through FTAs. SADC and SACU supposedly have free markets, COMESA is about to implement one and ECOWAS is on the path (through which it will

merge with WAEMU). The question people are wrestling with is whether and how to build further regional integration through these weak economic communities in the face of the EU's EPAs.

The US has not been very successful in making FTA deals in Africa. It tried for many years with SACU (Botswana, Lesotho, Namibia, South Africa, Swaziland), to match the EU's foothold in South Africa, but this backfired, mainly due to Washington's excessive IPR demands. (EFTA, by contrast, toned down its IPR demands on SACU and won an FTA.) The US is relying on its unilateral African Growth and Opportunities Act (AGOA) to win over the hearts and minds of African governments while it tries to sort out the potential for bilateral FTAs – in the meantime negotiating TIFAs (Trade and Investment Framework

Agreements – a prerequisite for an FTA with the US) and BITs – with individual countries.¹⁴

Apart from the EU and US, most countries trying to get FTA deals with African nations head straight for the regional powerhouse, South Africa, and its customs union formation, SACU. China and Singapore are negotiating FTAs with SACU right now. EFTA and Mercosur have already signed one. India is preparing to offer something. China's and India's FTAs with SACU are important because both countries are investing heavily in Africa now. China is mostly securing oil and mineral supplies, while India is getting into mining, automobiles and textiles. While the EU may be Africa's historical trading partner, China and to some extent India are capturing a larger part of the pie. The formalisation of these relationships through FTAs – and the accompanying politics – seems the obvious next step.

Latin America and Caribbean

Latin America is a very different scene compared to Asia and Africa when it comes to FTAs. The region has been hit hard by the excessive US push toward neoliberalism. A lot of that has been pursued historically through the World Bank and IMF and more recently through FTAs and other bilateral deals. Besides NAFTA, the US has also reached FTAs with Chile, Peru, Colombia, Costa Rica, Guatemala, Honduras, Nicaragua, the Dominican Republic, El Salvador and Panama. Talks collapsed with Ecuador after Quito insisted on Occidental Petroleum paying its taxes. The US is now trying to break the cohesion of Mercosur, where trade giants Argentina and Brazil reign, by luring Uruguay into Washington's sphere. Many of these bilateral deals were put together because the US failed to achieve a region-wide Free Trade Area of the Americas (FTAA), which would encompass all of North, South and Central America except Cuba.

¹⁰ For an overview, see the UN Economic and Social Commission for Africa, "The economic and welfare implications of the EU-Africa Economic Partnership Agreements", ATPC Briefing No. 6, May 2005, at http://www.uneca.org/atpc/Briefing_papers/6.pdf

¹¹ The actual makeup of these groups conflicts a lot with local regional economic integration bodies. For instance, Zambia is part of the ESA group for the EU talks even though in Africa it is formally a member of SADC.

¹² Previously, the EU had an FTA only with South Africa.

¹³ The Southern African Development Community, Southern African Customs Union, Common Market of Eastern and Southern Africa,

Economic Community of West African States, Economic and Monetary Union of Central Africa, Community of Sahel-Saharan States, and West African Economic and Monetary Union.

¹⁴ According to International Trade Daily, Washington is trying to develop a "template" for negotiating FTAs in the region, especially since, apart from the SACU countries, Mozambique and Ghana have expressed interest in negotiating US FTAs. (See Gary Yerkey, "US, Five African nations set new talks on free trade accord for February, April", ITD, Washington DC, 18 January 2006.) Since then, the US has signed a TIFA with Mozambique.

BUSH'S LEGACY ON BILATERAL TRADE & INVESTMENT DEALS

FTAs signed:

- Chile (2002)
- Singapore (2003)
- Australia (2004)
- Bahrain (2004)
- Morocco (2004)
- Laos (2004)
- Costa Rica (2005)
- Dominican Republic (2005)
- El Salvador (2005)
- Honduras (2005)
- Guatemala (2005)
- Nicaragua (2005)
- Oman (2006)
- Colombia (2006)
- Peru (2006)
- Panama (2007)
- Korea (2007)

FTA talks started/ongoing:

- SACU (since 2003)
- Thailand (since 2004)
- Ecuador (since 2004)
- UAE (since 2005)
- Malaysia (since 2006)

BITs signed:

- Azerbaijan (2001)
- Croatia (2001)
- Uruguay (2005)

TIFAs signed:

- Algeria (2001)
- COMESA (2001)
- Bahrain (2002)
- Brunei (2002)
- Sri Lanka (2002)
- Thailand (2002)
- WAEMU (2002)
- Saudi Arabia (2003)
- Central Asia (2004)
- Kuwait (2004)
- Malaysia (2004)
- Qatar (2004)
- UAE (2004)
- Yemen (2004)
- Mozambique (2005)
- ASEAN (2006)
- Cambodia (2006)
- Liberia (2007)
- Uruguay (2007)

Other pursuits:

- Algeria FTA
- APEC FTA
- ASEAN FTA
- Bangladesh TIFA
- CARICOM (Caribbean) FTA
- Egypt FTA
- Free Trade Area of the Americas
- Georgia FTA
- Ghana FTA
- India FTA
- Middle East FTA
- New Zealand FTA
- Switzerland FTA
- Tunisia FTA
- Uruguay FTA



The Bush administration will end with a heavy legacy on the bilateral trade and investment deal-making front. (Source: GRAIN)

The EU has followed the US along its FTA path in the region. After NAFTA was signed, the EU negotiated its own deal with Mexico. The same happened in Chile, Central America and the Andean region. The one difference is that the EU has been negotiating an FTA with Mercosur, something politically impossible for the US.

EFTA, like the US and EU, has a trade agreement with Mexico and Chile, and is preparing to start talks with Colombia and Peru. Japan has an FTA with Mexico and Chile, but nothing else in the pipeline for now. Australia is moving in on Chile and possibly Mexico, while Canada has a treaty with Chile and Costa Rica and hopes to string together something larger with Central America.

New Zealand, Chile, Singapore and Brunei have together signed an FTA called P4 – the Trans-Pacific Strategic Economic Partnership Agreement.

Apart from possibly Uruguay and the Caribbean, it is unlikely that the US will advance further on the FTA front in Latin America for now. The trend among governments is much more to strengthen regional trade and investment, be it through the Andean Community, Mercosur, the Caribbean Economic Community (CARICOM) or ALBA (the Bolivarian Alternative for Latin America, Chávez' anti-FTAA programme). The Democratic majority on Capitol Hill and the non-renewal of Bush's fast-track authority leave the White House less free to play hardball with its trade agenda.