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New Regional Trade Architectures: Implications for LDCs and Small States

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Abstract

This paper examines some of the implications for least developed countries (LDCs) and small and vulnerable economies (SVEs) of two major upcoming regional trade agreements (RTAs) – the Trans-Pacific Partnership (TPP) and the Regional Comprehensive Economic Partnership (RCEP). After identifying the current trade linkages of LDCs and SVEs with the members of these two RTAs, the paper specifies the issues that LDCs need to recognise with respect to the prospects of their market access vis-à-vis the two RTAs. It then proceeds to discuss the key elements of future strategic negotiations of LDCs and SVEs with these upcoming RTAs in a larger context and their policies for building preparedness. The paper concludes by discussing the political economy of the emerging world trade order as influenced by the new RTAs and outlines the contours of global trade outlook and the possibility of poor and small economies integrating deeper with world trade.

JEL Classification: F13, F15, F55
Keywords: regional trading arrangements, Trans-Pacific Partnership, Trans-Atlantic Trade and Investment Partnership, Least Developed Countries, LDCs, small and vulnerable economies, SVEs, trade negotiations

Contents

Abbreviations and acronyms

ACP	Africa, Caribbean and Pacific
AGOA	African Growth and Opportunity Act
AfT	Aid for Trade
APEC	Asia-Pacific Economic Cooperation
ASEAN	Association of South East Asian Nations
ATPA	Andean Trade Preference Act
CBERA	Caribbean Basin Economic Recovery Act
DDA	Doha Development Agenda
DFQF	duty-free quota-free
EPA	economic partnership agreement
FTA	free trade agreement
GATS	General Agreement on Trade in Services
GPA	government procurement agreement
GSP	Generalised System of Preferences
IP	intellectual property
LDC	least developed country
MFN	most favoured nation
MRA	mutual recognition agreement
NAFTA	North American Free Trade Act
NTB	non-tariff barrier
OECD	Organisation for Economic Co-operation and Development
PTA	preferential trade agreement
RCEP	Regional Comprehensive Economic Partnership
RoO	rules of origin
RTA	regional trade agreement
RVC	regional value content
S&D	special and differential
SPS	sanitary and phytosanitary
SSA	sub-Saharan Africa
SVE	small and vulnerable economy
TBT	technical barriers to trade
TPP	Trans-Pacific Partnership
TRIPS	Trade-Related Aspects of Intellectual Property Rights
TTIP	Trans-Atlantic Trade and Investment Partnership
WTO	World Trade Organization

1. Introduction

The growth of large regional trade agreements (RTAs) has been a conspicuous development in world trade over the last few years. While several bilateral free trade agreements (FTAs) and preferential trade agreements (PTAs) have been dotting the global trade landscape for several years, the new RTAs are distinct by their larger size, varied membership and radical approach to trade governance. These RTAs reflect the emergence of a new architecture in modern trade, which is expected to consolidate and expand in the years to come.

The Trans-Pacific Partnership (TPP), Regional Comprehensive Economic Partnership (RCEP), the Trans-Atlantic Trade and Investment Partnership (TTIP) and the Pacific Alliance are some of the major RTAs that are being negotiated and are in different stages of maturity. Among these, the TPP and the RCEP have the most varied memberships, cutting across many continents and geographical regions. These agreements have some common members, underscoring the mutual influence they are likely to exert on respective negotiations and also the possibility of their converging closer in future. Both agreements have 'open annexation' features, enabling other countries to join in the future and develop into effective plurilateral agreements.

The new RTAs aim to go beyond the narrow objective of most existing FTAs of seeking only additional tariff preferences outside the World Trade Organization (WTO), bilaterally or among a few members. These RTAs are following an integrated approach to market access management by not discussing tariffs or NTBs discretely, but by linking tariffs, standards, goods, services and dispute settlement in an amalgamated fashion. The approach is different from the negotiating posture at the WTO and in conventional FTAs. The new RTAs are also characterised by their emphasis on correcting 'behind the border' barriers that affect market access in form of obstructive domestic regulations. The emphasis is being carried forward for achieving the objective of regulatory convergence among members. At the same time, in what also amounts to striking a markedly different posture from the WTO, the new regional agreements stress transparency in member country rules influencing trade and deviations from agreed standards in the RTAs which are legally enforceable.

The regulatory approach of some of the new RTAs resonates with the flavour of the FTAs that the Quad members have been signing, particularly United States (US) and the EU. But it is interesting to note that even large emerging market economies like China and India, which have had traditional differences with much of the Quad on global trade matters, are inclined to participate in the new RTAs. This might reflect the emergence of a pronounced shift in the global trade architecture where major players in world trade, including the Quad, OECD countries and large developing countries, might prefer to trade in cross-regional frameworks outside the WTO with different rules and standards. Given that participation of producers and enterprises in world trade is being increasingly determined by their competitive proficiencies in handling discrete functions in globally dispersed value chains, the world's large and active traders are keen on implementing arrangements that facilitate these chains.

While it is not clear whether the new RTAs would be influencing future multilateral trade negotiations in their approach and content, up till now they do not have significant sections of the multilateral trade order as their stakeholders. The most significant among these are LDCs and SVEs. The poor and small economies not only have very limited presence in the upcoming RTAs, they also appear unprepared for addressing their implications. These implications extend from the loss of potential market space through preference erosion and institutionalisation of new standards to international trade governance, acquiring a largely unfamiliar orientation.

This paper examines some of the above implications for LDCs and SVEs in the specific context of two major upcoming RTAs – the TPP and the RCEP. After identifying the current trade linkages of LDCs and SVEs with the members of these two RTAs, it specifies the issues that LDCs need to recognise with respect to the prospects of their market access vis-à-vis the two RTAs. It then proceeds to discuss the key elements of future strategic negotiations of LDCs and SVEs with these upcoming RTAs in a larger context and their policies for building preparedness. The paper concludes by discussing the political economy of the emerging world trade order as influenced by the new RTAs, and outlines the contours of global trade outlook and the possibility of poor and small economies integrating deeper with world trade.

2. The Trans-Pacific Partnership and the Regional Comprehensive Economic Partnership

The TPP and the RCEP are two major RTAs being negotiated outside the WTO framework. The two agreements include several economies from North America, South America, the Pacific, Southeast and South Asia and Northeast Asia. The TPP currently includes twelve countries: Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, United States and Vietnam. Some of these countries – Australia, Brunei, Japan, Malaysia, New Zealand, Singapore and Vietnam – are also negotiating to join the RCEP. In addition to these countries, the latter also includes the other members of the ASEAN (Association of South East Asian Nations), i.e. Cambodia, Lao PDR, Myanmar, Indonesia, Philippines and Thailand, and China, India and South Korea. Both groupings are significant in terms of their shares in world GDP and trade (Table 1). RCEP covers almost half of the world's population due to the presence of populated countries such as China, India and Indonesia.

Table 1. TPP and RCEP: shares (%) in world GDP, population and trade

	TPP	RCEP
1. World GDP (nominal)	38.4	29.7
2. World GDP (PPP)	31.6	32.8
3. World population	11.2	47.9
4. World merchandise trade	25.3	27.4
5. World commercial services trade	24.7	23.0

Source: Computed from the World Bank and WTO statistics

The TPP is at an advanced stage in negotiations and is expected to conclude discussions soon. The RCEP, on the other hand, is still at a relatively early stage in negotiations. While the TPP is till now a collective of the APEC member economies, the RCEP has proceeded on an initial framework representing the ASEAN group and the countries with which the ASEAN has bilateral FTAs. In this respect, the RCEP symbolises the ASEAN+1 grouping of Asian economies[1].

While there are distinct differences in the coverage of issues and regulatory approach between the two RTAs, both are similar in their efforts to seek market access commitments well above what are currently available in the multilateral framework of the WTO. Indeed, in this regard, both RTAs are expected to step beyond the preferential degrees of market access secured through the multiple existing bilateral FTAs between their constituent members, which, as it is, offer greater access than what the members were obtaining through the WTO.

The TPP has an ambitious and exhaustive coverage of issues ranging from orthodox negotiating subjects like tariffs, sanitary and phytosanitary (SPS), technical barriers to trade (TBT), cross-border trade in services and dispute settlement to intellectual property (IP), government procurement, labour and environment standards, competition policy and treatment of state-owned enterprises. Its overarching emphasis is on achieving regulatory convergence among members and ensuring enforceable regulatory standards. The approach, largely influenced by the regulatory slant of the US FTAs, entails considerable reform of the domestic policies of members. It is hardly surprising, therefore, that the negotiations have stretched to five years and have aroused the active interest of a wide group of stakeholders. The RCEP, on the other hand, is expected to have a less expansive agenda while including some of the WTO plus and extra issues that the TPP is negotiating. The RCEP is also expected to have a more flexible regulatory approach, which is typical of the ASEAN+1 FTAs, and to accommodate special and differential (S&D) treatment for its economically backward members.

1 ASEAN+1 refers to the various bilateral agreements that ASEAN, as a group of economies, has signed with other major economies in the region. These include ASEAN's FTAs with Australia, China, India, Japan, New Zealand and South Korea. The RCEP is proceeding on the basis of the ASEAN+1 construct by including the ASEAN and its six FTA partners. Such a construct assumes ASEAN centrality in the trade framework.

Irrespective of the difference in outcomes, both the TPP and RCEP are expected to institutionalise new levels of market access commitments and new rules of trade governance. These are expected to have significant impact on the future of world trade given the large shares of merchandise and commercial trades they account for. Coupled with other influential upcoming RTAs like the Trans-Atlantic Trade and Investment Partnership (TTIP), these new regional trade architectures are likely to restructure world trade. Given the commonality of members across the agreements and the similarity in several of their objectives, the likelihood of the architectures converging in future cannot be overlooked.

3. Trade linkages of LDCs and SVEs with the TPP and RCEP

In order to gauge the economic impact of the TPP and the RCEP on LDCs and SVEs, it is important to identify the trade links of these economies with members of the two agreements. Both the TPP and the RCEP are expected to have 'open annexation' clauses in their final templates, enabling more countries to join subject to their complying with the regulations of the frameworks. Both are therefore likely to enlarge by 'locking in' more countries. The TPP should be adding South Korea, and possibly Thailand and China in the foreseeable future. More members would imply proportional increases in the trade linkages of the bloc with LDCs and SVEs. The current analysis, though, attempts to identify the linkages on the basis of the existing memberships of the TPP and the RCEP.

Appendices 1 to 8 show the export and import linkages of individual LDCs and SVEs with the two blocks. These linkages are determined by identifying the TPP and RCEP members that are among the top five export destinations and/or import sources of the listed LDCs and SVEs. The actual degree of these linkages is likely to be greater given that many of the TPP and RCEP members might not be among the top five, but the subsequently lower ranked export destinations and import sources. Identifying the linkages on the basis of the top five export/import locations helps in recognising LDCs and SVEs that have particularly strong links with individual TPP and RCEP members, and for whom, therefore, the growth of these RTAs can have specifically significant implications. The LDCs chosen are those that are classified so by the UN. The SVEs are those that are identified as such by the WTO in terms of the identification of their coalition in the WTO negotiations[2].

2. The UN classification of LDCs is available at the World Bank database: http://data.worldbank.org/region/LDC (accessed 20 January 2014). SVEs are listed at 'Groups in the WTO' (updated on 1 July 2013) and available at: www.wto.org/english/tratop_e/dda_e/negotiating_groups_e.pdf (accessed 20 January 2014).

4. Least developed countries

The trade linkages of LDCs with the TPP and RCEP members are expectedly uneven, with some of the latter having relatively stronger links than the rest. Among TPP members, Canada, Japan, Singapore and US appear to have the strongest links (Appendices 1 to 4) and are among the top five export destinations for several LDCs (Appendices 1 and 2). The corresponding links with Australia, Malaysia and New Zealand are relatively weaker. Some TPP members such as Brunei, Chile, Mexico and Peru are not among the topmost export and import destinations for the listed LDCs.

From an export perspective, LDCs such as Bangladesh, Cambodia, Guinea, Lesotho, Madagascar, Malawi, Samoa and Sudan have multiple TPP members among their top five export destinations (Appendix 1). The US is a leading export market for a few of these countries (e.g. Bangladesh, Cambodia, Lesotho and Malawi). Greater flows of exports from these countries to the US have been facilitated by the preferential access awarded by the US to LDC exports, as well as by their comparative advantage-based specialisations, particularly in textiles and apparel. Similar determinants apply to LDC exports to Canada, Japan, Australia, New Zealand and Singapore, which has a zero tariff regime for almost all products.

The countries with multiple TPP members among their top export destinations will ponder over the implications of the TPP on their export prospects. At the same time, LDCs like the Central African Republic, Guinea, Lesotho, Myanmar, Samoa, Solomon Islands and Vanuatu would need to consider the impact of the TPP on their imports as multiple TPP members are among their top import sources (Appendix 2). The import-dependence of Samoa, Solomon Islands and Vanuatu on the TPP members is particularly high, with the three countries respectively sourcing 79.7 per cent, 62.3 per cent and 60.3 per cent of their total imports from TPP members that are among their top five import sources. Indeed, 83.4 per cent of Samoa's exports are also accounted for by TPP countries that are among its top five export markets.

Compared with the TPP, more LDCs have RCEP members among their top five export destinations and import sources. The relatively stronger trade linkages with the RCEP bloc are due to the presence of China and India (Appendix 3). Along with several OECD countries, China and India also provide duty-free quota-free (DFQF) preferential access to LDC exports, particularly those from sub-Saharan Africa and South Asia. This is a major determinant of high exports from Bhutan, Guinea-Bissau, Nepal, Sudan and Yemen to India and China and the RCEP's accounting for major shares of their exports. While a TPP member like Singapore (also in RCEP) accounts for 9.1 per cent of Solomon Islands' exports and is among its top five export sources (Appendix 1), China accounts for 33.2 per cent of the country's exports and is the country's largest export destination. Thus Solomon Islands would have to be mindful of the implications of the RCEP, more so because two other RCEP members – Philippines and Thailand – are also among its top five export markets. Similar implications are attributable to Yemen, for which China and Thailand, the two top export markets, account for almost half of total exports, and Zambia, for whom China accounts for a fifth of exports (Appendix 3).

China is among the top sources of import for all the LDCs in Appendix 4, except Bhutan, Djibouti, Lesotho and Samoa. India is also a major source of import for several LDCs, while non-TPP RCEP members such as Indonesia, Thailand and Philippines are so for a few. The significance of overall trade linkages, as revealed by the shares illustrated in Appendices 1 to 4, point to a relatively deeper connection of LDCs with the RCEP compared with the TPP (Table 2). Table 2 shows LDCs with shares of more than 10 per cent of their total trades with the TPP and RCEP blocs as estimated on the basis of members of these blocs figuring among their top five export and import destinations/sources. While eight LDCs are found with 10 per cent plus shares with the TPP, twenty-six LDCs are found with such connections for the RCEP (Table 2).

Cambodia, Myanmar and Lao PDR, the three Southeast Asian LDCs, are part of the ASEAN and included in the RCEP negotiations. Since these economies would figure in the new RTA with additional preferential market access commitments, the implications of the RCEP might be different for them compared with the third-country LDCs. But Cambodia and Myanmar might experience these latter implications with respect to the TPP.

Several Asian LDCs – Afghanistan, Bangladesh, Bhutan, Cambodia, Myanmar and Nepal – have fairly strong trade linkages with the TPP and RCEP. Bangladesh, for example, has four of its top export locations split among the TPP and RCEP; US and Canada from the TPP account for 25.7 per cent and 3.5 per cent of its exports, while India and China from the RCEP absorb 4.0 per cent and 1.7 per cent of its exports (Appendices 1 to 3). On the other hand, China, India and Indonesia from the RCEP are among its major sources of imports (Appendix 4). Bhutan's exceptionally strong bilateral trade links with India, and relatively weaker but nonetheless significant links with Japan, Singapore, South Korea and Thailand, make it well connected to the RCEP. Nepal has similar dense linkages with the RCEP. While Cambodia, expectedly, has strong trade links with the rest of the ASEAN members of the RCEP, its reliance on the NAFTA (North American Free Trade Act) members Canada and US, particularly the latter, as its topmost destinations for exports connects it strongly to the TPP.

LDCs from sub-Saharan Africa (SSA) too have stronger trade linkages with the RCEP than with the TPP (Table 2). Benin, Burundi, Central African Republic, Eritrea, Guinea-Bissau, Madagascar, Malawi, Mauritania, Niger, Rwanda, Senegal, Sudan, Tanzania, Togo, Uganda and Zambia are the key countries in this regard. Lesotho and Sudan are the only two SSA LDCs with relatively higher trade linkages with the TPP. For some SSA LDCs, the linkages with the RCEP are strong on both exports and imports, mainly due to strong trade links with China and India. These linkages have arisen from large exports of a mix of primary, natural resource and mineral products such as cashew nuts (e.g. Guinea Bissau), crude oil (e.g. Sudan) and metals and ores (e.g. Zambia) by select SSA LDCs to China and India and substantive imports of low-cost diverse

Table 2. LDCs with more than 10 per cent trade with the TPP and RCEP

	TPP		
	Export (%)	Import (%)	Trade (%)
1. Bangladesh	29.2	0.0*	14.6
2. Cambodia	46.7	9.9	28.3
3. Lesotho	46.9	2.7	24.8
4. Myanmar	3.6	32.0	18.0
5. Samoa	83.4	80.0	81.6
6. Solomon Islands	9.1	62.0	35.7
7. Sudan	11.1	9.5	10.3
8. Vanuatu	5.4	60.0	32.8
		RCEP	
1. Afghanistan	16.8	23.3	20.1
2. Bangladesh	5.7	33.9	19.8
3. Benin	16.9	17.2	17.1
4. Bhutan	83.1	85.0	84.1
5. Burundi	0.0*	21.4	10.5
6. Cambodia	7.7	48.2	27.9
7. Central African Republic	9.4	11.8	10.6
8. Eritrea	10.8	27.7	19.2
9. Guinea-Bissau	98.7	9.4	54.1
10. Madagascar	17.4	17.8	17.6
11. Malawi	0.0*	20.8	10.4
12. Mauritania	42.1	5.1	43.6
13. Myanmar	64.1	76.9	70.5
14. Nepal	65.5	69.7	67.6
15. Niger	0.0*	26.9	13.5
16. Rwanda	3.5	18.3	10.9
17. Samoa	83.4	68.4	75.9
18. Senegal	14.0	6.6	10.3
19. Solomon Islands	56.8	58.8	57.8
20. Sudan	67.6	26.1	46.8
21. Tanzania	21.8	23.4	22.6
22. Togo	12.5	24.6	18.6
23. Uganda	0.0*	23.6	11.8
24. Vanuatu	19.3	66.9	43.1
25. Yemen	72.4	6.5	39.5
26. Zambia	20.2	5.4	12.8

Note: Total trade shares may not fully tally with export and import share aggregations due to rounding off.

*: 0.0 per cent reflects that none of the TPP/RCEP member countries are among the top five export destinations/import sources of LDCs.

Source: Computed from export and import shares reflected in Appendices 1 to 4.

machinery and equipment from China and pharmaceutical products from India; both China and India are also major sources of import of footwear, ceramic and textiles for SSA LDCs like Burundi, Madagascar, Malawi, Sudan and Uganda[3]. The expanding volume of South–South trade, and within such trade the importance of trades of Asian and SSA LDCs with China and India, significantly influences the impact of the growth of the RCEP on LDCs.

5. Small and vulnerable economies

Unlike LDCs, SVEs reveal comparatively greater linkages with the TPP. Canada, Japan, Mexico and US figure more regularly among the top five export destinations/import sources of SVEs, followed by New Zealand and Australia. Apart from Japan, other Asian members of the TPP such as Brunei, Malaysia, Singapore and Vietnam hardly figure among the top five trade partners of SVEs (Appendices 5 and 6)[4]. This is noted for the South American TPP members Chile and Peru as well.

For almost all SVEs except Cuba, Dominica, Maldives, Paraguay, and St Vincent and the Grenadines, the US is either the largest market for exports or is among the top five export destinations. It is similarly important as a source of imports for all SVEs except Maldives, Mauritius and Mongolia. For some of SVEs, the almost exclusive dependence on the US as an export market and as a source of imports is noticeable: these include Antigua and Barbuda, Dominican Republic, El Salvador, Guatemala, Honduras, Jamaica, St Kitts and Nevis and Saint Lucia. The US absorbs at least 30 per cent of total exports, or is the source of at least 30 per cent of the total imports of all these economies (Appendices 5 and 6). The various trade preferences offered by the US, including the Generalised System of Preferences (GSP) and the Caribbean Basin Economy Recovery Act (CBERA), influence its strong trade linkages with these countries, along with their geographical locations and their reliance on the US for import of manufactures. For these countries, the impact of the TPP might be significant, particularly with respect to preferential access in the US and the NAFTA markets.

As reflected in Table 3, the trade linkages of SVEs with the TPP in terms of the number of SVEs having more than 10 per cent of their total trade with the TPP members (as estimated from Appendices 5 and 6, reflecting the top five export destinations and import sources) are fairly

3. SSA LDCs such as Angola and Democratic Republic of Congo (whose trade linkages have not been reported in Appendices 1 to 4 and Table 2 due to lack of information on their top export destinations and import sources) are also major exporters of oil and mineral products to China and India (Morrissey 2010).
4. Though Singapore is not one of the topmost export destinations, it figures among the top import sources for Fiji, Maldives and Tonga (Appendix 6).

high, with eighteen SVEs reflecting such linkages with the exception of Cuba, Mauritius, Mongolia and Paraguay. All these exceptional countries, barring Cuba, and along with Fiji, Maldives and Tonga, have more than 10 per cent of their trades accounted for by the RCEP.

The geographical characteristics of the trade dependences of SVEs on the TPP and RCEP are evident, as they were for the

Table 3. SVEs with more than 10 per cent trade with the TPP and RCEP blocs

	TPP		
	Export (%)	Import (%)	Trade (%)
1. Antigua and Barbuda	38.1	34.4	36.2
2. Barbados	13.9	31.9	22.9
3. Bolivia	15.5	11.3	13.4
4. Dominica	0.0*	45.9	22.9
5. Dominican Republic	54.5	47.6	51.1
6. El Salvador	48.4	45.8	47.1
7. Fiji	49.5	73.0	59.2
8. Grenada	16.3	34.5	25.4
9. Guatemala	46.6	50.4	48.5
10. Honduras	47.7	42.6	45.1
11. Jamaica	61.9	35.9	48.9
12. Maldives	3.1	21.6	12.3
13. Nicaragua	42.4	26.9	34.6
14. St Kitts and Nevis	84.7	66.1	75.4
15. Saint Lucia	34.0	46.9	40.5
16. St Vincent and the Grenadines	0.0*	38.0	19.0
17. Trinidad and Tobago	48.1	28.0	38.0
18. Tonga	43.3	74.5	58.9
	RCEP		
1. Fiji	34.1	75.5	54.8
2. Maldives	23.4	31.7	27.5
3. Mauritius	0.0*	40.0	20.0
4. Mongolia	74.2	41.8	58.0
5. Paraguay	0.0*	29.6	14.8
6. Tonga	27.1	61.5	44.3

Note: Total trade shares may not fully tally with export and import share aggregations due to rounding off.

*: 0.0 per cent reflects that none of the TPP/RCEP member countries are among the top five export destinations/import sources of SVEs.

Source: Computed from export and import shares reflected in Appendices 5 to 8.

LDCs discussed earlier. The Asian SVEs, such as Maldives and Mongolia (and Mauritius, located close to Asia due to its presence in the Indian Ocean), show relatively higher trade links with the Asian-member-dominated RCEP. In contrast, Latin American and Caribbean countries have greater trade dependence on the TPP. For the Asian SVEs again, China and Japan are critical export markets among the RCEP. The relatively higher trade linkages of SVEs with the RCEP, though, are primarily due to the RCEP members, particularly China, figuring among the top five import sources for all SVEs except Dominica, Grenada, Maldives, St Kitts and Nevis, Saint Lucia, Trinidad and Tobago, and Tonga (Appendix 4). Unlike as seen for LDCs, particularly those from South Asia and the SSA, India's trade linkages with SVEs are limited, except for being a major source of imports for Maldives and Mauritius.

While the present analysis points to greater trade linkages of LDCs with the RCEP and SVEs with the TPP, the conclusion is by no means mutually exclusive. There are LDCs that have more than 10 per cent shares of their trades with both the TPP and RCEP. These include Bangladesh, Cambodia, Central African Republic, Myanmar, Samoa, Solomon Islands, Sudan and Vanuatu. Except for Lesotho, all LDCs with more than 10 per cent shares of their trade with the TPP have similar or greater shares with the RCEP as well (Table 2). This is partly due to the common members between the TPP and RCEP and the significance of these members (e.g. Australia, Japan, New Zealand, Singapore) in merchandise trades of the mentioned LDCs. On the other hand, Fiji, Maldives and Tonga are the three SVEs that have more than 10 per cent shares of their total merchandise trades with both the TPP and RCEP. Again, significance of common members between the TPP and the RCEP in the trades of these SVEs influences their substantive trade shares with both blocs.

In the light of the linkages identified above, the specific implications of the TPP and RCEP for LDCs and SVEs are now examined in greater detail.

6. Tariffs and trade preference erosion

Erosion of trade preferences for LDCs and SVEs has been a concern associated with progress in multilateral tariff liberalisation by the WTO and the growth of the RTAs. The TPP and the RCEP would augment these concerns, given that major economies negotiating both agreements extend considerable preferential access to exports from LDCs and many SVEs. The TPP members extending such access include the traditional Quad – Canada, Japan and US – along with Australia and New Zealand. Australia, Japan and New Zealand are negotiating the RCEP too, as is South Korea, another country offering preferential access to LDC exports. Furthermore, the RCEP includes China and India, both of which have tariff preference schemes for LDCs (Appendix 9).

Empirical studies examining erosion of trade preference in the context of broad-based tariff liberalisation by the WTO project such erosion as particularly significant for several SVEs[5]. These include Fiji, Dominica, Dominican Republic, Honduras, Jamaica, Mauritius, Maldives, Saint Lucia, St Kitts and Nevis, and St Vincent and the Grenadines. LDCs vulnerable to such preference erosion include Angola, Bangladesh, Cambodia, Democratic Republic of Congo, The Gambia, Guinea Bissau, Lesotho, Madagascar, Malawi, Mauritania, Mozambique, Myanmar, Niger, Senegal, Solomon Islands, Tanzania, Togo, Uganda and Zambia[6]. Several of these SVEs and LDCs have fairly strong trade linkages with the TPP and RCEP. Greater tariff liberalisations by the two RTAs can expose these countries to further erosion of preferences in the major TPP and RCEP markets.

The TPP has an ambitious objective of making around 11,000 tariff lines duty-free. While initially it aimed to arrive at a composite tariff schedule for all members, subsequently it deviated from the objective. The tariff schedules already operational between the US and the members with whom it has bilateral FTAs (Australia, Canada, Chile, New Zealand, Peru, Singapore) are not being re-negotiated and fresh tariff-cut talks are taking place between the US and other TPP members (Brunei, Japan, Malaysia, New Zealand and Vietnam). Thus the TPP is likely to produce multiple tariff schedules depending on the eventual outcomes of negotiations between the US and individual members. While for the TPP this implies a dilution of original ambition, the tariff cuts, nonetheless, are expected to be substantive. The RCEP too is expected to carry forward the agenda of tariff liberalisation in an exhaustive fashion for achieving commitments over and above what the ASEAN and its bilateral FTA partners already have in their agreements.

It is therefore likely that large chunks of the tariff lines currently having applied most favoured nation (MFN) duty rates in various TPP and RCEP members would become zero-duty. This has a few implications for preference-receiving LDCs and SVEs with strong trade links with the TPP and RCEP. First, for several tariff lines, obliteration of the current preference margins will eliminate the comparative advantages of LDC and SVE exports in these markets vis-à-vis similar exports from other members of the two blocs. Second, access to other (i.e. non-preference-granting) TPP and RCEP markets would become more competitive as these markets adopt deeper RTA-specific tariff cuts. Third, the removal of tariffs and preference erosion in the RTAs will hasten similar liberalisation in the WTO.

In the US market, for example, LDCs currently have preferential duty-free access for almost 50 per cent of the total tariff lines (4,969 tariff lines, out of a total of 10,710 lines). Extension of duty-free treatment on these 4,969 tariff lines to TPP members would imply preference erosion for the preference-receiving LDCs, as it would for the African Growth

5. The estimates assume tariff liberalisation in line with the commitments of the DDA of the WTO. See Milner et al. (2010) for detailed results.
6. Milner et al. (2010: 38–39).

and Opportunity Act (AGOA) and CBERA beneficiaries. Since most small economies and LDCs have limited diversifications in their export baskets and depend on a few specific products, their export prospects are usually affected by reduction of preferences on these items. Major sugar-exporting SVEs such as Fiji and St Kitts and Nevis, for example, have strong trade linkages with the TPP and would be affected if preference margins on sugar exports reduce in the US market following unilateral tariff cuts on sugar within the TPP[7]. Similar reduction of preference margins on specific food and non-agriculture exports subsequent to the TPP will be a concern for other preference-receiving countries with strong linkages with the TPP. Preference erosion on apparel exports will be a particular concern for the AGOA beneficiaries. On the other hand, market access might get more cramped for Asian apparel-exporting LDCs such as Bangladesh, Cambodia and Nepal who, as it is, currently face relatively higher tariffs in the US market. Lower apparel and footwear tariffs in the US market have been major demands from Vietnam in the TPP negotiations. The TPP's eventual adoption of these lower tariffs would imply greater comparative disadvantages for the Asian LDCs in the US and other NAFTA markets, Canada and Mexico.

For many LDCs, concerns over preference erosion exist for the RCEP too. While generic concerns pertain to speculation over the number of preferential tariff lines in the Australian, Japanese and Korean markets that will cease to yield positive preference margins following tariff liberalisation under the RCEP, worries pertain to preference erosions in the Chinese and Indian markets also. These worries are high for LDCs with strong trade links with both markets identified earlier and affect countries including Mauritania, Solomon Islands, Sudan and Yemen (China) and Afghanistan, Bhutan, Guinea Bissau and Nepal (India). The loss of preference might have considerable implications for export prospects of landlocked economies like Bhutan, Mongolia and Nepal that depend heavily on the neighbouring markets of China and India. The RCEP, though, has relatively better implications for Asian LDCs such as Cambodia, Lao and Myanmar that are part of the agreement and will benefit from the additional preferences offered by the RTA.

The impact of potential preference erosion from the TPP and RCEP needs to be assessed in the light of its implications on future liberalisation at the WTO. Given that TPP and RCEP are being negotiated by a smaller group of 'like minded' countries, they are likely to conclude and get implemented in the near future. Their tariff liberalisations would also therefore come in force faster. The possibility of preference erosion vis-à-vis the DFQF access extended by the preference-granting TPP and RCEP members for the member markets of the two RTAs is quite likely. Such a process appears irreversible notwithstanding the Bali Ministerial's decision to extend DFQF coverage in

7. Sugar has been a contentious negotiating issue in the TPP, with Australia demanding re-negotiation on sugar for obtaining greater access in the US market over and above what is available in the US–Australia FTA. If sugar and other agricultural items from current US bilateral FTAs are re-negotiated at the TPP, then several agricultural items might undergo duty cuts.

developed country and eligible developing country member markets (WTO 2013a). Indeed, large RTAs are likely to hasten preference erosion compared with the WTO, as the preferences extended through DFQF to third-country LDCs would be almost entirely balanced by similar preferences extended to non-LDC members in the RTAs[8]. The aggressive liberalisations by the RTAs are also bound to influence the pace at the WTO in the medium term.

A relatively less discussed issue in the context of the RTAs is their impact on imports of excluded countries. Import reliance of many LDCs and SVEs on several TPP and RCEP members is noticeable. The issue in this regard is whether imports to these countries can get diverted within the RTAs due to preferential tariffs. The possibility cannot be entirely overlooked. China, for example, is a major source of low-cost manufactured imports for several LDCs. Though many of these imports could be 'tied' to projects invested in by Chinese businesses, even these imports, along with some new projects, might be diverted within the RCEP due to more favourable treatment for member countries. Furthermore, import flows can also be affected by the relatively high bound tariffs in most poor and small countries.

7. Rules of origin

RoO have often been responsible for LDCs and SVEs not getting optimal access into the markets of preference-granting countries despite the latter extending non-reciprocal preferences. The main problem in this regard has been the complex nature of the RoO, particularly in the OECD markets, for satisfying the 'origin' criteria for receiving tariff preferences. Complex RoO prevent LDCs and SVEs from obtaining the full advantages of the DFQF access. Access problems can accentuate, due to the TPP and the RCEP.

As RoO get negotiated within the two mega-RTAs, the critical issue for poor and small countries is whether the new rules will also apply to exports from excluded members in the long run. RoO have been extensively discussed in the TPP, particularly by the US and Vietnam, on textiles and footwear. The US insistence on 'yarn forward' rules requires the various imports used in manufacture of textiles to be sourced from within the TPP bloc; Vietnam, though, would prefer the TPP's preferential tariffs to be applicable to materials and intermediates sourced at cheaper rates from outside the bloc and the RoO to be aligned accordingly[9]. RoO allowing TPP members to obtain preferential benefits on

8. LDCs such as Cambodia, Lao PDR and Myanmar might find the RCEP RTA offering marginally better tariff advantages than the DFQF though on a reciprocal basis. They can, however, expect to benefit from the S&D provisions of the RCEP in this regard.
9. Elms (2012); Schott et al. (2013).

intermediate imports sourced externally would be advantageous for several LDCs as that would enable them to enter the value chains running through the TPP as suppliers of primary material.

It is important to note that restrictive RoO can significantly constrain participation of LDCs and SVEs in global value chains by forcing them to locally perform multiple tasks of value chains in order to satisfy the originating demands, when their comparative advantages could actually be in executing a few country-specific, well-defined tasks[10]. If RoO in the TPP and RCEP do not allow members to obtain preferential tariff benefits on goods produced by using inputs sourced from excluded countries, or, even if they do, insist on satisfaction of strict aggregate 'origin' requirements for sourcing, LDCs and SVEs might continue to be forced to perform value-chain functions, many of which could be specifically inefficient. Their access to the RTA member markets and optimal utilisation of the DFQF facility can be facilitated by liberal RoO pertaining to products of specific export interests. Evidence points to the African apparel-exporting LDCs having benefitted from liberalisation of product-specific RoO under the AGOA in the US market[11]. Vietnam's demand under the TPP is for similar rules allowing 'cumulation' of values of imported intermediate inputs from various third countries for use in the final products and yet receiving preferential treatment subject to a certain specific proportion of the value added for the final product having taken place within the TPP bloc. Canada, for example, has fairly liberal rules in this respect[12]. Adoption of such rules by the TPP can help major apparel-exporting Asian LDCs like Bangladesh to continue participating in apparel value chains focused on the US market, and help them in nullifying some of the preferential access imbalance they currently encounter in the US market vis-à-vis the AGOA beneficiaries.

The ASEAN FTAs tend to employ minimum thresholds of regional value content (RVC) or change in tariff classification/sub-heading (CTC/CTSH) for satisfying the 'transformation' requirement for third-country imports[13]. The relatively more liberal RoO fix either the RVC or the 'transformation' criteria as the eligibility condition. However, there are FTAs, such as the ASEAN–India FTA, which insist on both. The process of RoO liberalisation under the ASEAN+1 FTAs has been to move more towards product-specific rules employing the RVC or transformation criteria, often with varying thresholds. There are considerable variations among the ASEAN+1 FTAs on the RoO and it will be rather difficult for the RCEP countries to adopt acceptable benchmarks.

10. Collier (2011).
11. While the AGOA has restrictive RoO for several products, relaxed rules for apparels allowing fabric to be imported from non-preference-receiving countries helped in expanding African apparel exports to the US, contrary to the EU market, despite the EBA (Collier and Venables 2007; Collier 2011).
12. The minimum threshold limit for domestic value addition is 25 per cent for LDC products to qualify for preferential access. See Commonwealth Secretariat (2011).
13. A criterion based on change in tariff sub-heading (CTSH) is more liberal than a change in tariff heading (CTH), which is itself more liberal than a change in chapter classification (CCC), all based on HS codes.

From the perspective of LDCs and SVEs that are largely primary commodity exporters, RoO are not usually major problems. Exports of agricultural goods usually classify for preferential treatment under the wholly originating (WO) criteria, as they are not part of fragmented production chains, except perhaps in the case of some processed foods. But restrictive RoO are clearly issues for those LDCs that export manufactures and are capable of performing selective tasks in regional value chains. Complicated procedures and insistence on higher thresholds by the TPP and RCEP would entail some difficulties for third-country LDCs and SVEs aiming to connect to these RTA-based value chains.

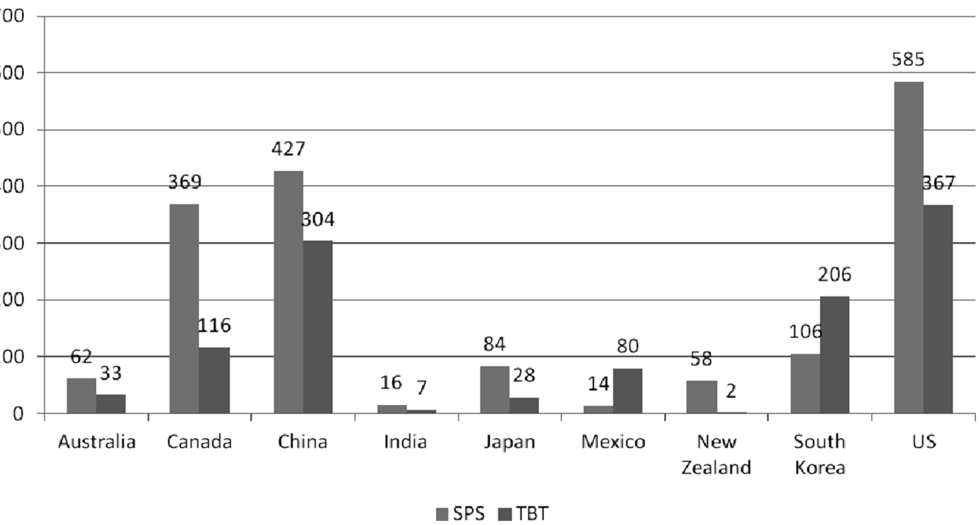
8. Non-tariff barriers: sanitary and phytosanitary measures and technical barriers to trade

One of the key implications of the TPP and RCEP for LDCs and SVEs will be the quality standards being implemented by these RTAs. Over the years, market access has become a critical function of NTBs erected by importing countries through various quality standards purportedly aiming to minimise potential damage from imports to domestic food safety, animal and plant health through SPS measures, and health and safety of humans and environment through TBTs. With tariffs progressively reducing through both multilateral and regional initiatives, access prospects of exports are significantly shaped by these NTBs. For LDCs and SVEs, mega-RTAs like the TPP and RCEP highlight the prospect of encountering rigorous quality standards, which might compound the difficulties they face from preference erosion. As it is, many LDCs and SVEs that rely on agricultural and resource exports to OECD markets find it difficult to comply with their standard requirements[14]. They might encounter greater difficulties when such standards apply across-the-board for a larger group of countries. Introduction of private standards is likely to complicate matters further.

Several TPP and RCEP members currently employ diverse SPS and TBT measures, with some countries being more proactive than others (Figure 1). During 2010–13 the US has initiated the largest number of SPS and TBT measures, followed by China, Canada, South Korea, Japan and Mexico. As Figure 1 reveals, the incidence of SPS measures has been relatively greater than that of TBTs. The NAFTA members of the TPP,

14. Several LDCs and small economies from Africa, Pacific and the Caribbean region, currently facing difficulties in conforming to SPS requirements in the EU and US markets, are likely to face additional obstacles from the TTIP (Rollo et al. 2013).

Figure 1. SPS and TBT measures initiated by major TPP and RCEP members, 2010–2013



Source: WTO, Integrated Trade Intelligence Portal (I-TIP)

US and Canada, have initiated measures for preserving safety standards in a large variety of imports including live animals, meat, fish and dairy products, live trees and plants, edible vegetables, edible fruits and nuts, oil seeds, meat and fish preparations, products of animal origin, animal and plant feed, cereals and cereal products, sugar confectionery, beverage and spirits and tobacco. The objective behind most of the measures is to restrict the presence of harmful chemicals in the imported products and ensure such minimum presence through inspection and evaluation requirements[15].

The SPS measures by Australia, Japan and South Korea also aim to maintain strict safety standards on animal and vegetable products. Indeed, the issue of food safety and initiation of SPS measures for making imports comply with domestic quality standards is no longer a characteristic of only the OECD countries, as is evident from the imposition of extensive SPS measures by China. The majority of SPS measures initiated by China during the last three years were for specifying technical requirements and testing methods for use of various food additives as prescribed by its National Food Safety Standards. In addition, China has SPS requirements for food packaging as well as measures pertaining to quality requirements in plant and animal food products. In contrast, the SPS measures initiated by India are much less and mostly pertain to plant quarantine requirements.

15. The measures pertain to products in HS Codes 01–24 covering four categories of items classified as agricultural products: live animals and animal products, vegetable products, animal or vegetable fats and oils and prepared foodstuffs, beverages, tobacco. There are instances of these measures extending to organic chemicals and wood products as well.

There are also several TBTs imposed by the major TPP and RCEP countries, though they are relatively less than the SPS measures. The US and China, again, are the two major TBT initiators, followed by South Korea, Canada, Mexico, Australia, Japan and India. The US TBTs are imposed on a wide range of imports including processed food, mineral fuels, chemicals, metals and a variety of manufactures, including electrical machinery and appliances, transport equipment and furniture[17]. The standards mostly pertain to specifications for ensuring environment and work safety standards. A large number of the current TBTs focus on compliance with specific emission norms for minimising damage from further additions to the atmospheric carbon inventory. The TBTs initiated by Canada are broadly similar to those maintained by the US. Many Canadian TBTs also insist on specific regulations for pharmaceutical imports under food and drug laws and safety guidelines for motor vehicles. China's TBTs encompass several manufactures across mineral fuels, pharmaceuticals, optical and photographic instruments, perfumes and cosmetics, iron and steel and toys and sports products, in line with its national standards specifying use of chemicals and reagents. South Korea's TBT requirements, in addition to being similar to many of those initiated by the US and Canada, also pertain to plastic and rubber products. The TBTs initiated by Japan and Australia also broadly reflect efforts to regulate imports in line with the domestic institutional standards for safeguarding environment and safety of consumers.

The TPP's aim is to achieve convergence across various SPS measures and TBTs that are being maintained by its members now. In doing so, the emphasis is expected to be on acceptance of quality standards that are institutionalised by domestic regulations of the US and other high-income OECD and non-OECD members of the group. Some of these countries are also present in the RCEP and would be keen on instituting similar convergence among domestic quality standards that would apply to cross-border movement of goods within the RCEP. The RCEP, however, might not aspire for as high standards since, as a grouping, it is economically more heterogeneous and committed to taking note of specific economic circumstances of members. But upgradation of standards over their existing levels is very likely in the RCEP too, given the emphasis on quality and safety regulations by a prominent member like China. Such upgradation will be a challenge for the RCEP LDCs like Cambodia, Lao and Myanmar, given their limited institutional capacities.

For LDCs and SVEs with strong linkages with the TPP and RCEP, adoption of higher quality norms within the RTAs poses considerable concerns for market access. Most of the current SPS measures initiated by the major TPP and RCEP members are for agricultural goods covering several vegetable and animal products that are major exports of many SVEs and LDCs. There are quite a few examples of the recent SPS measures of TPP and RCEP members having affected SVE and LDC exports. These include Chile's quality measures that affect exports of grains and seeds and rambutan fruits from Paraguay and Guatemala, South Korea's emergency prohibition measures

16. The most prevalent TBTs are across HS codes 22, 27, 28, 73, 84, 85, 87, 88 and 94.

on import of fresh pineapples from LDCs[17], New Zealand's SPS measures on import of cabbage leaves from Fiji, Samoa, Vanuatu and Tonga, Peru's measures on import of bell pepper seeds and groundnuts from Guatemala and Nicaragua, and the US's quarantine orders on rice shipments from many LDCs[18]. While these are often specific measures raised by the host countries, their regular SPS measures affect all exporting countries including LDCs and SVEs. There are also specific TBT measures by the TPP and RCEP members affecting both agricultural and non-agricultural exports from LDCs and SVEs[19]. A shift to even higher quality standards by the TPP and RCEP increases the possibility of more SPS measures and TBTs in future, both generic as well as product-specific, and consequent difficulties for LDC and SVE exports.

9. Intellectual property

The flexibility available to LDCs under the Trade-Related Aspects of Intellectual Property Rights (TRIPS) Agreement of the WTO has been further extended by stretching the transition period for changing domestic regulations for implementing the TRIPS standards of IP protection and enforcement to 1 July 2021 (WTO 2013b). This allows LDCs more time to develop institutional capacities and enact regulations accordingly. Different LDCs are proceeding at varying paces in this respect. Some African LDCs, for example, have already adopted national IP development plans and are implementing them (e.g. Mozambique, Rwanda, Senegal, Uganda and Zambia), while several others are at different stages of discussion and formulation of national IP strategies[20]. Asian LDCs such as Bangladesh and Cambodia have made significant progress in developing modern legal frameworks for IP, while Nepal is also making progress.

17. South Korea took emergency phytosanitary measures on fresh pineapple fruit to prevent the introduction of cryptophlebia leucotreta on fresh pineapple fruit imports from Angola, Benin, Burkina Faso, Burundi, Cameroon, Cape Verde, Central African Republic, Chad, Côte d'Ivoire, Democratic Republic of the Congo, Ethiopia, The Gambia, Ghana, Israel, Kenya, Madagascar, Malawi, Mauritius, Mozambique, Niger, Nigeria, Rwanda, Senegal, Sierra Leone, South Africa, Sudan, Tanzania, Togo, Uganda, Zambia and Zimbabwe. The measure was initiated on 11 January 2013. Details obtained from the WTO's Integrated Trade Intelligence Portal (I-TIP).
18. Affected LDCs include Afghanistan, Bangladesh, Burkina Faso, Mali, Mauritania, Myanmar, Niger, Senegal and Sudan. The quarantine order came into force on 11 July 2011.
19. During the period 2010–13, Australia's specific TBTs affected exports from Cuba, Dominican Republic, El Salvador, Guatemala, Honduras, Nicaragua and Zambia. Some of these countries were also affected by specific TBTs imposed by New Zealand, Chile, Peru and US.
20. These LDCs, according to a study on Africa (Saana Consulting 2013), include Burundi, Chad, Democratic Republic of Congo, The Gambia, Mali, Sierra Leone and Tanzania.

In the meantime, however, IP governance and regulations pertaining to international trade are changing significantly, with the upcoming mega-RTAs adopting significantly different IP architectures. The IP rules of the TPP are expected to be not only better advanced than those in the TRIPS, but also significantly ahead in the degree of IP protection and sanctity of enforcement in various bilateral FTAs. The TTIP is expected to adopt similar rules. While the RCEP's objectives in this regard are yet to be formally declared, it is also expected to aim for substantive TRIPS plus commitments.

The constitution of the TPP sheds light on the precise nature of its emphasis on IP regulations. The US and some other major members of the TPP are large players in global commercial services trade, with strong comparative advantages in production and export of IP-intensive services. As net IP exporters, these TPP members have obvious offensive interests in propagating IP laws that offer robust protection to proprietary knowledge and institutionalise appropriate deterrents for failure to ensure such protection. It is therefore hardly surprising that the TPP is expected to come up with substantive TRIPS plus provisions and also regulations that entail its members to implement major changes in their domestic IP legal frameworks. It is also hardly surprising that IP negotiations have been among the most controversial discussions at the TPP, with critical disagreements between members on various issues.

The thrust of the IP proposals being discussed at the TPP pertain to expanding and sharpening the degree of protection available to IP holders through lengthening lives of patents and data exclusivity over and above what is currently available through the TRIPS, lower patentability standards, and empowering patent holders to act against introduction of similar products on suspected infringements. One of the immediate implications of these measures could be on introduction, production and export of generic medicines. With length of protection on innovative drugs increasing, introduction of their generic formulations can be delayed. This can impact the supply of generic drugs to several LDCs, particularly in the SSA. At the same time, longer protection of copyrighted material (beyond the current fifty-year ceiling in the TRIPs) can adversely affect the prospects of parallel trade in such material, with distinct implications for availability of cheap textbooks and other essential educational material in poor economies. Stronger provisions on reproduction of copyrighted material in electronic form and rules on internet use and its governance can also affect access to knowledge for users in LDCs[21].

The perspective of some of the TPP members with offensive interests in IP negotiations are expected to influence the RCEP as well in determining the quantum of its TRIPS plus commitments. While the presence of large developing-country emerging markets like China and India, which have had major differences on IP issues with the US and EU and other OECD countries at the WTO, might temper the radicalism on IP regulations (along with the presence of LDCs

21. See Palit (2013) for greater details on IP implications.

such as Cambodia, Lao and Myanmar), the RCEP, nonetheless, cannot stay indifferent to the increasing TRIPS plus content of IP regulations in the TPP and other major agreements like the TTIP and the US–Korea FTA.

The critical implication of the radical IP rules in the TPP and other major RTAs outside the WTO is the considerable distance they are notching up from the TRIPS benchmarks. LDCs and SVEs that are developing national IP frameworks and strategies on the basis of the TRIPS would actually find themselves falling well short of the frameworks taking shape at the TPP and other mega-RTAs, since the latter are heavily scaled up over the TRIPS. LDCs appear to have little option other than accepting the fact that the distance between their national IP rules and those of the mega-RTAs are going to increase considerably, and that too at a rapid pace.

10. Services

The General Agreement on Trade in Services (GATS) is another legislation in the WTO which allows flexibility to LDCs in implementing WTO commitments. While LDCs have been allowed to remove barriers to trade in their domestic services at a pace consistent with their economic circumstances and priorities, the WTO has also been working towards obtaining non-reciprocal preferential market access for LDC service suppliers. The 9th Bali Ministerial of the WTO formally adopted the decision on preferential treatment, urging developed and developing country members to extend such preferences (WTO 2013c).

While not comparable with the OECD countries and some other emerging market and developing economies, LDCs and SVEs have been liberalising market access in their domestic services at varying paces (Appendix 10). Some countries have shown significant proclivity in opening up their services with limited restrictions on market access and national treatment. Vanuatu, for example, has committed to a large variety of services including communication, financial services, distribution and health[22]. Relatively late entrants to the WTO among LDCs and SVEs are generally noted to have made wide and fairly exhaustive commitments, for example Samoa, which entered the WTO at around the same time as Vanuatu, and also the Asian LDCs Cambodia and Nepal, which became members of the WTO in October 2004. Several of the early entrants too have made generous commitments, such as the Dominican Republic, Lesotho, The Gambia, Jamaica and Nicaragua (Appendix 10).

The liberalisation of market access barriers in domestic services in most of LDCs and SVEs is taking place in line

22. This could, however, be due to its accession to WTO only as late as August 2012 and the commitments it was required to fulfil.

with the existing GATS disciplines, with both horizontal and sector-specific commitments made by the WTO members acting as benchmarks. The aim of the TPP, however, is to secure substantive GATS plus commitments from its members. The latter are expected to offer more generous access in various service sectors than those they have already committed to at the WTO. In many cases, providing greater access involves reforming critical domestic regulations in core services such as banking, telecom and retail. The TPP deems this essential, given its thrust on removing 'behind the border' impediments to trade. These changes are likely to scale up market access commitments well above those in the GATS, thereby increasing the gaps between the TPP and RCEP members and LDCs and SVEs. For LDCs that have been slow in opening up services, connecting to major players in the global commercial services trade, some of whom are in the TPP and RCEP, might become even more difficult.

Both the TPP and the RCEP are expected to devote considerable attention to temporary movement of service suppliers (or 'business persons') within the geographical spaces of the RTAs. Facilitating these movements would require co-operation between member-country authorities on key issues like mutual acceptance of technical qualifications. The mutual recognition agreements (MRAs) might result in temporary movement of skilled people getting largely confined to the domains of the RTAs. This might adversely affect the prospects of excluded regional LDCs and SVEs, many of which are sources of moderately skilled personnel capable of performing several tasks in service industries. The migration of semi-skilled workers from Asian LDCs such as Bhutan and Nepal, for example, to RCEP members such as India and Thailand might be adversely affected; so might migration from several Caribbean countries to the US and other NAFTA countries. The long-term implication of such temporary movement, resulting from mode 4 of the GATS service export norms becoming constrained, is a reduction in the inflows of inward remittances from migrating workers that are critical for landlocked economies like Nepal and Bhutan.

11. Government procurement, competition policy, labour and environment

As a twenty-first century trade agreement, the TPP is negotiating a host of issues with significant bearing on international trade that are considered 'new generation'. These issues are also, conceptually, categorised as WTO plus and WTO extra subjects, as mentioned earlier. IP and trade in services are two WTO plus trade subjects that are being extensively negotiated by the TPP. These should also feature prominently in the TTIP. The TPP and the TTIP are not exceptional in their inclusion of these subjects. A large number of contemporary RTAs and FTAs including the OECD countries, as well as emerging markets and developing countries, have included these subjects. They are particularly visible in the FTAs that the US and the EU have been signing with various countries.

Along with IP and trade in services, another WTO plus subject featuring prominently in the TPP is government procurement. Given the large sizes of procurement markets of government agencies, departments and enterprises in various economies, their importance in influencing global trade can hardly be overlooked. The WTO has been discussing government procurement through its plurilateral government procurement agreement (GPA). However, given the sensitivities attached to government procurement in developing countries, where they are often intended to serve specific goals such as helping local industries, only a handful of developing countries have annexed to the GPA. The sole LDC observer to the GPA is Mongolia. The GPA, like the TRIPS and GATS, also has S&D provisions for LDCs.

It is not only mega-RTAs like the TPP and TTIP that are emphasising market access commitments from members in regional procurement markets. The WTO has also recently made considerable progress in this regard, with the GPA members agreeing to bring in a revised and exhaustive edition of the current GPA in the immediate future. With new members such as China and New Zealand likely to join the GPA soon, an RTA like the RCEP will also have members that are party to the WTO's GPA. Such presence is likely to ensure comprehensive discussion on government procurement in the RCEP too.

Progress on government procurement at the multilateral and regional trade forums is taking place irrespective of the limited participation of LDCs. It is evident that greater discussion and growth of country commitments on government procurement in different trade frameworks is an irreversible process. Indeed, access to procurement markets is likely to come up in the various economic partnership agreements (EPAs) that LDCs are negotiating with the EU. The lack of negotiating experience of LDCs in this regard is likely to be a significant obstacle.

Lack of negotiating experience is expected to emerge as an equally significant handicap for LDCs and SVEs in WTO-extra matters like the competition policy, labour and environment. Indeed, it is not only LDCs that are at a comparative disadvantage in this regard; large emerging markets such as China and India are also at a relative disadvantage in this respect, as they have been avoiding discussions on these subjects at the WTO and in various bilateral FTAs. However, their entries into mega-RTAs like the RCEP, and ongoing negotiations with several OECD countries on bilateral FTAs (e.g. EU–India FTA, China–Australia FTA), necessitate their devoting greater attention on these subjects by developing appropriate capacities.

The key challenge for LDCs and SVEs with respect to detailed incorporation of regulations on competition policy, labour and environment in mega-RTAs like the TPP is the distinct possibility of these issues figuring in multilateral negotiations in the not-too-distant future as well as in the several bilateral interfaces that LDCs would have with members of the new RTAs. An immediate short-term implication is the imposition of new barriers by TPP and other RTAs on environment and labour grounds. The earlier discussion on TBTs has already pointed out the diverse variety of barriers prevailing in several TPP and RCEP member countries on environmental grounds. These might increase, and exports from third countries can come under surveillance if they are suspected of not complying with environment and pollution norms, or are negligent to the concerns over trade in endangered species and articles. Similar barriers can also be imposed on labour-intensive LDC exports on grounds of such exports not satisfying labour standards specified in the RTAs. Indeed, these requirements have already been put in place in the GSP+ preferential scheme of the EU[23]. In this respect, the non-ratification of the majority of international conventions on labour and environment standards by several LDCs and SVEs might turn out to be a crucial limitation for the latter.

12. Strategic implications for LDCs and SVEs in future negotiations and policy priorities

The growth of new and large RTAs like the TPP, RCEP and the TTIP reflect the emergence of a distinct trend in world trade where countries from both the North and South are converging to regional frameworks covering an exhaustive range of issues in addition to preferential tariffs. These RTAs, with a clear focus on minimising 'behind the border' obstacles to movement of goods and services, are aiming for harmonisation of diverse standards and rules. The effort to achieve such 'deep' integration through narrowly focused RTAs is largely for maximising efficiency gains from regional production networks and value chains (WTO 2013d).

LDCs and SVEs are new to this game, which is dominated by countries with aggressive interests in global and regional value chains. Needless to say, these are mostly the OECD countries and large emerging market economies as reflected in the compositions of the TPP, TTIP, RCEP and the Pacific Alliance, as well as bilateral FTAs covering substantive trade, such as the proposed EU–ASEAN and the EU–India FTAs and the China–Japan–Korea FTA. LDCs and SVEs hardly feature in these agreements, notwithstanding that many of them have strong trade linkages with several of the RTA members. The growth of these RTAs, almost exclusive of LDCs and small economies, is a reflection on not only the latter's limited presence in international production networks, but also – in the perspective of most members of the RTAs – the limited contributions that they can make to such networks.

23. The GSP+ scheme entails removal of tariffs on exports from countries ratifying and implementing international conventions on human rights, labour rights, good governance and environment, see: http://ec.europa.eu/trade/policy/countries-and-regions/development/generalised-scheme-of-preferences/index_en.htm (accessed 2 February 2014).

From the perspectives of LDCs and small economies, however, deeper integration with these RTAs is important. Given their relatively small domestic markets, regional integration and connection with larger economies entails considerable economic gains (Collier 2011). Such integration, given the fragmentation of global production and the growth of 'deep' RTAs for facilitating business in value chains, requires LDCs and SVEs to focus on strengthening their comparative advantages for performing discrete functions in these chains. It is therefore important for LDCs and SVEs to engage with the mega-RTA members and explore the possibilities of negotiating for obtaining footholds in the RTA-based value chains.

The loss of trade preference is a distinct possibility arising from RTAs like the TPP, TTIP and RCEP. Preserving such preference would imply the RTA members holding on to their current MFN tariffs, which is unlikely. On the other hand, despite aiming for no exceptions, even the TPP is expected to produce member-specific negative lists of sensitive products that would be exempt from tariff cuts or subject to their calibrated removal. The RCEP is also expected to have negative lists, given that S&D treatment is a key feature of all ASEAN+1 FTAs. It is important for LDCs and SVEs to study these measures closely. In their discussions with the TPP and RCEP members in future, particularly those offering trade preferences, LDCs and SVEs should try to ensure that the negative lists of these RTAs do not end up adding tariffs on to products on which they receive preferential treatment. Many of the negative list items are likely to be agricultural products and might match the export interests of LDCs and small economies. The negotiations at the TPP and the RCEP, and also at the TTIP, would necessitate preference-giving countries going through their tariff schedules for reviewing all MFN and preferential duty rates pertaining to their commitments at the WTO and other RTAs and FTAs and aligning these as closely as possible with the upcoming TPP and RCEP schedules. While LDCs can hardly stop preference erosion through tariff liberalisation, they can try preventing preference loss from new tariff barriers.

From a long-run perspective, LDCs and SVEs have little option other than accepting the progressive reduction of tariffs and the consequent preference erosion. In their future negotiations with constituent partners of the TPP, TTIP and RCEP, they can hardly hope to reverse the process, which has already gathered momentum through the multilateral process. The core areas of negotiations for LDCs therefore must reflect a shift in emphasis from tariffs and preference erosion to other issues. Three major issues are critical in this regard. These are RoO, SPS and TBTs and preferential access for service suppliers.

Simple and transparent RoO are essential requirements for LDCs for identifying opportunities to integrate into value chains running through the RTAs. As it is, complicated RoO have often hampered access of LDC and SVE exports to preference-giving TPP and RCEP member countries. The Bali Ministerial decision on preferential RoO for LDCs should be a benchmark for the latter in future negotiations (WTO 2013e). The Bali decision places emphasis on a lower threshold for measuring domestic value addition and tariff classification and on granting cumulation benefits in non-reciprocal preference arrangements. The Bali mandate can be utilised by LDCs and SVEs for claiming cumulation advantages from the TPP and RCEP. Developing country members such as Malaysia and Vietnam in the TPP, and China, India and other LDCs such as Cambodia in the RCEP, who are likely to be keen on securing cumulation benefits on externally sourced inputs, can be urged by other LDCs to press for adoption of rules that allow cumulation on inputs sourced from other LDCs in the RTAs. This would be a win–win outcome for both the RTA members and external LDCs. Similarly, the US and other NAFTA members of the TPP, and the EU with respect to the TTIP, can be urged to implement the 'spirit' of the Bali decision by agreeing to RoO allowing for cumulation on imports sourced from either individual LDCs and SVEs or a specific group of these countries.

Quality and safety standards pertaining to SPS and TBT pose major challenges for poor and small economies in their efforts to protect spaces in the TPP, RCEP and other major RTA markets. Since they can hardly influence the shaping of quality standards in these RTAs in manners which the members prefer, their efforts need to be more on building domestic capacities for complying with standards. Along with the capacities required for developing standards, it is important to increase institutional capacities for administering regulations on IP, labour and environment. The GSP+ scheme of the EU has already begun linking duty-free access to ratification and implementation of labour and environmental rights. The ongoing multiple EPA negotiations with the Africa, Caribbean and Pacific (ACP) group also insist on quality standards and other regulations. Likewise, future bilateral FTAs with several of the TPP and RCEP members might also see LDCs and SVEs facing similar demands.

The qualitative negotiating challenge of LDCs with members of the new RTAs is in convincing the latter about their commitment to implement modern quality standards. In this regard, building domestic capacities for institutionalising quality standards is a non-negotiable priority. In future bilateral FTAs with members of TPP and other RTAs, LDCs can try negotiating funding support for building capacities in exchange for their commitments to these standards. For OECD countries, such funding demands can be placed as Aid for Trade (AfT) for addressing specific trade-related constraints or infrastructure required for building capacities (Cali et al. 2011). Indeed, similar negotiations can also be pursued at the various interim EPAs of ACP countries with the EU, where the necessity of time and funds for building institutional capacities for implementing technical standards and executing regulatory changes can be used as negotiating chips for securing continuation of DFQF access.

Bali has provided LDCs with the multilateral endorsement for enabling preferential access for LDC service suppliers. The endorsement can be utilised for negotiating with TPP and other RTA members. Several high- and middle-income small economies – Barbados, Bolivia, Mauritius, Honduras, Jamaica, Fiji, Trinidad and Tobago – can explore offensive interests in mode 3 services delivery and utilise the Bali endorsement for contemplating collaborative investment ventures in service sectors of some

TPP and RCEP members. Among the latter, countries like Vietnam, Cambodia, Lao, Myanmar, and even Latin American members like Peru, and a large emerging market like India, might be looking forward to such investments for enlarging their own service sector capacities. At the same time, the endorsement can also be utilised in bilateral negotiations for securing greater access in mode 4 service deliveries, which has always been a key interest for LDCs and SVEs.

In a world where preference erosion is irreversible, LDCs and SVEs must aim to minimise the losses from preference erosion through other measures. The focus of these measures has to be largely domestic. At the same time, they also have to equip themselves for not falling out of sync with the regulatory changes taking place in international trade governance, primarily in RTAs like the TPP. Their trade policy priorities should accordingly aim to achieve the following:

1. Preference erosion losses can be balanced by achieving greater international competitiveness. Such competitiveness is significantly influenced by trade-related infrastructure. The key effort in this regard should be to improve the efficiency of logistics and distribution services, particularly those influencing movement of goods at the borders. For many LDCs, paucity of funds for investment could be an issue. An attempt to secure funds can be made through the AfT windows, or through private and other available sources, including the possibility of factoring in the prospects in exhaustive reciprocal agreements like the EPAs. At the same time, LDCs should pay heed to the trade facilitation package adopted by the Bali Ministerial. Efficient adoption of the core elements of the package would not only reduce domestic inefficiencies in LDCs and SVEs, but would also help in obtaining quicker and deeper access in other markets.
2. Staying competitive is a dynamic process. Modern trade is fashioned by the demands of fragmented production in which competitiveness of a country is determined by its ability to perform discrete tasks in value chains across a wide range of products and services. The ability of a country to participate effectively in global value chains often depends on its access to cheap primary and intermediate inputs, which are domestically processed for further re-processing in other locations. Access to cheap imports is critical in this regard. Unless LDCs and SVEs reduce their own tariffs on non-manufactured goods, they are unlikely to get access to required imports. Tariff liberalisation, therefore, is an important domestic policy agenda for LDCs.
3. Unless LDCs develop capacities for meeting globally accepted quality and safety standards, their distance from the twenty-first century standard-based RTAs like the TPP, RCEP and TTIP will increase further. Building capacities for addressing compliance requirements has been a long-realised aspect of the structural constraints of LDCs in integrating with global trade. The growth of the TPP and other RTAs has drawn renewed attention to the importance of tackling this issue.
4. LDCs and SVEs have to send a clear signal regarding their commitment to

recognise and act on parameters that are increasingly becoming important in determining trade relations and market access prospects. Given the insistence of the OECD countries that global trade should take into account commitments of individual countries on IP protection and security of labour and environment, it is important for LDCs to seriously consider the prospect of ratifying various international treaties and conventions that would underscore their commitment to such protection.

13. The political economy dimension

The ability of LDCs and small economies to preserve their trade linkages with the TPP and RCEP members and negotiate successfully with the members of these groupings for maximising their long-term objectives of integrating in global value chains and building capacities for doing so, will be conditioned by the political economy influencing the growth of the mega-RTAs. The fundamental tenets in this regard are the growing cynicism of the traditional Quad and most OECD economies in the capability of the WTO and the multilateral trade system to implement the next generation of trade reforms; a somewhat identical perception of the WTO on the part of emerging market economies, given the scant progress on the Doha Development Agenda (DDA); and the criticality of uniform regulations and an enforcement-driven regulatory approach in ensuring orderly functioning of global value chains.

All the above have contributed to the efforts of the US, EU, several other OECD members and even large emerging markets like China, India and Indonesia to figure in negotiations on mega-RTAs that account for significant chunks of world GDP and merchandise and commercial services trades. Bilateral FTAs and RTAs have been proliferating for more than a decade now in different parts of the world. But new RTAs like the TPP, TTIP and the RCEP reflect strong leadership by traditional Quad members such as the US, EU and Japan. The US's particularly proactive role in both the TPP and the TTIP underscores its growing lack of interest in providing leadership to multilateral trade talks (Panagariya 2013). While various factors could have contributed to the lack of interest, the most conceivable one would be the rise of emerging market economies and their strategic influence in world trade talks, preventing the US from embedding at the WTO issues and approaches more closely aligned with its trade vision and interests. The EU and other OECD economies like Australia, Canada, Japan and South Korea would have also experienced similar disappointments with the WTO. The TPP and the TTIP, as well as the RCEP partially, reflect the urge on the part of the Quad and several OECD members to pitch their resources in mega-RTAs outside the WTO. As is obvious from their coverage and approach, these new regional trade architectures go well beyond the WTO framework in securing trade liberalisation. At the same time, large emerging market economies like China and India, while not 'giving up' on the WTO, are nonetheless seized of the importance of staying rooted to global value chains through large RTAs. The motivation influences their entries at the RCEP, along with the strategic urge to contribute to the new rule-making process for trade in the Asian region, which might well become the benchmarks for global trade in future. Similar motivations have influenced China to view the TPP objectively with the possibility of joining it in future.

LDCs and SVEs hardly feature in the mega-RTAs. Indeed, in this respect, they hardly figure in the larger reconfiguration in the balance of power in world trade. The equilibrium of power in world trade has realigned considerably away from the Quad towards large emerging market developing countries. However, it would be erroneous to describe the shift as entirely 'South' bound; while some of the larger developing countries with diversified production bases and unilateral tariff regimes have been able to participate actively in multilateral and regional trade negotiations for reciprocal exchange of preferences, poor and small countries have hardly been able to do so. Thus the overall shift in balance of power among the traders of the world has hardly influenced LDCs and SVEs. As blocks receiving non-reciprocal trade preferences, they have generally been avoided in RTAs seeking 'deep' integration outside the WTO framework, on the assumption that they would be either unwilling or incapable of meeting the exacting standards of the mega-RTAs. The perception, however, is again prone to errors of generalisation. As the EPA experience with the ACP countries demonstrates, some LDCs and small economies have displayed the willingness and effort to enter into comprehensive agreements covering a wide range of WTO plus issues.

Given the sizeable shares of global economic output and trade that the new RTAs encompass, and the importance of LDCs and SVEs in preserving their spaces in global trade, they must proactively negotiate with the RTA members, notwithstanding their limited presence and strategic influence in the RTA negotiations. They should negotiate with an open approach to reciprocal preferences. While many poor and small economies have liberalised tariffs, for several others who have not, it could be important to cut tariffs given that there is ample evidence suggesting tariff cuts can help in diversifying export-oriented production by increasing access to cheap imports. Negotiations, outside an accommodating framework like that of the WTO, are *quid pro quo* and governed by reciprocity. In these discussions, track-2 initiatives, lobbying and other interfaces with the mega-RTA members, political willingness to reciprocate can help in securing crucial negotiating objectives. LDCs and SVEs should also convey their willingness to discuss standards and regulations for improving their quality, transparency and enforceability. Very often, negative perceptions on developing economies, including LDCs and SVEs, in implementing fair and transparent competition rules and enforceable standards and regulations arise from doubts over the willingness and capacity of their political establishments to overcome rent-seeking objectives of deeply entrenched cartels and interest groups in different spheres of their economies[24]. Some decisive domestic measures in this regard can serve as effective examples and can be useful in making the context and perspective of discussions with mega-RTA members supportive towards LDCs.

14. Concluding thoughts: new trade architectures, LDCs and SVEs

The Bali Package produced by the 9th WTO Ministerial is considered by many as the resumption of movement on the long-stalled DDA and revival of the salience of the WTO. It is true that the Ministerial has been able to chalk up achievements on some aspects of the DDA like trade facilitation and agriculture. More importantly, from the perspective of LDCs, it has reinforced the scope of non-reciprocal preferential treatment in critical components of their market access such as DFQF, RoO and preferential access for service suppliers. However, doubts remain over whether what Bali achieved was indeed sufficient for recharging multilateralism and reducing the interest of major world economies in mega-RTAs. Indeed, what Bali achieved was probably of limited significance from the perspective of the Quad and OECD countries as there was little indication of their main interests – WTO plus and extra issues – being addressed. Implementation of a revised GPA agreement might partially alter the perceptions in this regard. But such an agreement is likely to remain a plurilateral of interested parties, rather than an overarching WTO commitment cutting across members. Parties to the GPA could well have secured the revised market access commitments through external FTAs or RTAs. It appears that the Quad and other OECD countries engaged in the TPP, RCEP and other mega-RTAs are likely to prioritise these over the WTO.

The Bali Ministerial has delivered for LDCs and small economies. The problem, however, is that the mega-RTA members might start visualising the WTO as a forum for addressing and defending the narrow needs of LDCs rather than global trade as a whole. This could be a rather troublesome perception for both the WTO and LDCs. It would imply that LDCs are hardly the 'like minded' partners for twenty-first century agreements like the TPP, given their defensive postures emphasising non-reciprocity, as endorsed by the WTO. At the same time, the WTO itself would be struggling to shed off the perception, which, however, would be challenging given its structural limitations that make its negotiating framework tariff-centric and less amenable to taking

24. These perceptions also widely prevail for large emerging markets such as China, India, Indonesia and Nigeria.

on new issues as part of a comprehensive package[25].

Perceptions apart, potential shrinkage of market space for LDCs and SVEs from the growth of the mega-RTAs is a distinct possibility. Such potential is intricately connected to the depth and quality of the linkages that LDCs and SVEs have with the individual RTAs. These trade linkages show more LDCs having larger exchanges with the RCEP, for example, compared with the TPP. This is primarily on account of the presence of China and India in the RCEP. The growth of both these economies has been accompanied by increases in their bilateral trades with LDCs from the SSA region and Asia. The inclusion of China and India in a mega-RTA like the RCEP, and the potential preference erosion for LDCs from such inclusions, takes the larger implications of the mega-RTAs beyond the conventional 'North–South' domain to a 'South–South' sphere. The possibility of preference erosion from the 'South–South' sphere can enlarge if China joins the TPP in future.

Preservation of existing spaces and acquiring additional spaces are essential if LDCs and small economies are to avoid further marginalisation in world trade. In a world trade order where the new regional trade architectures are expected to entrench and expand, LDCs and SVEs must strive to benefit from their growth. The key to achieving such benefit is to implement policies for integrating deeper with RTAs through the value chains they nurture. This would require proactive action on cutting tariffs and reforming domestic regulations for participating in negotiations with larger economies on a reciprocal basis. Building domestic capacities for securing international quality standards and utilising the available AfT windows for the purpose are equally important. After all, S&D treatment and non-reciprocal preferences are intended to be interim, not permanent, measures.

25. WTO (2013d).

Appendix 1. TPP members among top five export destinations of LDCs

	Australia	Canada	Japan	Malaysia	New Zealand	Singapore	US
Bangladesh		3.5					25.7
Bhutan			0.7				
Burkina Faso						4.9	
Cambodia		4.9				7.7	34.1
Comoros						1.3	
Guinea		4					6.7
Guinea-Bissau						12.1	
Lesotho		15.1					31.8
Madagascar		4.9				6.9	
Malawi		8.8					5.4
Mali							3.2
Mauritania			5.2				
Mozambique				3.9			
Myanmar						3.6	
Nepal							6.3
Niger							4.7
Samoa	61.1				18.9	3.4	
São Tomé and Príncipe							0.5
Solomon Islands						9.1	
Sudan		8.8	2.3				
Tanzania		7.5					
Vanuatu		5.4					

Note: Several LDCs and some TPP members have been excluded from the above table because: a) destination/source-wise data are not available for their export and import shares; b) the TPP members do not figure among their top export destinations/import sources; or c) they are not members of WTO. The LDCs excluded are: Afghanistan, Angola, Benin, Central African Republic, Chad, Democratic Republic of Congo, Djibouti, Equatorial Guinea, Eritrea, Ethiopia, The Gambia, Haiti, Kiribati, Lao PDR, Liberia, Rwanda, Sierra Leone, Somalia, South Sudan, Timor Leste, Tuvalu, Uganda, Yemen and Zambia. The TPP members excluded are Brunei, Chile, Mexico, Peru and Vietnam.

Source: WTO 2012

Appendix 2. TPP members among top five import sources of LDCs

	Australia	Japan	Malaysia	New Zealand	Singapore	US	Vietnam
Afghanistan		9.6					
Bangladesh							
Benin			4.6				
Bhutan					2.3		
Burkina Faso						4	
Burundi		9.4					
Cambodia							9.9
Central African Republic		3.9				15.6	
Comoros							
Djibouti		5.5					
Ethiopia						5.5	
Guinea	3.9					5.2	
Guinea-Bissau							
Lesotho		2.5				0.2	
Madagascar							
Malawi						5.3	
Mali						9	
Mauritania						3	
Mozambique							
Myanmar		5.3			27		
Nepal							
Niger						5.8	
Samoa	9.9	9.4		27.9	21.2	11.3	
São Tomé and Príncipe		2.3					
Senegal						4.9	
Solomon Islands	18.1			6.4	23.2	14.6	
Sudan		9.5					
Tanzania							
Vanuatu	31.1			16.8	12.4		

Note: Same as in Appendix 1. The TPP members excluded here for not figuring among top five import sources of the tabulated LDCs are: Brunei, Canada, Chile, Mexico and Peru.

Source: WTO 2012

Appendix 3. RCEP members among top five export destinations of LDCs

	Australia	China	India	Japan	Malaysia	New Zealand	Philippines	Singapore	South Korea	Thailand
Afghanistan			16.8							
Bangladesh		1.7	4							
Benin		11.7	5.2							
Bhutan			82.4	0.7						
Burkina Faso								4.9		
Cambodia								7.7		
Central African Republic		9.4								
Comoros			1.2					1.3		
Ethiopia		10.8								
Guinea-Bissau			86.6					12.1		
Madagascar		6.2	4.3					6.9		
Mauritania		36.9		5.2						
Mozambique		4.7			3.9					
Myanmar		6.2	12.6					3.6		41.7
Nepal			65.5							
Rwanda		3.5								
Samoa	61.1					18.9		3.4		

(continued)

Appendix 3. RCEP members among top five export destinations of LDCs (continued)

	Australia	China	India	Japan	Malaysia	New Zealand	Philippines	Singapore	South Korea	Thailand
Senegal			14							
Solomon Islands		33.2					8.1	9.1		6.4
Sudan		65.3		2.3						
Tanzania		14.3		7.5						
Togo		12.5								
Vanuatu				5.4			13.9			
Yemen		32.4	13.7						8	18.3
Zambia		20.2								

Note: Several LDC members have not been included for reasons mentioned in the note of Appendix 1. These include: Angola, Chad, Democratic Republic of Congo, Djibouti, Equatorial Guinea, Eritrea, The Gambia, Guinea, Kiribati, Lao, Lesotho, Liberia, Malawi, Mali, Niger, São Tomé and Principe, Sierra Leone, Somalia, South Sudan, Timor Leste, Tuvalu and Uganda. The RCEP members excluded here for not figuring among top five export destinations of the tabulated LDCs are: Brunei, Cambodia, Indonesia, Lao PDR, Myanmar and Vietnam.

Source: WTO 2012

Appendix 4. RCEP members among top five import sources of LDCs

	Australia	China	India	Indonesia	Japan	Malaysia	New Zealand	Philippines	Singapore	South Korea	Thailand	Vietnam
Afghanistan		13.7			9.6							
Bangladesh		15.6	13.2	5.1								
Benin		12.6				4.6						
Bhutan			75.1		5.1			2.3			2.5	
Burkina Faso		9.7										
Burundi		12			9.4							
Cambodia		24.2									14.1	9.9
Central African Republic		7.9			3.9							
Comoros		3.7										
Djibouti					5.5							
Eritrea		19.3	8.4									
Gambia, The		8.7										
Guinea	3.9	6.7										
Guinea-Bissau		2.4									7	
Lesotho					2.5							
Madagascar		13.8	4									
Malawi		9.5	11.3									
Mali		9.9										
Mauritania		5.1										

(continued)

Appendix 4. RCEP members among top five import sources of LDCs (continued)

	Australia	China	India	Indonesia	Japan	Malaysia	New Zealand	Philippines	Singapore	South Korea	Thailand	Vietnam
Mozambique		5.9	4.8									
Myanmar		27.1			5.3				27	6.1	11.4	
Nepal		10.5	57	2.2								
Niger		26.9										
Rwanda		11.7	6.6									
Samoa	9.9				9.4		27.9		21.2			
São Tomé and Príncipe		2.2			2.3							
Senegal		6.6										
Solomon Islands	18.1	11.1					6.4		23.2			
Sudan		16.6			9.5							
Tanzania		9.4	14									
Togo		18.1	2.7								3.8	
Uganda		8.9	14.7									
Vanuatu	31.1	6.6					16.8		12.4			
Yemen		6.5										
Zambia		5.4										

Note: Several LDC members have not been included for reasons mentioned in notes of Appendices 1 and 3. The RCEP members excluded here for not figuring among top five import sources of the tabulated LDCs are: Brunei, Cambodia, Lao PDR and Myanmar.

Source: WTO 2012

Appendix 5. TPP members among top five export sources of SVEs

	Australia	Canada	Chile	Japan	Mexico	New Zealand	US
Antigua and Barbuda							38.1
Barbados							13.9
Bolivia				5.9			9.6
Cuba					1.2		
Dominica Republic							54.5
El Salvador							48.4
Fiji	20.7			7.6		5.8	11.4
Grenada							16.3
Guatemala					5		41.6
Honduras							47.7
Jamaica		12.3					49.6
Maldives				3.1			
Mauritius							10.5
Mongolia		9.5					3.4
Nicaragua		12					30.4
Paraguay			8.9				
St Kitts and Nevis							84.7
Saint Lucia							34
Trinidad and Tobago							48.1
Tonga				10.6		16.5	16.2

Note: The SVEs considered here are all WTO members. Dominica, Papua New Guinea and St Vincent and the Grenadines have been excluded as none of the TPP members are among their top five export destinations. Similarly, TPP members Brunei, Malaysia, Peru, Singapore and Vietnam have been excluded, as they are not among the top five export destinations of any of the listed SVEs.

Source: WTO 2012

Appendix 6. TPP members among top five import destinations of SVEs

	Australia	Canada	Japan	Mexico	New Zealand	Singapore	US
Antigua and Barbuda			1.6				32.8
Barbados							31.9
Bolivia							11.3
Cuba		3.5					4.5
Dominica			4.1				41.8
Dominica Republic				6			41.6
El Salvador				8.9			36.9
Fiji	20.4				16	33	3.6
Grenada			3.6				30.9
Guatemala				11.2			39.2
Honduras				6.6			36
Jamaica							35.9
Maldives						21.6	
Mauritius	2.6						
Mongolia			5.1				
Nicaragua				8.1			18.8
Paraguay							5.3
St Kitts and Nevis		2.1	3				61
Saint Lucia			4.3				42.6
St Vincent and the Grenadines		5					33
Trinidad and Tobago							28
Tonga	9.2				31.9	20.4	13

Note: No SVEs are excluded in this list. But select TPP members – Brunei, Chile, Peru, Malaysia, Vietnam – are excluded as they are not among the top five import sources of any of SVEs listed.

Source: WTO 2012

Appendix 7. RCEP members among top five export destinations for SVEs

	Australia	China	Japan	New Zealand	Thailand
Bolivia			5.9		
Dominica Republic		5.4			
Fiji	20.7		7.6	5.8	
Maldives			3.1		20.3
Mongolia		74.2			
Tonga			10.6	16.5	

Note: SVE countries and TPP members have been excluded according to the principles explained in the note of Appendix 6.

Source: WTO 2012

Appendix 8. RCEP members among top five import sources for SVEs

	Australia	China	India	Japan	New Zealand	Singapore	South Korea
Antigua and Barbuda		2.9		1.6			
Barbados		4.1					
Bolivia		12.3					
Cuba		13.4					
Dominica				4.1			
Dominica Republic		9.8					
El Salvador		5.7					
Fiji	20.4	6.1			16	33	
Grenada				3.6			
Guatemala		6.9					
Jamaica		4.6					
Maldives			10.1			21.6	
Mauritius	2.6	14	23.4				
Mongolia		31.1		5.1			5.6
Nicaragua		9.2					
Paraguay		29.6					
St Kitts and Nevis				3			
Saint Lucia				4.3			
St Vincent and the Grenadines		5.3					
Tonga	9.2				31.9	20.4	

Note: Same as Appendix 7.

Source: WTO 2012

Appendix 9. Existing DFQF schemes for LDCs and SVEs by TPP and RCEP members

Country	Agreement	Existing preferential access scheme
1. Australia	TPP and RCEP	a) **GSP** for LDCs and developing countries. 3,233 preferential duty-free tariff lines, out of which 222 are for agriculture and 3,214 for non-agriculture export. b) **SPRTECA** (with New Zealand) for South Pacific Island countries. Same number of preferential tariff lines as in a).
2. Canada	TPP	**GSP** for LDCs and developing countries. 2,581 duty-free tariff lines only for LDCs, out of which 731 are in agriculture and 1,853 are for non-agriculture exports. In addition, the overall GSP has 1,373 preferential tariff lines with 511 duty-free lines.
3. China	RCEP	**Duty-free treatment** for LDCs. Covers 40 LDCs and extends to 60 per cent of all tariff lines. The scheme is expected to cover 97 per cent of all tariff lines in future.
4. India	RCEP	**Unilateral Tariff Preference** Scheme for all LDCs. 85 per cent of all tariff lines duty-free and preferential tariff access for 9 per cent tariff lines.
5. Japan	TPP and RCEP	**GSP** for LDCs and developing countries. 5,416 duty-free tariff lines for LDCs only, out of which 1,383 are for agriculture and 4,035 are for non-agriculture exports. Preferential GSP tariffs are extended to 2,984 tariff lines, out of which 1,615 are duty-free.
6. New Zealand	TPP and RCEP	a) **GSP** for LDCs and developing countries. 3,129 duty-free tariff lines only for LDCs, out of which 380 are for agriculture and 2,751 are for non-agriculture exports. Preferential GSP tariffs are extended to 471 tariff lines, out of which 136 are duty-free. b) **SPRTECA** (with New Zealand) for South Pacific Island countries.
7. South Korea	RCEP	**Preferential Tariff** for all LDCs. 9,079 duty free tariff lines, out of which 933 are for agriculture and 8,150 are for non-agricultural exports.
8. US	TPP	a) **GSP** for LDCs and developing countries. 4,969 duty-free tariff lines only for LDCs, out of which 1,223 are for agriculture and 3,749 are for non-agriculture goods. Additionally, 3,506 duty-free lines are available under GSP for all beneficiaries. b) **AGOA**. 39 SSA countries are extended 1,740 duty-free tariff lines, out of which 661 are for agriculture and 1,080 are for non-agriculture. c) **ATPA** for Colombia and Ecuador. 5,203 duty-free tariff lines, out of which 1268 are for agriculture and 3,938 are non-agriculture. d) **CBERA** for 16 Caribbean countries. 5,446 duty-free tariff lines, out of which 1,269 are for agricultural goods and 4,180 are for non-agricultural items.

Note: ATPA = Andean Trade Preference Act.

Source: a) Preferential Trade Agreement Data Base, WTO; b) 'Preferential Market Access : China's Duty-Free Quota-Free Scheme for LDC products', UN; c) Duty-Free Tariff Preference Scheme for LDCs, Ministry of Commerce, Government of India.

Appendix 10. GATS commitments of LDCs and SVEs

LDC/SVE	Services sector with GATS commitments
1. Angola	5
2. Antigua and Barbuda	32
3. Bangladesh	9
4. Barbados	21
5. Benin	12
6. Bolivia	36
7. Burkina Faso	2
8. Burundi	22
9. Cambodia	94
10. Central African Republic	17
11. Chad	2
12. Democratic Republic of Congo	12
13. Cuba	50
14. Djibouti	13
15. Dominica	20
16. Dominican Republic	60
17. El Salvador	29
18. Fiji	1
19. Gambia, The	110
20. Grenada	19
21. Guatemala	20
22. Guinea	9
23. Guinea-Bissau	2
24. Honduras	25
25. Jamaica	48
26. Lesotho	80
27. Madagascar	2
28. Malawi	33
29. Maldives	5
30. Mali	2
31. Mauritania	3
32. Mauritius	27
33. Mongolia	37
34. Mozambique	17
35. Myanmar	5

(continued)

Appendix 10. GATS commitments of LDCs and SVEs (continued)

LDC/SVE	Services sector with GATS commitments
36. Nepal	77
37. Nicaragua	49
38. Niger	7
39. Papua New Guinea	27
40. Paraguay	9
41. Rwanda	6
42. St Kitts and Nevis	8
43. Saint Lucia	8
44. St Vincent and the Grenadines	8
45. Samoa	80
46. Senegal	29
47. Solomon Islands	29
48. Tanzania	1
49. Togo	5
50. Trinidad and Tobago	32
51. Uganda	5
52. Vanuatu	70
53. Zambia	16

Source: WTO 2012

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