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CROSS -CUTTING EFFECTS OF THE EU'S PREFERENTIAL TRADE AGREEMENTS (PTAs) ON DEVELOPING ECONOMIES

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STUDY

Cross-cutting effects of the EU´s Preferential Trade Agreements (PTAs) on developing economies

ABSTRACT

The world has seen rapid growth of preferential trade and investment agreements (PTAs) that, by definition, aim to go beyond the existing WTO obligations of the parties. With this growth comes the danger of incompatible obligations as these PTAs overlap within a country. This study examines the sources of overlap in various PTAs and the compliance costs that PTAs may create for a developing country, with a special focus on the agricultural realm. Examining the reality of divergent SPS standards, we conclude that better-targeted "Aid for Trade" and regulatory streamlining within the EU can help to mitigate compliance costs in developing countries. Additionally, involvement of the private sector at an earlier stage in PTA negotiations may also help to clarify compliance costs and build their mitigation into the agreements.

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Executive Summary

The Proliferation of PTAs and the Danger of Overlap

The deceleration of multilateral trade talks such as the Doha round of the World Trade Organization (WTO) over the past decade has led to a focus on and an acceleration of regional and preferential trade agreements (PTAs) in their stead. This "new regionalism" has also expanded PTAs and investment agreements to include issues beyond purely regional concerns.

These new generation PTAs have been classified as one of two categories: "WTO-plus" agreements, which concern themselves with issues under the current mandate of the WTO but go beyond multilateral obligations (such as deeper tariff cuts); and "WTO-Extra," where a PTA goes beyond existing WTO obligations of the parties to the agreement and expands into areas of investment, regulation, and other areas such as labour standards not covered by the WTO.

However, given the myriad of agreements that many developing countries have concluded in the past decade, there is a real danger of emerging market government agreeing to incompatible obligations across treaties.

The purpose of this study is to focus on the costs of inconsistent or divergent requirements in PTAs pursued by the EU and how these costs are both offset by long-run gains and can be mitigated in the short-run for developing countries. Are there particular inconsistencies that are encountered between EU and other major actors in their PTAs? How have implementation costs for developing countries changed with the "new regionalism?" And are there possible ways to compensate for these short-term costs?

Types and Degrees of Inconsistencies

The presence of inconsistencies can raise the cost of utilizing preferences under a trade agreement, with a real danger that the cost increases could offset the extent of tariff preferences. The actual extent of inconsistencies can be traced to the differing approaches of the developed partner countries, with each trade bloc or country pursuing different strategies and tactics in the conclusion of a preferential trade agreement. There are several specific issues which inherently cause frictions across PTAs, either by design or through the application of different governance structures by the developed countries that implement them; among these are:

- rules of origin (RoO),
- sanitary and phyto-sanitary (SPS) standards, and
- technical barriers to trade (TBTs)

These three aspects of PTAs can have explicitly contradictory obligations as part of their design. Additionally, there are also issues that can exhibit inconsistency due to the WTO-extra framework, in that there is little multilateral agreement on how these issues should be treated. These issues include investor protection, intellectual property rights (IPR), and "trade facilitation" or customs administration.

In regards to agriculture, SPS and TBT barriers are the most pressing, followed by trade facilitation/customs administration. Somewhat interestingly, WTO-extra aspects such as investor protection and IPR have little scope for inconsistency at present, but retain the potential for it in the future. And RoO, while having little direct relevance to agriculture, is a major burden for manufacturers in developed countries and could have the largest compliance costs across PTAs.

Costs of Compliance

The overlapping requirements of PTAs impose real costs for developing countries, with these costs occurring across the economy. In the first instance, costs must be borne by exporters, who must acquire the knowledge (often at their own expense) of the myriad of requirements at each export destination. For the home country government, as well, which often provides some trade facilitation role, costs are incurred in reorienting regulatory regimes for harmonization and in the administrative changes that must necessarily follow. At the most basic level, consumers may also see some changes in the short-run, as costs of compliance can be passed-through by producers, possibly creating a subsidy for exports via higher prices on domestically-distributed goods.

Empirical evidence regarding the size of compliance costs is thin in regards to overlapping PTAs, but work has been done on various aspects of PTAs, including RoO and SPS regulations. For example, Portugal-Perez (2006) finds that capture by special interests in the US and Mexico may have raised the costs of rules of origin between 3.5–11% of the value of the goods in question, while , Fox *et al.* (2007) find that the benefits to the US economy from the removal of RoO rules amount to US$1.53 billion. Worldwide, econometric analysis of actual preference use shows that preferences are underused because of administrative burdens—estimated to be equivalent to an average of 4% of the value of goods traded globally. Specifically in regards to developing countries, specific case studies on Nepal, Botswana, and Morocco indicate that compliance costs with SPS regulations can be substantial, such as tomato producers incurring costs of over US$70,000 to comply with EUREPGAP standards.

Ways to Lessen Compliance Costs

There are concrete ways in which these costs can be mitigated from both the EU and developing country side, across four dimensions: assistance can either be rendered directly to the governments in the developing countries or it can be targeted at the private sector, while it can involve assistance external to the EU or changes at the EU or Member State-level to facilitate trade.

In the first instance, given that the vast majority of compliance costs borne by a country involve adherence to government rules, government-to-government assistance in the form of technical assistance (TA) can possibly help to overcome these barriers to trade. Building technical assistance into a PTA agreement can thus be a way to build capacity within partner governments in order to reach EU standards, by offering know-how and technical improvements in the many areas needed for upgrading. Capacity-building can also have positive externalities across PTAs, especially when it focuses on improving host country procedures and technologies. Finally, the delivery of technical assistance can also be conducted at a multilateral or bilateral level, depending upon the particular agreement and the partners involved.

While impressive movement has been made in offering needed technical assistance to the governments of developing countries, the success of these programs from the EU is more difficult to discern. A multi-project study from 2013 found that the EU has excelled in changing legislation and (to some extent) building management systems for SPS compliance, but has seen less success in encouraging national standards agencies to engage in international standard-setting, involving the private sector in compliance issues, or even ensuring the sustainability of quality infrastructure improvements.

An alternative to government-to-government TA is industry-specific assistance. A major difficulty here will be in the design of such programs, in particular creating a prioritisation schedule for industries and firm types. However, assistance may instead be created that is targeted at "choke points" in the system, including improving laboratory and veterinary services that are then utilized by private sector entities.

Discussions also can be undertaken with the private sector during the PTA negotiation process, as has been done in the Japan-Malaysia FTA.

Recommendations

In line with this analysis, we recommend four separate approaches for the EU to better utilize PTAs and minimize the costs and likelihood of overlap:

- **Know possible overlaps before the PTA is signed**

In order for the EU to garner the benefit of increased trade, it may be helpful to know what the obstacles to increasing this trade may be. In particular, as the EU is undergoing PTA negotiations with a specific partner it would be useful to have a catalogue of possible standards conflicts.

- **Prioritise TA by Cost-Benefit Principles**

Any technical assistance that is going to be carried out in hopes of building capacity in the partner country must be prioritised according to a cost-benefit metric of cost of assistance versus value of trade generated. It is recommended for such a metric to be created internally within the EU before the completion of any new PTAs, in order to make them applicable and binding for the next round of agreements.

- **Look beyond government assistance**

If technical assistance is still envisioned as a way to mitigate compliance costs, and if done according to cost-benefit principles, it may also be helpful for the EU to shift towards private sector TA as part of its trade-related assistance.

- **Healer, heal thyself**

It would be beneficial for both developing countries and the EU itself to undertake a broad regulatory review of its SPS and other TBT standards, in order to simplify the increasingly complex web of requirements and obligations. Such a guillotine approach would be in line with previous EU strategy, as well as helping to remove some of the obligations that developing countries need to comply with.

Through these recommendations, we believe that the reality of overlapping PTAs, and especially the way in which they influence compliance costs, can be mitigated somewhat for developing countries

1. Introduction

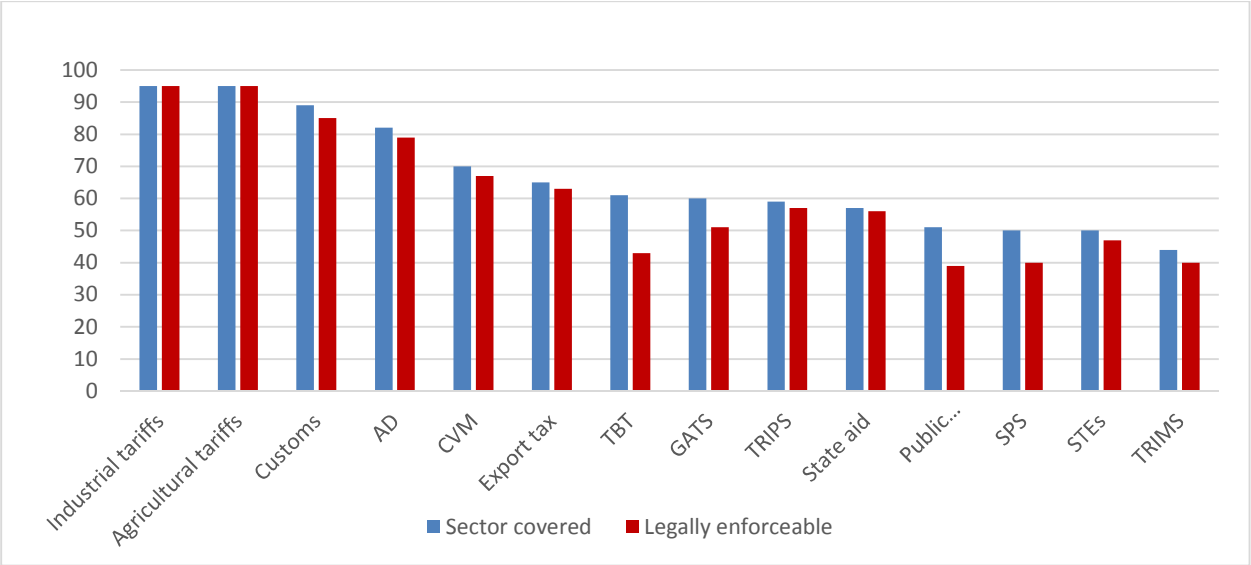
The deceleration of multilateral trade talks such as the Doha round of the World Trade Organization (WTO) over the past decade has led to a focus on and an acceleration of regional and preferential trade agreements (PTAs) in their stead. According to recent work from the OECD (Lejarraga 2014), more than 250 regional or preferential trade agreements that have been notified to the WTO are currently in force as of 2015, while a further 30 new agreements are under negotiation. As Lejarraga (2014:8) notes, "with the exception of Mongolia, all WTO Members have notified participation in one or more [preferential trading agreements]."

Led by major economic actors such as the United States and the European Union (EU), this trend away from multilateral agreements and towards smaller arrangements has been dubbed the "new regionalism." One of the key tenets of the new regionalism is that it emphasizes attracting countries at different stages of economic development with tailored liberalization strategies (in contrast to the multilateral approach, which often only pertains to altering developed country trade policies as a benchmark for developing countries.). This tailored approach means the likelihood of swifter resolution of negotiations, as obligations can be flexibly crafted depending upon each country's initial conditions or level of development (Feridhanusetyawan 2005).It may also result in faster gains to liberalization after conclusion of a PTA, as reciprocity can be implemented more swiftly with fewer partners (Dieter 2009).

Perhaps more importantly, the "new regionalism" has also expanded PTAs and investment agreements to include issues beyond purely regional concerns, going "over and above a mere removal of border barriers to trade [and focusing on] elements of deep integration" (Guerrieri and Dimon 2006). Indeed, a key characteristic in the growth of PTAs over the past decade is that they have incorporated more stringent conditionality than might be possible in a broader, multilateral agreement. These PTAs have been classified by Horn *et al.* (2010) as one of two categories: "WTO-plus" agreements, which concern themselves with issues under the current mandate of the WTO but go beyond multilateral obligations (such as deeper tariff cuts); and "WTO-Extra," where a PTA goes beyond existing WTO obligations of the parties to the agreement and expands into areas of investment, regulation, and other areas such as labour standards not covered by the WTO. As can be seen in Figures 1 and 2, these types of PTAs have become commonplace.

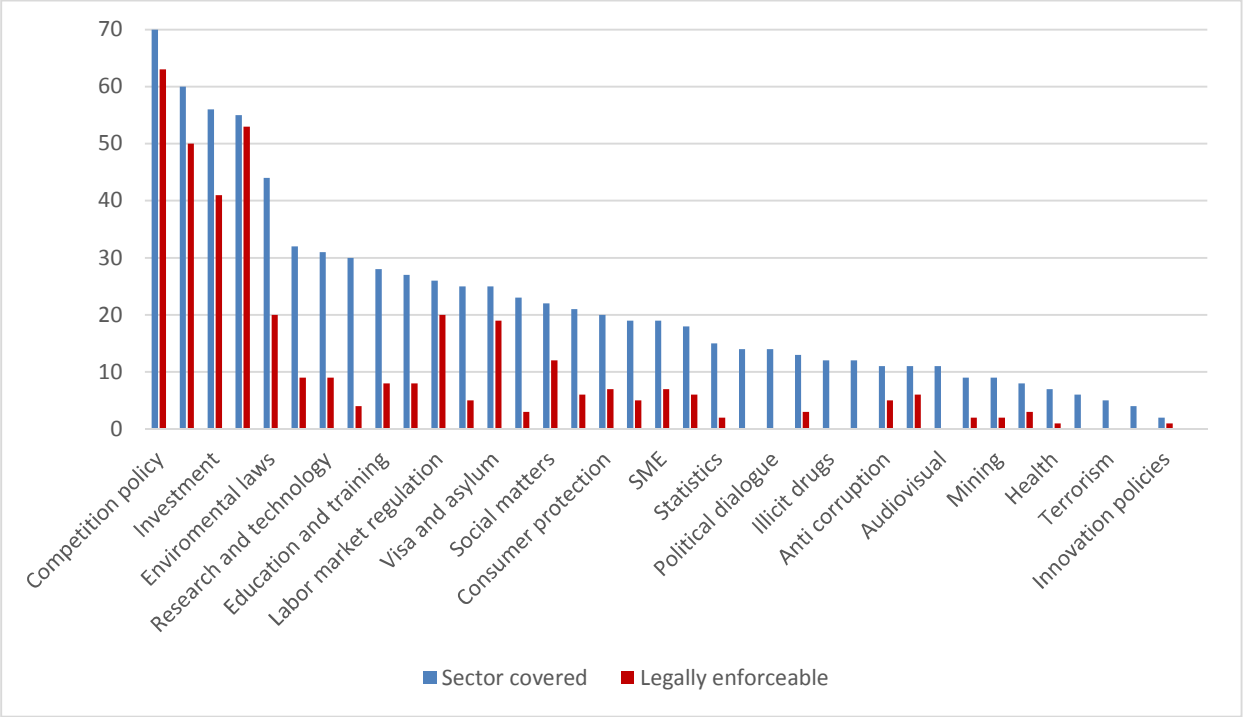
The move towards both WTO-plus and WTO-extra agreements is generally credited to US Treasury Undersecretary Lawrence Summers, who argued in the early 1990s that all forms of trade liberalization are desirable, whether they occurred in a unilateral, multilateral, or regional format (Bhagwati 1995). However, the EU, always more activist in its pursuit of regional trading agreements (Guerrieri and Caratelli 2006) ,has wholeheartedly embraced the idea of WTO-plus as a weapon in its trade negotiation arsenal. As McGuire and Lindeque (2010:1338) detail, the EU over the past decade has pushed stringently for reduction of regulatory barriers and improvement in "trade facilitation, competition policy, investor protection, and government procurement." These so-called "Singapore issues," tabled at the WTO Ministerial meeting in Singapore in 1996, have endured through EU policymaking and are reflected in the Lisbon Treaty (Woolcock 2011). In fact, the push for deeper integration issues has been enshrined in recent Economic Partnership Agreements (EPAs), which have tied together Singapore issues with the idea of market access (Faber and Orbie 2007).

Figure 1 – Number of Agreements with WTO+ Provisions



Source: World Trade Organization (2011)

Figure 2 – Number of Agreements with WTO-Extra Provisions



Source: World Trade Organization (2011)

While the jury may still be out regarding the trade effects of this new regionalism (although recent scholarship such as Eicher and Henn (2011) notes that PTAs produce strong but uneven trade effects), there are real costs incurred in the negotiation and implementation of these agreements. Indeed, given the myriad of agreements that many developing countries have concluded in the past decade, there is a real danger of emerging market government agreeing to incompatible obligations across treaties.

Much of this danger stems from the differing approaches that the major initiators of PTAs pursue in their dealings with emerging markets. For example, PTAs negotiated by the USA tend to adopt a model that was first developed during NAFTA negotiations, using trade policy as "an important component of broader US foreign policy" (Schott 2006). In this approach, emphasis is placed on investor protection and intellectual property rights, in addition to broader liberalization tenets, to open up a clear route for US businesses. On the other hand, the EU has focused more on developing country liberalization as a separate process from broader, multilateral liberalization trends (Sbragia 2007), and thus negotiated a "pyramid of preferences" based on the EU's overall strategy towards the country concerned (Guerrieri and Caratelli 2006). In regards to agriculture, this has meant on average more exemptions for agricultural tariff lines than in the US approach (Heydon and Woolcock 2014). Depending upon which actor a developing country negotiated with first, there might be serious transition costs in agreeing to further PTAs with different developed nations.

This state of affairs is exacerbated by the reality of political pressures within developed countries, which often means that trade negotiations do not proceed in a linear pattern. Trade-negotiating authority may be fragmented across agencies or subject to change (hence the continual struggle for "fast-track" authority in the United States), meaning internal institutional problems can also manifest themselves in PTAs. This as well may have real consequences for a developing country.

Similarly, even if the approaches of the EU and the US were somehow harmonized in negotiating a PTA, there is no guarantee that all obligations agreed to would be covered, given the inherent exclusionary nature of some aspects of PTAs (as opposed to multilateral agreements). If one considers that the overall motivation for a developed country to conclude a PTA is often to secure commercial advantages at the expense of a competitor (such as the US), which may have its own PTA in place (van Loon 2013), or to reinforce strategic benefits beyond purely economic considerations (Wesley 2008), it is easy to see how agreements with more than one actor can lead to mutually-contradictory obligations.

Finally, if we extend our analysis to situations where obligations do not strictly overlap; there remains the issue of implementation of these obligations to the satisfaction of each treaty partner. A result of this growing number of WTO-plus and WTO-extra PTAs may be to increase the implementation costs for third countries, especially in regards to various sanitary and phyto-sanitary (SPS) and rules of origin (RoO) regulations. As Hoekman (2010) notes, 'the regulatory standards that are written into trade agreements generally start from the status quo prevailing in OECD countries, so that the lion's share of associated implementation costs – but presumably so also the benefits – lies with developing country signatories.'

And even here, standards that are written into a PTA may diverge based on their country of origin: put simply, a country concluding a PTA with the US would need to satisfy US/NAFTA type standards and obligations to export to the USA, while in order to export to the EU, it would need to satisfy another set of standards and obligations. While there may be some common standards between the US and the EU, there are likely enough significant differences in obligations to increase costs of compliance, a budgetary burden that developing countries may find difficult to bear in the short-run.

These costs, while real and burdensome, also need to be set against the longer-term benefits of harmonization with international norms and standards. The creation of capacity to conform to one PTA may help to facilitate compliance with other similar agreements, or even (as is hoped in the PTA literature) with multilateral agreements. As an example, investment in capacity in the form of enhanced customs procedures to meet trade facilitation commitments or conformance assessment in food

standards may then make obligation with other international agreements easier. Similarly, familiarity with the need to conform to international standards on the part of developing country exporters may increase their ability to conform to other standards. The negotiation of a PTA can also be said to enhance the institutional capacity of the executive or a government to better negotiate other trade agreements, improving a country's bargaining position in multilateral fora.

The purpose of this study is thus to focus on the costs of inconsistent or divergent requirements in PTAs pursued by the EU and how these costs are both offset by long-run gains and can be mitigated in the short-run for developing countries. We will in particular focus on the agricultural sector due to its central importance to many developing country exporters, but the lessons learned in agriculture will apply to other sectors of the economy as well. Are there particular inconsistencies that are encountered between EU and other major actors in their PTAs? How have implementation costs for developing countries changed with the "new regionalism?" And are there possible ways to compensate for these short-term costs?

The rest of the paper is organized as follows: the next section will examine the types and degree of inconsistencies across PTAs, with a focus on those initiated by the EU and the US, while Section III will undertake an assessment of both general compliance costs and how inconsistencies have impacted developing countries. Section IV will discuss possible mechanisms to mitigate these inconsistencies, while Section V will offer some concluding thoughts and recommendations.

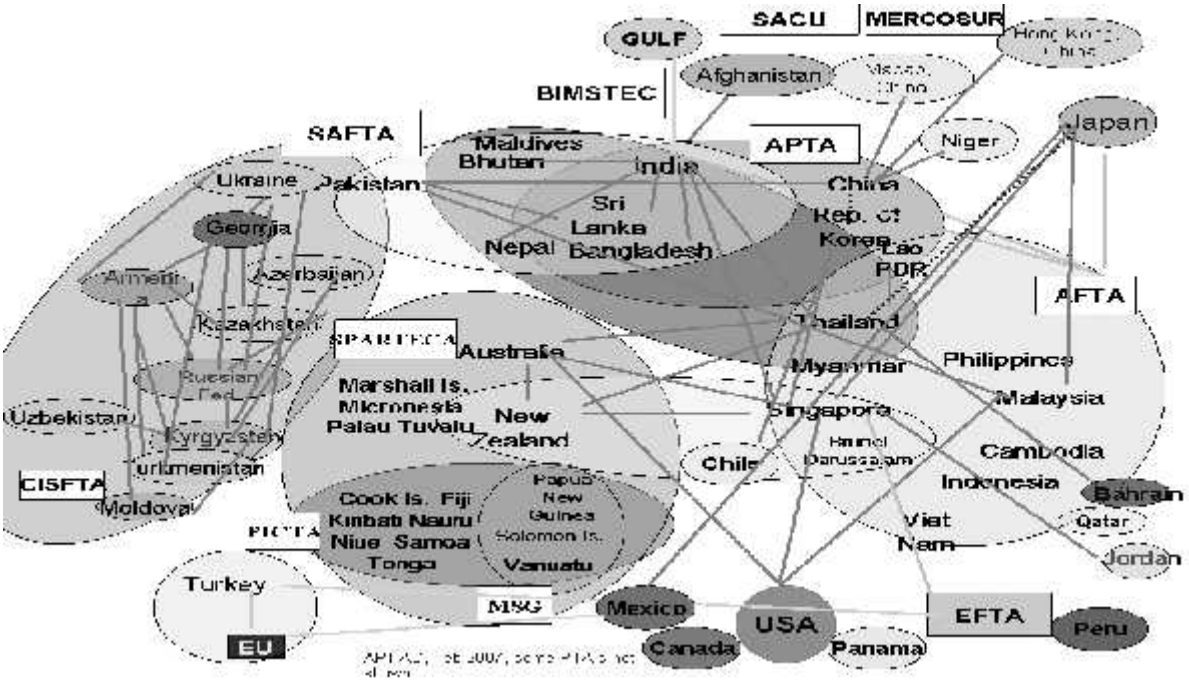
2. Types and degree of inconsistencies across PTAs

With the WTO seeing incredible difficulties in concluding a new round of multilateral trade agreements over the past decade, preferential trade agreements have taken up the burden of increasing trade liberalization. The EU has always been a proponent of such agreements, but the advent of WTO-plus and WTO-extra PTAs in the 1990s, pushed by the US as part of a "competitive liberalization" strategy (Woolcock 2007), has really shifted the emphasis in trade policy to the regional or bilateral level. Indeed, the sheer number of preferential and regional trade agreements entered into by the European Union over the past four decades (see Table A.1 in the appendix), when coupled with similar trends from the US, Japan, and other developed countries, has created what Bhagwati (1995) called a "spaghetti bowl" effect of overlapping PTAs (Figure 3 shows an illustration of the bowl from the UN, with a focus on Asian arrangements).[1]

While this spaghetti bowl of PTAs may serve to be the building block for future multilateral agreements (Baldwin 2006), it has also substantially increased the likelihood of inconsistencies or mutually exclusive obligations across agreements for developing countries. The extent of this inconsistency can be traced to the differing approaches of the developed partner countries, with each trade bloc or country pursuing different strategies and tactics in the conclusion of a preferential trade agreement. In some instances, these approaches can be broadly similar or the differences only cosmetic, as in the application of intellectual property rights (which is utilized in a consistent and nearly identical manner by the US and the EU). On the other hand, some areas of contention such as rules of origin, sanitary and phyto-sanitary (SPS) standards, or even trade remedies may exhibit large divergence depending upon whom one is dealing with. These issues can be exacerbated in WTO-plus and WTO-extra PTAs which, by definition, go beyond the multilateral WTO framework to fashion new or additional mechanisms.

[1] And while a large number of the agreements shown in the Appendix have been superseded by the Accession process (Pomfret 2007 notes that much of the spike in regionalism in the early 2000s was due to Accession), there is no doubt that the sheer number of PTAs entered into by developing countries may necessarily lead to confusion about their obligations.

Figure 3 – An Illustrative "Spaghetti Bowl" of PTAs



Source: UNESCAP (2007)

Moreover, the difficulties inherent in inconsistent or contradictory obligations under a PTA can harm both a developing country's exporters, as well as place undue burdens on the government. Increased transaction costs due to trade agreement obligations, especially when compounded by different standards across trade blocs, can outweigh the benefits of preferential trade in some instances and harm firms at the margin (Hayakawa and Yamashita 2011). As Manzano (2004:11) correctly notes, "as complexity increases, so does the cost of compliance on the part of exporters. The danger is that the cost increases could offset the extent of tariff preferences"

There are several specific issues which inherently cause frictions across PTAs, either by design or through the application of different governance structures by the developed countries that implement them; among these are rules of origin (RoO), SPS standards, and technical barriers to trade (TBTs), which can have explicitly contradictory obligations. Additionally, there are also issues that can exhibit inconsistency due to the WTO-extra framework, in that there is little multilateral agreement on how these issues should be treated. These issues include investor protection, intellectual property rights, and "trade facilitation" or customs administration. Each of these will be dealt with below.

2.1 Rules of origin

Perhaps the most obvious area where overlapping PTAs may come into conflict regards the myriad of regulations connected with rules of origin (RoO).As Dieter (2009:400) correctly points out, "in an entirely open world economy with no restrictions on the flow of goods, rules of origin would not matter…. [However] all preferential agreements require rules of origin to establish the 'nationality' of a product given that participating countries continue to have diverging *external* tariffs." Thus, to deter "trade deflection," or the re-routing of goods being imported into the PTA via the member country of the free trade zone with the lowest external tariff barrier, RoO must be established to preserve policy sovereignty in setting external tariff rates. But each PTA that a country is a party to must also have its

own set of RoO, as the determination of "preferential treatment" differs from PTA to PTA. This will lead to inconsistent or possibly contradictory obligations: put succinctly, unless there is a third agreement aligning rule of origin rules between the two external parties to PTAs, the RoO requirements in each PTA will necessarily require differential treatment for a developing country's producers.

In general, the approach to rules of origin internationally is based upon one of two general models, the EU or the NAFTA approach, with the ASEAN group of nations using a combination of the two models. The differences in the two models are characterized by the method used to satisfy RoO, which differ from PTA to PTA (and even from partner country to partner country, across PTAs) and in the enforcement of these same RoO. In regards to the certification of RoO, all PTAs, no matter which model based on, rely on three basic methods of ascertaining RoO, including import/domestic content requirements, specific manufacturing process, or change of tariff heading (Gasiorek *et al*. 2007).[2] The first two requirements tend to be straightforward, although there may be ambiguity across PTAs: an import or domestic content requirement obligates a good to contain no more than a certain percentage of imported materials to be certified as originating from a particular country, while specific manufacturing process requires that goods be created in a particular way in order to be certified.

More problematic is the change of tariff classification method, where "origin is granted if the exported product falls into a different part of the tariff classification from any imported inputs that are used in its production" (Brenton 2011:162).This method is meant to show that raw materials or substances have been materially altered to create a new product, which then justifies being classified differently. While an approach that appears to offer an easier way for customs to determine the origin of a product (and a method that should become less burdensome over time, as Brenton (2011) claims), change of tariff heading may also run into issues if technology is quickly changing, necessitating tariff schedules themselves to be frequently updated (Krueger 1997). Additionally, change of tariff classification can also require changes to be made at fairly high levels of detail: the "new generation" of NAFTA-type WTO-plus PTAs tend to extensively utilized change of tariff heading requirements, including going so far as to "require a change of chapter, heading, sub-heading or item, depending on the product in question" (Estevadeordal and Suominen 2004:9). This is distinct from EU-negotiated PTAs, which tend to focus on merely change of chapter requirements from developing countries.

Not only do the EU and NAFTA models rely on a differential approach to certifying RoO, they also split in terms of the burden of verification. The NAFTA model places more of a burden on the preference-granting country (the importer) as compared to the EU, relying on exporter self-certification (although the customs authorities in NAFTA can request written questionnaires or (more rarely) verification visits to check compliance with RoO regulations). For the EU's Cotonou agreement, the burden was shifted onto exporters, who were required to submit forms verified by local customs authorities for each consignment; frequent exporters could apply for an expedited process that granted self-certification, but this required further paperwork (Gibbon 2008).

The reality of differing rules of origin combined with different ways to satisfy them means that, unless a country intends to have one trading partner, different obligations will need to satisfied across partners.. A simple illustration of this is in regard to the "import content" requirement which different trade blocs require to certify origin. The majority of EU PTAs concluded in the past 15 years identify various thresholds on import content that range from 30-50% depending upon the partner; conversely, NAFTA

[2] It is important to note that these methods are not mutually exclusive, and indeed the majority of PTAs utilize some combination of the three.

has a *domestic* content requirement of 50 or 60% (corresponding to an import content requirement of 40-50%), delineated according to the method used to value the product (Brenton 2011). This divergence entails a real cost to both government and businesses, and may result in unnecessary product diversification ("unnecessary" in the sense that the product diversification would not have occurred without the overlapping PTAs).

An excellent example of the cumulative burden of RoO is provided by Estevadeordal and Suominen (2005:85)

> *Consider a Chilean producer of typewriters (heading 8469): the firm will have to comply with rules of origin that stipulate a ceiling of 50 percent import content to enter the European Union; a change of subheading (except from subheading 8469.12) to enter the United States; a change of heading to enter Korea (except from heading 84.13 or, alternatively, a change from heading 84.13, provided the regional value content is not less than 45 percent using the build-down method or not less than 30 percent using the build-up method); and a 60 percent regional value content (that is, a ceiling of 40 percent import content) to enter Mercosur.... This example also illustrates the comparative complexities faced by customs: if each rules-of-origin regime stipulates rules of origin for 5,000 products, the Chilean customs would basically have to verify 20,000 different rules of origin, whereas customs in the European Union countries would only need to verify 5,000 rules of origin*

Beyond the hypothetical typewrite producer noted above, developing country governments have also complained of the difficulty of complying with RoO requirements under PTAs. The World Bank, in a survey of customs directorates around the world, found that over half of the respondents believed that overlapping PTAs exacerbated RoO issues and compliance, a number that rose to two-thirds of the respondents from Africa (Brenton *et al.* 2005). Similar effects have been found in the Americas where, according to Estevadeordal and Suominen (2005), countries belong to an average of 4 preferential trading agreements at once. And Cadot and de Melo (2008) note that the EU has over 500 product-specific rules of origin that divert scarce customs resources away from trade-facilitating activities.

Ironically, consistency issues need not only exist between countries in regards to RoO requirements. As the EU has been finding, various initiatives that target the same group of countries also have created inconsistencies. The "Everything But Arms" (EBA) Initiative of the EU was created to give preferential market access to developing countries (focused on the least developed), but initially had only minimal effects, due to the previously (open) trade regime that the EU already had in place (UNCTAD 2010). Brenton (2003: 629) found that only "three one hundredths of one per cent of total LDC exports to the EU" entered under the EBA in 2001, with the bulk coming through the Cotonou arrangement, which "had more flexible rules of origin and were therefore preferred by African LDC exporters to the EU" (UNCTAD 2010:52).

In countries or regions where such "RoO-shopping" is not available, however, the proliferation of RoO requirements will continue to entail a large cost, as the solutions to such inconsistencies are also difficult to comprehend: either a multilateral solution must be found to overlapping RoO, or else more complex forms of integration (such as a customs union) need to be contemplated. For many developing countries, these are not realistic options, nor are they necessarily desired by developed countries. As Cadot and de Melo (2008:77) lament, "it is becoming increasingly clear that RoO have often been designed to force the Southern partner to buy inefficient intermediate products from the Northern partner."

2.2 Sanitary and Phyto-Sanitary Standards (SPS)

Rules of origin are a pervasive issue in PTA inconsistency; for our purposes, however, they are slightly less relevant, as they tend towards covering only manufactures and goods that require intermediate inputs rather than agricultural goods. On the other hand, SPS standards have direct and broadly applicable relevance to agricultural trade from developing to developed countries, and have been cited as the number one barrier to trade with the EU for agricultural products (ODI 2007), as well as inhibiting developing-country agriculture and food exports more generally around the world (Cadot and Malouche 2012).

Falling under the WTO's purview, the proscribing of SPS standards in PTAs generally can be thought of as a WTO-plus issue, albeit with some bloc-specific idiosyncrasies that can have serious divergence. In general, SPS provisions included in PTAs seek to reaffirm commitments under the WTO SPS Agreement. However, recent agreements from the EU side go far beyond WTO commitments in terms of spelling out implementation, rather than reaching new standards or imposing new obligations (Heydon and Woolcock 2014). Alavi *et al.* (2007:52) also draw attention to the fact that the EU system of SPS compliance requires "more rigour… [from] national systems of control and of establishments involved in the production of food, both in the EU itself and in countries exporting to the EU." In this sense, the EU's approach can also be described as "WTO-minus," in that it requires social (rather than explicitly scientific) criteria to be included as part of the precautionary principle.

Using the EU-Chile FTA as an example, Heydon and Woolcock (2014:67) note the detailed nature of the EU's approach to SPS across agreements, detailing the twelve appendices to the agreement that aim at:

- *ensuring full transparency of SPS provisions (to enable each party to comply with the detailed SPS rules and procedures);*
- *establishing the mechanism for recognizing equivalence (Art 6 and 7 of annex IV)(that would enable the importing party to recognize animal and plant products as satisfying the importing parties rules);*
- *applying the principle of regionalisation (Art 6b of annex IV) (that allows exporting parties to show that specified regions are free of pests and thus facilitate trade);*
- *promoting the application of the WTO SPS agreement;*
- *facilitating trade (such as through building confidence on verification and control applying FAO standards) (Art 10 Annex IV) and;*
- *improving cooperation and consultation.*

With an emphasis on high standards and an obvious orientation towards improved implementation, EU PTAs often exhibit a strong preference for harmonization of standards with EU law, an approach that is often backed up by technical assistance (Stoler 2011).

By contrast, US agreements have tended historically towards less emphasis on SPS measures, with a greater focus on mutual recognition agreements than harmonization (Stoler 2011). Indeed, as Heydon and Woolcock (2014) highlight, the US approach to SPS standards in the past might have been somewhat weaker than international standards due to provisions that allow each country to determine its own level of protection in regards to a large number of SPS issues. SPS provisions also are omitted from the US-Jordan and US-Singapore FTAs. However, Johnson (2014) notes that the pendulum may have begun to swing the other way: in the negotiations for a Trans-Pacific Partnership (TPP) and Transatlantic Trade and Investment Partnership (TTIP) currently underway, the US has been pushing a WTO-plus approach in animal health and other SPS areas. And in contrast to the EU, which takes social issues into consideration in the setting of SPS standards, the US adheres strictly to scientific-based

regulation, meaning that the application of rules by the US may be less broad, but where applied they may actually be more stringent.

A final contrast to these two approaches can be provided by South-South PTAs, where the goal of SPS provisions is often to create the body of law and standards that were missing in the first place. As Aldaz-Carroll (2006) notes, by 2004, Mercosur had developed about 370 regional voluntary standards and 407 regional technical regulations and SPS measures that had not been present prior to the agreement, spurred on by the regional PTA. Similarly, developing country PTAs may also just adopt developed country SPS standards, but this is rarer (APEC, for example, drafted a mutual recognition arrangement on conformity assessment that set consistency with international SPS requirements as a goal).

For all economies, these differing SPS standards due to overlapping PTAs can have significant impacts, but especially in food and agriculture. Debaere (2010) notes how high standards in seafood cause trade deflection away from the US, as preferences granted in trade agreements to developing countries have gone unused due to high SPS compliance costs. Kheir-El-Din and Ghoneim (2005) make a similar observation regarding Egypt, noting that fruits and vegetables from the country were going to other regional trade arrangements rather than the EU due to the SPS standards applied in Brussels. Henson *et al.* (2000), examining the fisheries sector in Kenya, note that EU standards in this area created a flight mechanism, as firms exited the sector after standards were applied due to high compliance costs. Deb (2007) also point out the substantial impact that EU SPS standards have had on Bangladesh, where an SPS-inspired ban of Bangladeshi shrimp for five months in 1997 led to wholesale diversion of the prawns to US and Japanese markets. Once the ban was lifted, the EU still lost some of the trade permanently, as producers avoided the uncertainty of EU SPS requirements for the easier threshold of satisfaction for other PTAs Bangladesh was a party to.

Clearly, SPS restrictions form a large burden on developing countries even when there is no overlap (Henson and Loader 2001). In regards to PTA proliferation, however, there are also some saving graces that may ameliorate the worst of these possible effects. Heydon and Woolcock (2014:19), for example, note that "in the SPS texts there is little evidence of the differences between the US and the EU/EFTA over risk assessment in agricultural bio-technology," meaning standards in this growing area are fairly aligned. Moreover, the shift towards comprehensive adoption of international standards in both South-South PTAs and in some North-North PTAs (such as the ongoing TPP negotiations and the Thailand-Australia Free Trade Agreement or TAFTA) means that newer PTAs are striving to reduce before implementation any possible conflict in SPS standards among parties to the agreement.

An additional attribute limiting the damage of overlapping SPS requirements may be the fact that they may not be as binding as developed countries think. Indeed, as Acharya *et al.* (2011) note, both the EU and the US have had problems in writing SPS codicils in language precise enough to be legally enforceable, and are often explicitly excluded from dispute settlement mechanisms. Indeed, in regards to the US, only two of its PTAs (US-Israel and NAFTA) contain legally enforceable SPS provisions, while in the other 12 they are either absent entirely or contain a varve-out from dispute resolution mechanisms; as noted above, and as Horn *et al.* (*2010*) point out specifically in regards to the US-Morocco agreement, the possibility of equivalence is preferred to explicit harmonization of standards. Moreover, there is some legal ambiguity in NAFTA itself regarding the redress available to firms who challenge specific SPS provisions, in that it appears that two separate routes may be taken, each with their own standards (Weiler 2003).

Whether or not these rules are enforceable, however, may be beside the point, as many governments attempt to implement them all the same: Stoler (2011) points out the difficulty that Morocco has had in harmonizing its standards with the EU (more on this in the next section), due mainly to capacity and

institutional constraints. Perhaps recognizing these capacity constraints in LDCs, attempts have been made to harmonize at least the administration of SPS oversight. A key example of this is in the EU EPA with the SADC nations, where the agreement recommended that Parties designate the same bodies they have identified as their Enquiry Point under the WTO SPS Agreement as their SPS Contact Point under the SADC EPA "to avoid overlapping competences and duplication of work" (Prevost 2010:47). Stoler (2011) also notes that such an approach can be utilized in the setting of SPS standards, with PTAs utilizing international agreed-upon standards; this may necessarily limit harmonization to essential health and safety standards, with the gaps being filled by mutual recognition and equivalence acceptance.

However, this approach has not been followed precisely due to political economy in the developed countries and concerns about the stringency of SPS regulations from the EU (such an approach is favoured in US PTAs). In this instance, it is more likely that international standards would have to tighten rather than new PTAs coming into play with relaxed standards. Thus, the danger of conflicting SPS regulations will remain for developing countries in overlapping PTAs.

2.3 Technical (Non-tariff) Barriers to Trade (TBTs and NTBs)

Beyond sector-specific and SPS standards, a variety of other technical barriers to trade in developed countries can create difficulties for emerging markets. As noted by Heydon and Woolcock (2014), technical barriers to trade can take many forms, including:

- Mandatory technical regulations or specifications regarding goods that must be complied with (and are often inspected by the importing country government) in order for these goods to be sold in their target markets;
- Standards, which are generally also set by government and "may be used as proving compliance with technical regulations" (Heydon and Woolcock 2014:61); and
- Conformance assessment, which provide a means of ensuring that the "products, services, or systems produced or operated have the required characteristics, and that these characteristics are consistent from product to product, service to service, or system to system" (ISO/IEC 1996:4).Examples of conformity assessment includes sampling and testing, inspections, certification, and quality management system assessment, all of which can be utilized to determine the provenance of a good and may serve as an impediment to trade.

In the context of PTAs, as Heydon and Woolcock (2014) correctly note, TBTs tend to be WTO-plus, in that they reaffirm existing WTO commitments to TBTs, but often push for more stringent implementation than would be called for under a normal WTO agreement.

The difficulties with TBTs in a PTA framework come from their subjective nature. Unlike SPS regulations, which tend to be (but not always are) based on risk-assessment technologies and scientific evidence, TBTs such as administrative burdens, quality or technical standards, or other compliance issues are often based on governmental preferences or other policy goals. In that sense, and ironically (given that they may concern standards), TBTs can vary widely from country to country (and may be used explicitly to stifle trade, in a manner that has been termed "regulatory protectionism" (Baldwin 2000)). Indeed, in regards to technical regulations or conformance assessments, there can be substantial divergence, a reality that can cause incredible headaches for a developing country, especially if the TBTs of one major trading partner come into conflict with another. The variety of TBTs that exist also mean that there is less chance of positive externalities from satisfying one country's technical barriers: just because technical regulations for manufactured toys are met in Japan, there is no guarantee that these same regulations will be met for the EU.

Of course, as with some SPS regulations, the trade-dampening effect of TBTs even under a PTA need not be the default, International standard-setting agencies such as ISO or processes like HAACP (for food safety) have their standards and certifications accepted around the world, and writing these standards into a PTA can lessen the costs of compliance if overlapping PTAs are present. But even with recognition of international standards, there may be issues related to certification procedures across countries that can derail even the best of intentions.

Recognizing that various standards and TBTs can cause confusion and higher compliance costs for developing countries, developed economies have attempted to find ways to accept external standards without sacrificing policy sovereignty. However, even here approaches have diverged, even within trade blocs. For example, the EU has two separate approaches: the idea of "mutual recognition of standards" (covering approximately 28% of all goods regulated in the EU), where the EU unilaterally presumes that standards are designed to meet the same regulatory objectives and "there is hence no need for a further agreement" (Baller 2007: 9); and "harmonization of standards," where the EU builds into the PTA that a partner will harmonize with EU standards.[3] On the other hand, while AFTA and APEC utilize a similar harmonization approach, they require that partners to the trade agreement harmonize to international standards (which may diverge from EU standards). Different still, NAFTA members have agreed to make their standards "compatible," a term that has been interpreted as equivalent to harmonization, but only applied to newly-created standards and not those that existed prior to the signing of the agreement.

One of the most promising ways in which PTAs have attempted to fix the quandary of differing TBTs is via "mutual recognition agreements" (MRAs), which are distinct from mutual recognition of standards. Under an MRA, domestic producers do not need to change their procedures as they would with harmonization, but instead have the conformity procedures that the domestic government/industry undertakes accepted as equivalent to those of their trade partner. The key difference is not that the standards themselves are harmonized, but the processes; thus, "products that are tested and certified before export can enter the importing country directly without having to undergo similar conformity assessment procedures in the importing country" (Baller 2007:10).Given the multiplication of TBTs, however, even the MRA approach may suffer from a need to have several agreements in order to lessen burdens on domestic exporters.

2.4 Investor Protection

A fairly new phenomenon for inclusion in PTAs, investment protection provisions focus on a wide variety of investment issues, including development of legal frameworks, harmonisation and simplification of procedures, and establishment of mechanisms for settlement of disputes (Horn *et al.* 2010). Given their emphasis on direct investment rather than services (covered in the GATS mandate of the WTO), investor protection clauses in PTAs are classified under the heading of "WTO-extra" agreements (Fontinelli and Bianco 2014). However, the emphasis on investment is often seen as the flip side of the move towards trade liberalization (Hartwell 2001), and, indeed, the EU's own strategy on trade policy links "the harmonious development of world trade" and "the progressive abolition of restrictions on international trade and on foreign direct investment."

The increase in investment clauses in PTAs over the past decade (and specifically since 2010) has been meteoric: Horn *et al.* (2010) note that 12 of the 14 EU agreements in their survey include commitments

[3] A slightly less burdensome, but perhaps more uncertain, opt-out to this procedure allows producers which do not comply with these standards to prove that they comply with the goal of the regulation via their different approach.

in investment protection, along with 11 of the 14 US agreements. This rapid proliferation of investment clauses in PTAs is all the more remarkable when one considers that the EU has only added FDI to its list of competencies with the advent of the Lisbon Treaty (investment protection was a right reserved to Member States prior to the Treaty). However, this late arrival to the party means that an issue remains "whether the EU PTAs will follow the Member State [bilateral investment treaties'] approach of containing only general principles for fair and equitable treatment and national treatment or whether these will be linked to international norms" (Heydon and Woolcock 2014:47). Upcoming agreements with Canada and Singapore will be the test of which path the EU takes under this heading.

As a relatively unexplored area of trade agreements, investor protection lacks a coherent multilateral framework, a fact that could lead to many different approaches and more inconsistencies under overlapping PTAs. For example, Heydon and Woolcock (2014) note that NAFTA has more developed protections in regards to transparency for arbitration than the EU, while the issue of multiple arbitrations in different jurisdictions is still unresolved across many PTAs (Pauwelyn and Alschner 2014). Additionally, while economic research has shown the investment-generating effects of PTAs (Büthe and Milner 2014), there is still little understanding of the interactions that may occur between strong investment protection and preferential trade concessions based on a RoO approach. Would strong investment protections linked to a particular jurisdiction lead to investment diversion, as well as trade diversion? Estevadeordal *et al.* (2005) find that flexible (and only flexible) RoO can be conducive to increased investment, but the evidence appears to be firmly in the other direction (Brenton 2003, Gretton and Gali 2005, Baccini and Dür 2013).

In practice thus far, however, the greenfield nature of investment protection has been more of a boon to consistency rather than inconsistency. Kleimann (2013:11) draws attention to the fact that "bilateral configurations or plurilateral 'coalitions of the willing' are evidently better suited to address most of the more complex items on the 21st century 'supply chain' trade agenda, such as services and investment liberalization." And as Alschner (2014:273) points out, "regionalism presents an opportunity for coherence as multi-party investment agreements can consolidate and harmonize investment protection provision that otherwise differ starkly in structure, precision and wording in the close to 2,900 [bilateral investment treaties]." Indeed, such an approach was concluded in the free trade agreement between China and Singapore, where the ASEAN–China FTA, in particular its investment chapter Article 84(1), was absorbed wholly rather than devising a new investment protection scheme (Pauwelyn and Alschner 2014). It remains to be seen if this will be the norm for future PTAs, but is a promising way to avoid inconsistency.

2.5 Intellectual Property Rights (IPR)

Similar to investor protections, in practice protection of intellectual property rights (IPR) has not been an area of contention for major developed countries. Another WTO-extra innovation that goes beyond standard WTO clauses on trade-related intellectual property rights (TRIPS), IPR requirements in PTAs originating from Japan, the EU, and the US over the past ten years have been broadly in agreement in areas such as copyright, trademarks, and industrial design. As Heydon and Woolcock (2014) mention, the US and NAFTA-style PTAs that have been concluded tend to have the widest and most stringent IPR provisions, but the EU is fairly similar in substance (while EFTA and Japanese PTAs do not generally go beyond TRIPS requirements). This shift has only occurred in the past 9 years, as the EU moved past vaguer references in its earlier PTAs to "international standards" to include detailed chapters on intellectual property that are similar to US PTAs (Cornides 2011). Regardless, the net effect is that a country satisfying one trading bloc's IPR requirements would most likely be in compliance with others.

This is not to say that differences do not exist. Heydon and Woolcock (2014:19) point out that "the wording of the EU PTA provisions on IPR also reflects a greater recognition of the need to balance the protection of IPRs with development interests and technology transfer" than US PTAs, an issue which may come into conflict with the more stringent NAFTA-style wording. Woolcock (2014a) also notes that the EU has concentrated its most restrictive demands in PTAs in provisions on geographic indications (GIs), pushing for the inclusion of GIs with trading partners who generally have far less GIs in their domestic regulation than the EU does.

In practice as well, there have been difficulties in convincing trade partners to come on board with a new agreement in the presence of other IPR obligations: as Cornides (2011:104) points out, "in the FTA negotiations between the EU and Central America… the Central American countries, having signed the CAFTA with the US only shortly before, could not realistically be asked to sign up to a new set of similarly detailed rules inspired by EU law, whereas the EU could not be expected to sign up to the CAFTA set of rules that, in many details, differ slightly from the EU standards." What thus resulted was a lowest common denominator compromise, where the Central American countries agreed to register a number of European GIs through a fast-track procedure as part of the PTA.

Moreover, a further issue connected with IPR clauses in WTO-extra agreements comes not from the overlap amongst PTAs, but the overlap of IPR across other treaty obligations. Indeed, going beyond TRIPS can be seen as problematic if TRIPS itself is seen as flawed. As Zerbe (2002) pointed out, there appeared to be an inherent contradiction between TRIPS and the Convention on Biological Diversity (CBD), an issue that the WTO took up itself in 2006 but continues to flare up occasionally (Carr 2008, Buck and Hamilton 2011). This issue also has particular relevance for agricultural trade, where WTO-extra provisions on IPR related to plant breeders' rights have already been noted as a threat to food security in developing countries (Farran 2014).

Furthermore, as with investor protection, an issue arises regarding jurisdictions for dispute settlement in the presence of overlapping PTAs. A way around this issue is to internalize the enforcement of IPR law via special courts, allowing for cases to be tried in the offender's jurisdiction (Chaffour and Kleimann 2011) The difficulty with such a mechanism is three-fold, however; in the first instance, a government must finance and staff a new and special institutions, which is a real drain on resources; additionally, the new institution's functioning presupposes a level of judicial independence which is absent from many developing countries; and finally, there is still no guarantee that a foreign producer can get a fair hearing in the domestic court, even if the judiciary is independent of the formal political process. More likely than developing a new domestic mechanism would be to explicitly state within the terms of the agreement how disputes are to be settled; if such an approach could also contain provisions harmonizing with other countries and their IPR regimes, this too would help minimize jurisdictional issues.

Finally, on a broader social note but one that is relevant especially for developing countries, there is some worry that WTO-extra provisions on pharmaceuticals impede access to needed drugs for the world's poorest countries (Flint and Payne 2013). In this sense, developing countries may need to consider the balance between broader IPR protections and more sector-specific policies, in order to benefit from IPR but still protect their citizenry (as Delgado *et al.* (2013) note, ICT and high-IP industries benefit most from WTO-extra IPR requirements). Such an approach could find favour in the EU, which has negotiated IPR agreements, as with many of its other PTA obligations, on the basis of the development level of the partner country (Cornides 2011). However, this possible differentiation, and how various developed country actors acquiesce to it, could also be a source of friction amongst overlapping PTAs for the future.

2.6 "Trade Facilitation" and Customs Administration

Last, but not least, the issue of the administration of trade (as opposed to policy) can create extensive problems for developing countries under WTO-plus agreements, but is an area that has little agreement internationally. As an example, one only need look at the divergence between Russia and South Korea, both WTO members: for South Korea, in order to export, a firm needs to fill out 3 documents and undergo procedures that take 8 days and cost approximately US$670, while in Russia, the same export process requires 9 documents, wait an average of 21 days, all at a cost of US$2,400 per container (World Bank 2015)! Given that the Doing Business methodology captures the administrative burdens in trading across borders, there obviously is a substantial gap between the customs administration of South Korea and Russia.

The different types and modalities of customs administration across countries undoubtedly have an impact on exporting firms in developing economies, as firms need to understand not only their own exporting requirements but the documentation and fees associated with import in their target markets. But such impacts may actually be exacerbated in an overlapping PTA framework, as PTAs require pledges for countries to respect each other's customs laws and are often accompanied by legally enforceable requirements such as publication of new customs laws. Where these requirements conflict, there can be difficulties for firms.

As an example, the US and EU have a different approach towards encouraging trade facilitation via customs harmonization in their PTAs, with the EU including customs administration clauses in each of its PTAs and the United States only applying them to a select set (Horn *et al.* 2010). Where utilized, the general attitude towards customs administration is also different, with the US agreements setting strict guidelines on sanctions and fines and the EU having more vague consultative mechanisms rather than firm commitments (Heydon and Woolcock 2014). And while some principles are broadly agreed upon, such as the move towards risk-based assessment for customs inspections (as the CARIFORUM-EU agreement of 2008), there is no guarantee that the same criteria or algorithm is applied in the EU as in the US; this is an extension of the more basic issue that WTO-plus agreements often do not have an explicit definition of "trade facilitation" as it applies to customs administration (Maur 2011).

A further difficulty encountered in the extension of PTAs to include customs administration is due to the evolving nature of PTAs over the past decade, specifically the fact that PTAs are now being signed between countries that are not geographically contiguous. While EU enlargement, EFTA, and NAFTA all involved neighbouring countries, the latest round of PTAs has been concluded between countries or trading blocs that do not even share the same ocean, much less land borders (such as the EU-Chile agreement).In countries that share borders, it is often much easier to harmonize customs and border procedures, mainly through repeated interactions, and firms can also adapt much more easily for the same reason. By contrast, there are large transition costs in terms of infrastructure and technology to approximate (or even understand) customs practices in distant countries, a cost that can be compounded if several of these agreements are signed. While these costs are nowhere near as they would have been a mere 20 years ago, the ability to reorient towards a customs system that one is unfamiliar with still represents a burden, one that is multiplicative in the case of overlapping PTAs.

3. Compliance costs and budgetary implications

The overlapping requirements of PTAs examined in the previous section impose real costs for developing countries, with these costs occurring across the economy. In the first instance, costs must be borne by exporters, who must acquire the knowledge (often at their own expense) of the myriad of requirements at each export destination. For the home country government, as well, which often provides some trade facilitation role, costs are incurred in reorienting regulatory regimes for harmonization and in the administrative changes that must necessarily follow. At the most basic level, consumers may also see some changes in the short-run, as costs of compliance can be passed-through by producers, possibly creating a subsidy for exports via higher prices on domestically-distributed goods.

With these many constituencies impacted by the real cost of compliance, there is a need to understand just how extensive these costs may be, and how long they can be anticipated to last. The purpose of this section is to examine the empirical evidence regarding compliance costs, where the burdens tend to fall, and how various inconsistencies noted above could contribute to increasing or modifying these costs.

3.1 Analysis of existing literature

The literature examining the compliance costs of various trade agreements is much thinner than the expansive work surrounding the potential benefits and/or drawbacks on trade flows, especially in regards to quantification of these costs, and most of these studies relate to standard (rather than WTO-Plus or WTO-Extra) trade agreements. This is not to say that there is not widespread agreement on the existence of compliance costs, nor on their theoretical basis: for example, work such as Maskus *et al.* (2001:38) notes that the compliance costs of a trade agreement would "generate an additive wedge between the foreign and domestic prices at any level of imports," possibly eroding gains at the margin from an agreement. Similarly, Chaffour and Kleimann (2013:50) correctly note that "the design of PTA commitments, if implementation is taken seriously, needs to correspond to the institutional realities in the implementing country" in order to surmount the inevitable costs of compliance. On a theoretical note pertaining specifically to RoO, Carroll *et al.* (2014:13) also point out the burden that falls on domestic firms for compliance, in that "firms are liable for all irregularities associated with origin claims. Even after tiptoeing through tangled set of origin rules, definitions, and product classifications, origin applications can be denied… [and] where origin is denied, investments in Certificates of Origin are lost and business expenses rise."

With unanimity on the *existence* of compliance costs, various papers over the past 30 years have attempted to quantify just what these costs might be at both the government- and firm-level. Early approaches to this question often never advanced past the working paper stage, but continue to have great weight in the literature (due to the relative dearth of quantitative studies). One of the earliest papers in this vein, Koskinen (1983) examined the EFTA-EC free trade agreement and estimated that administrative compliance costs for exporters were between 1.4% and 5.7% of the total value of export transactions. In a similar vein but using different metrics, Holmes and Shephard (1983) found that the average export transaction from EFTA to the EC required 35 documents and 360 copies (an approach now common in the Doing Business literature). Combining these two approaches, Herin (1986) estimates the cost of obtaining the required certificates to satisfy RoO requirements for the EFTA-EC at 3-5% of the f.o.b. value of the good in question.

As with interest in PTAs in general, the advent of NAFTA also increased interest in the compliance costs of PTAs. Estevadeordal (2000), using an ordered probit approach, finds that compliance costs in the form of RoOs grow more onerous the greater the gap between US and Mexican tariffs, with a relationship also found between strictness of RoO and sectors that are only gradually moving toward liberalisation. Thus, he concludes that compliance costs are highest in precisely the industries that are still looking for protection, with "the same forces that push for tariff protection also push for more restrictive RoO" (Estevadeordal 2000:164). Along these lines, Portugal-Perez (2006) finds that capture by special interests in the US and Mexico may have raised the costs of rules of origin between 3.5–11% of the value of the goods in question, a not unsubstantial sum that contributed to trade deflection (Cadot and De Melo 2008).

Taking this idea of RoOs as an impediment to PTA implementation, Anson *et al.* (2005) examine NAFTA's costs via the RoO channel, estimating indirectly the cost of complying with RoOs via revealed-preferences, namely the utilization of goods from Mexico to the US under NAFTA's RoO rules versus MFN. Using this approach, they find that tariff reductions in some industries (notably footwear and food and tobacco) are more than offset by the RoO rules imposed under NAFTA, while for other industries the tariff reductions themselves are minor, meaning relatively little benefit was garnered overall. Specifically under NAFTA, Anson *et al.* (2005) find that the average compliance costs are around 6% as an ad valorem equivalent, more than the 4% average tariff preference across tariff lines, with administrative costs amounting to 47% of the preference margin. This magnitude comports with other regional trading agreements: in a separate piece, Cadot and Ing (2014) estimated that the ad valorem equivalent of compliance costs (specifically RoOs) in ASEAN averaged 3.4% percent across all instruments and sectors, with higher effective rates in specific sectors (including leather, textile and apparel, footwear, and automobiles).

Beyond NAFTA, other work has attempted to assess regional trading arrangements around the world, also finding that compliance costs influence implementation of trade treaties and how they then impact trade flows. Mattoo *et al.* (2003) assessed the American "African Growth and Opportunity Act" of 2000, and also noted that benefits to the continent were muted due to the restrictive rules of origin that were put in place from the American side (in particular with regard to fabrics and yarn). Czubala *et al.* (2009) also note that harmonization with EU standards that are not in and of themselves harmonized with international (ISO) standards tends to reduce exports, as firms choose to apply the more broadly accepted standards rather than the narrower EU ones. Gebrehiwet *et al.* (2007) offer some quantitative support for this in regards to SPS regulations, noting that aflatoxin levels set by five OECD countries (Ireland, Italy, Sweden, Germany and USA), on South African food exports were far above best practices, with a concurrent loss of approximately US$69 million per year from 1995 to 1999. Finally, Erasmus *et al.* (2004) show, as with Estevadeordal (2000), that compliance costs can be deliberately written into trade agreements as a way to allow protection in through the back door. In particular, Erasmus *et al.* (2004) argue that the SADC rules of origin were created under influence of protectionist domestic industries, such as motor vehicles, thus harming the very trade that the agreement was meant to encourage.

Moving closer to home, the EU is not immune from imposing high compliance costs on its free trade partners, some of which derive directly from overlapping standards. For example, according to Cadot *et al.* (2006), the European Union has more than 500 product-specific rules of origin in addition to its broader regime-wide rules. These RoOs have had an impact on trade flows, presumably due to the high compliance costs for developing countries, stretching back nearly 25 years. A historical view from Tumurchudur (2007) examined the free-trade agreements signed between the EU and the newly-capitalist Central and Eastern European countries in 1991; his work confirmed the effect of RoOs on

trade, showing that a large share of exports from Central and Eastern Europe did not reach the EU markets due to these restrictions. Fast-forwarding ten years, Brenton and Machin (2003), looking at the treaties between the Balkan countries and the EU, find similar effects to those found in NAFTA, with these restrictive RoOs from the EU side leading to firms paying tariffs under supposedly tariff-free GSP imports rather than taking on the RoO burdens. Inama (2003), using a methodology similar to Anson *et al.* (2005), finds that this effect is more widespread than just in the Balkans: observing developing country exports to Canada, the US, the EU, and Japan, and finds that rates of GSP utilisation fell from 55.1% in 1995 to 38.9% in 2001, which he attributed to the RoO stringency across developed countries. Thus, even with preferential treatment, firms in developing countries eschew tariff-free access to developed countries, due to these unseen compliance costs.

Of course, overlapping compliance costs only matter if a country commits to actually implementing both (or more) agreements fully. Downs and Jones (2002), coming from a legal standpoint, make the intriguing argument that compliance costs are not static but fluctuate stochastically: in their conception, asymmetric information about possible future costs means that, no matter the intentions of the negotiating party or their level of development, the total costs to compliance are always unknown at the outset. Thus, compliance costs may change, especially as governments weigh the various benefits of treaties to the economy and whether or not these costs are justified. In such a scenario, more important treaties (such as WTO accession) may hold more weight than small bilateral treaties, meaning that there is a *de facto* hierarchy of treaty obligations. This would also have real ramifications where overlapping obligations exist if, for example, Israel placed a higher value on its treaty with the EU than with Japan. Under such a reality, compliance costs could be lower than stipulated in the treaties due to political calculations.

The literature on compliance costs has, in addition to studying these costs in isolation, examined them studied holistically versus the benefits that can accrue from a PTA. For example, Song and Chen (2010) found that compliance costs for SPS regulations in China across 22 separate trading partners rose over time, and hit small and medium-sized producers disproportionately. Confirming earlier research that multi-nationals are better-equipped to handle competing standards and regulations (Aloui and Kenny 2005; Ciuriak and Xiao 2014), Song and Chen (2010) highlight that there are both winners and losers from *implementation* of PTAs, as well as in their overall trade effects.However, their research also found that the compliance cost effects were short-term, more than offset in the aggregate by increased agricultural exports to these same 22 markets, noting that "China's exporters do not seem to have trouble to meet the requirement in the long run" (Song and Chen 2010:434). This is similar to other research from the World Bank (Kelleher and Reyes 2014), which finds that harmonization of SPS standards in Guatemala will actually make production and trade easier for firms over time, as well as reduce the poverty rate in the country.

As a final note, despite this after-the-fact examination of the scope of compliance costs in PTAs, and as Downs and Jones (2002) highlight, there is still little formal modeling of compliance costs *before* a PTA is put into effect. Large-scale multi-sectoral models such as the UN "Global Policy Model" (GPM) lack the ability to incorporate compliance costs into their analysis, especially given that the GPM contains three sectors (manufactures, energy, and commodities). Moreover, the GPM, as a macro model, is limited by precisely this fact, in that it encompasses macroeconomic aggregates such as exchange rates, GDP, overall exports, and the like; it is not built for the fine gradation of compliance costs at a specific HS line in a particular country.

This same criticism can be held against country-specific DSGE or CGE models, which tend not to include compliance costs as a friction that can then affect trade flows, given the difficulty in obtaining such costs before the fact (Karingi *et al.* 2007; Itakura and Lee 2012); indeed, as much of the literature above shows, the preferred methodology for determining costs is via revealed preferences. In general equilibrium models where compliance costs have at least been recognized as real, similar proxy inputs have been utilized to quantify their effects on trade. In Ciruiak and Xiao (2014), for example, the standard GTAP model is augmented to encompass RoO, but only in an indirect way; the authors use their own code to raise the elasticity of substitution of certain sectors, on the assumption that relaxing RoO will make inputs more tradeable within the trade zone. Similarly, Ghosh and Rao (2005) use a proprietary CGE model to simulate the effects of removal of RoO between Canada and the US, but proxy these RoO effects by equating MFN tariff rates to NAFTA tariff rates. In this manner, they obtain estimates that somewhat capture changes in RoO, but do not capture the extent of those costs before their removal. Georges (2008) brings us full circle by using a similar approach to partial equilibrium work of Anson *et al.* (2005), calculating the ROO cost as an implicit tax for the use of intermediary goods in a NAFTA framework, and inputting this number into a CGE model to ascertain sectoral effects of their removal.

One of the few models that do explicitly include compliance costs is the USAGE-ITC model, a large scale, dynamic CGE model of the United States developed in collaboration with the U.S. International Trade Commission (Fox *et al.* 2007). Using this model to forecast the effects of the expiration of the Agreement on Textiles and Clothing (ATC) in 2005, Fox *et al.* (2007) find that the benefits to the US economy from the removal of RoO rules amount to US$1.53 billion, more than offsetting reductions in US exports. In fact, in terms of magnitude, the removal of RoO will have export effects from 13 to 291 times larger than the combined effect of liberalizing tariffs and quantitative restraints, while welfare losses from RoO "are only slightly less than the losses from all remaining quantitative restraints" (Fox *et al.* 2007:19). However, this model is a rare exception to the prevailing general equilibrium literature, and as such this remains an area for future and intensive research.

3.2 Costs of Compliance: Selected Case Studies

As this overview of the extant literature has shown, general equilibrium studies are lacking at the cross-country level for explicit treatment of compliance costs with PTAs, while there are relatively more (but still few) partial equilibrium analyses that quantify these costs. A reason for this relative dearth of empirical studies is the time- and labor-intensive nature of the beast, in that deep local and/or sectoral knowledge is needed of a country in order to be able to quantify how PTA obligations will affect it (in this manner, the compliance cost literature is very similar to the burgeoning literature on quantifying non-tariff barriers). Given these prohibitive barriers to assembling such information over a broad series of countries, it is perhaps more feasible to conduct an in-depth study at the individual country level, in order to obtain accurate estimates of compliance costs.

3.2.1 Morocco

This approach has indeed been utilized in the literature for a number of countries and specific sectors within these countries. One of the most widely cited from the World Bank (Aloui and Kenny 2005) examines the compliance costs for SPS compliance in the fresh produce export sector in Morocco. Under the EU-Morocco free trade agreement of 1995 (ratified in 2000), citrus and tomatoes were part of the agricultural exception regime, facing quotas for entry into the EU but otherwise granted preferential treatment, including tariff exemptions and minimum prices. In order to achieve minimal SPS standards to take advantage of these preferences, however, producers needed to conform to one of the commonly-used certification programs in Europe, either EUREPGAP (good agricultural practices) or the privately-operated organic and biodynamic certifications (constructed under EU regulation 2092/9).

According to Aloui and Kenny (2005), the cost for a 10 hectare tomato farm to implement EUREPGAP standards was approximately US$71,087 in the first year, with the main costs (US$50,933) dedicated to the physical infrastructure and equipment that farmers needed to purchase. On top of these costs were recurring costs of compliance, including training, monitoring, and obtaining 27 separate certificates, which could add up to over an additional US$20,000. On the whole, for efficient farms, compliance costs amounted to approximately 8% of the total farm cost, a cost that would likely double for an inefficient farmer (*Ibid.*). For this reason, even though small farmers could afford the low cost of initial certification (US$1,200), the other costs were too prohibitive and thus only large farms (with more than 400 ha of citrus or 100 ha of tomatoes) in Morocco were EUREPGAP certified. And these costs only accrued to one standard, which is distinct from another EU-member's standards, the British Retail Consortium (which has its own stringent requirements).

3.2.2 Botswana

In a similar vein, sub-Saharan African (SSA) nations have also seen difficulties in overcoming the compliance costs of PTAs, whether they overlapped with other obligations or not. Research from Stevens and Kennan (2004) detailed the difficulties Kenya and Botswana faced in the early 2000s from rapidly-changing SPS restrictions. While there is little hope of a relaxation of SPS standards on a preferential basis (due to safety concerns), Stevens and Kennan (2004) note that the premium for producers is thus placed on facing consistency in requirements and administration. Unfortunately, SSA nations at the turn of the century were instead facing abrupt changes in traceability and other SPS requirements, a situation that deleteriously impacted the beef trade in Botswana. This issue has been compounded by disputes at the developed country level about SPS standards in beef, including the notorious disagreement between the US and the EU on the use of hormone growth promoters (HGP) and differing approaches to beef from countries with foot and mouth disease (FMD).

Frozen boneless beef is the sole significant preferential agricultural export from Botswana to the EU, and there is wide agreement that the Cotonou preferences are the key attribute enabling Botswana to enter the EU market (Meyn 2007). However, even with these preferences, Botswana beef exports incur higher production costs than other African countries (especially South Africa) due to costs in complying with EU standards (ODI 2007). In an effort to shield producers from these costs, the government of Botswana has taken on many of the quality assurance aspects. According to ODI (2007:17), the government "does not only need to verify that [the Botswana Meat Commission] complies with EU food and safety regulations but also that each and every consignment meets EU standards. This does not only entail the quality of the final product but also the safety and quality throughout the food chain – from the production of animal feed, to the handling and transport of the animal until the slaughtering process and the distribution of the meat."

In order to actually do this, the government invested tax dollars in a "Livestock Identification Traceback System" (LITS), a traceability system that covered the entire life cycle of beef. The cost of the creation of LITS over 2000-2004was US$16.5 million, with additional annual costs (since 2005) to ensure maintenance of approximately US$1.5 million, a hefty price tag to cover 80% of the cattle population in the country (ODI 2007). With additional requirements related to animal welfare also coming into play, it is possible that the compliance costs in the beef sector alone can amount to over US$40 million by end-2015, and that is just in satisfying one requirement for one export market. Recent research (van Engelen *et al.* 2013:119) also suggests that, even with these investments, LITS has been a failure, not living "up to the promises made for it and… clearly not the best option for Botswana, either technically or financially." In particular, failings in the traceability tracking have led to repeated disruptions of exports on SPS grounds.[4]

Moreover, the 20% of cattle not covered by the LITS system disproportionately belong to small producers, who "face the greatest challenges and derive the smallest benefits related to EU-market-compliance measures" (van Engelen *et al.* 2013:117). These producers also have less access to the government's other support programmes (ODI 2007), making the burden of EU and other SPS requirements more onerous. This is especially true when placed against the empirical evidence that the bulk of the compliance costs in regards to agricultural goods is not necessarily in *achieving* conformity with EU standards but in *proving* this conformity (Gibbon 2008). With less chance to enter the government's programmes, it also becomes much more difficult to establish the provenance of conformity, compounding the issues of compliance.

3.2.3 Nepal

While food and agricultural products tend to be impacted by SPS inconsistencies, due to their very organic nature, manufactured goods tend to run into obstacles more with rule of origin restrictions (which can be relaxed or changed). More recent work on Nepal by Khanal (2011) explores the effect of RoO on various manufactures, discovering that the broader effects of overlapping PTAs seen in research above are indeed occurring in the landlocked Himalayan country. In particular, the differing RoO that the EU, Japan, and the USA impose on manufactures (Table 1) have led to low utilization of preferences, "despite three quarters of Nepal's export enjoying preferential market access" (Khanal 2011:51). Conducting a field survey of manufacturers and traders in the carpet, pashmina, handicrafts, and tea industries, Khanal finds that documentation processes and customs procedures connected with RoO constrained exports and raised costs in the range of 20-30% per product exported. Interestingly, Khanal found that the companies that were burdened most by the differing RoO rules were the medium-sized exporters, with both small and large firms having comparatively less perceived problems in satisfying the varying requirements. And despite the increase in compliance costs, all firms has a somewhat positive overall outlook, as 57% of those interviewed felt that the preferences created under the various PTAs helped increased Nepal's (and their industry's) competitiveness globally.

[4] This is in addition to the total ban on beef exports from Botswana in the US market, due to the presence of foot and mouth disease in most of SSA.

Table 1: Rules of Origin of the EU, US, and Japan in relation to Nepal

	European Union	United States	Japan
GSP facilities to Nepal	Duty-free and quota-free facilities under the Everything But Arms (EBA) policy for LDCs.	Duty-free exports under Least Developed Beneficiary Developing (LDBDCs) and Beneficiary Developing Countries (BDCs).	Duty free exports under special preferential regime (SPT).
Rules of Origin	Wholly produced or obtained *or* sufficiently worked or processed	Wholly produced or obtained *or* sufficiently worked or processed	Wholly produced or obtained *or* sufficiently worked or processed
What is a sufficiently worked or processed good?	Where the last substantial, economically justified processing or working takes place resulting in the manufacture of a new product or representing an important stage of manufacture takes place.	Where the last substantial process or operation resulting in the manufacture of new characteristics takes place.	Where the substantial transformation into a new and different article of commerce with a name, character, or use distinct from that of the article or articles from which it was so transformed takes place.
Principle Percentage Criterion Rules	**Numerator: Customs** value of the imported inputs or the earliest ascertainable price paid in the case of materials of unknown, undetermined origin **Denominator**: Ex-factory price. **Percentage level:** Maximum 40% or 50%	**Numerator: Cost of** materials produced in the preference-receiving country plus the direct cost of processing carried out there **Denominator**: Ex-factory price or the value appraised by US customs. **Percentage level: Minimum 35%**	**Numerator: Customs** value of the imported inputs or the earliest ascertainable price paid in the case of materials of unknown, undetermined origin **Denominator:** FOB price. **Percentage level: Maximum 40% or 50%**
Specific ROO Criteria	Value added criteria; Change of heading criteria; and Specific process criteria (Double process origin criteria)	Change in tariff classification; Change in tariff classification with exclusions; and Change in tariff classification with exclusions plus specific process criterion with the allowance for cumulation in the territory of one or more of the parties.	Change of heading criteria

Derogation from GSP Rules of Origin	Derogation granted to Laos, Cambodia and Nepal (Derogation ceased to apply from 31st December 2010).	No derogation	No derogation
Cumulation of Origin	Donor country content rule applied if inputs originate in the EU, Norway, or Switzerland; and Regional cumulation allowed for ASEAN, CACM, The Andean Community and SAARC	Donor country content rule is not applicable; and Regional Cumulation allowed to the Andean Group, WAEMU, ASEAN, SAARC, SADC, and CARICOM.	Donor country content rule applied only if originating from Japan; Regional cumulation applies only in case of goods produced in Indonesia, Malaysia, the Philippines, Thailand and Vietnam referred to as "Five Countries" for the purpose of the application of the rule.

Source: Khanal (2011).

This perception was different across industries, however. The Nepalese traders interviewed placed the EU as their main market (35.7% of respondents said that the EU was their most important destination), but noted that the EU's procedures were especially cumbersome. As an example, at the time of the survey the EU's RoO rules for tea had not been defined yet despite the extension of preferences to the tea industry (and, in an even more ironic twist, tea was the one export that uses fully originating Nepalese materials, i.e. had no issues with multiple sources of origin).

The determination of origin of carpets and, especially, pashmina for export to the EU suffered from exactly the opposite issue, in that there are very strict and specific rules regarding RoO, including fulfilment of either specific process criteria or value added criteria (in addition to import content, noted above) in order to confer originating status. EU process requirements including manufacture from unbleached single yarn, while weaving must be accompanied by making-up (including cutting); value added requires the value of the unembroidered fabric used does not exceed 40% of the ex-works price of the product (Khanal 2011:27). There is also a third option to satisfy RoO, which requires that "making-up be preceded by printing be accompanied by at least two preparatory finishing operations (such as scouring, bleaching, mercerizing, heat setting, raising, calendaring, shrink resistance processing, permanent finishing, decatizing, impregnating, mending and burling). However, this option requires that the value of the unprinted fabric used does not exceed 47.5 % of the ex-works price of the product" (*Ibid.)*.

These requirements are similar to the US RoO rules regarding pashmina and carpets, which require that the good be cut and knitted to shape on the territory of Nepal, but overall US requirements are less stringent than the EU (although the US requires export under a different HS code than both the EU and Japan). It is perhaps due to these relatively more stringent RoO and their associated compliance costs that the EU sees preference utilization rates from Nepal at much lower rates than other trading partners: according to the WTO, Nepal has utilization rates of 71.3% for the EU versus 80.1% for Japan and 90.7% for the US (Mahanta and Banerjee 2011).

This performance is also in-line with trade diversion effects seen elsewhere around the world. For example, in Africa, exports of apparel from African least-developed countries (LDCs) to the EU and to the US were nearly identical in 2000, but a mere five years later the value of exports to the US was nearly triple that of to the EU (Brenton 2011). The key culprit in this differential performance has been RoO stipulations, which from the EU side require production from yarn (which must be made from local fabric), while from the US allows African countries the ability to source the fabric inputs globally. Empirically, De Melo and Portugal-Pérez (2008) demonstrated that this so-called "third country fabric rule" from the US was the sole reason for the 300% increase in US imports from Africa, a smaller effect than the estimated 96 % increase from the removal of tariffs. In this sense, compliance costs for African apparel producers did not increase in the face of overlapping PTAs, the market simply took the path of least resistance.

4. Compliance Costs: possible compensating effects

As noted earlier, the reality is that trade agreements may impose short-term costs of compliance that, once tackled, can lead to much larger long-term gains in trade creation. However, it is tackling these costs that is of crucial importance from a political and economic standpoint; if a country cannot muster the resources or political will to overcome costs at the beginning, there is a real chance (shown empirically in previous studies above) that firms and governments will simply shift trade away from the hard-won preferences. Given this reality, and the existence of compliance costs connected with trading with the EU, are there ways in which the EU can mitigate costs as part of the PTA negotiation process? Are there supporting mechanisms that can be utilized in the implementation of PTAs?

Moreover, there is a high chance of positive externalities in the implementation of WTO-extra agreements, as "some deep integration provisions are *de facto* extended to non-members because they are embedded in broader regulatory frameworks that apply to all trading partners" (Rocha and Teh 2011). As van Engelen *et al.* (2013:130) note in the context of Botswana's beef industry, "EU requirements could be seen less as a burden but more as a challenge to remain at the highest process and product standards and as such have easier access to other export markets setting the same demands as the EU." Thus, the short-term costs that must be borne in order to comply with obligations are small in comparison to the longer term and multifaceted benefits that would accrue, benefits that will *only* accrue if quality and safety standards are increased.

Figure 4: Dimensions of Compensation

	External to the EU	Internal to the EU
Government-Government	Capacity-building assistance for food safety inspections	Adjustment of requirements for preferences based on developing country's existing capabilities
Government-Private Sector	Communications campaigns on EU food safety standards	Streamlining of food safety requirements based on risk assessment principles

With this in mind, there are concrete ways in which these costs can be mitigated from both the EU and developing country side, across four dimensions (Figure 4 shows these dimensions as applied to food safety). In particular, assistance can either be rendered directly to the governments in the developing countries or it can be targeted at the private sector, while it can involve assistance external to the EU or changes at the EU or Member State-level to facilitate trade. Each of these possible compensating effects entails its own costs at the EU level, but there is much to recommend each approach as well.

4.1 Government-to-Government Assistance

In the first instance, given that the vast majority of compliance costs borne by a country involve adherence to government rules rather than private sector preferences (such as quality or taste, which are sorted by the market), government-to-government assistance can possibly help to overcome these barriers to trade. The modalities of such assistance are many, but can include technical assistance for capacity-building, regulatory reforms at the point of origin (including phasing in of requirements for developing countries), or direct financial assistance and physical infrastructure (such as purchasing new laboratories).

Other than direct financial assistance, one of the most potentially effective channels (and indeed the most popular way) in which developing country governments can be helped to offset compliance costs is via technical assistance (TA). TA itself can have a variety of purposes, including creating an incentive to sign an agreement in the first place. As Finger and Schuler (2000:514) noted in a multilateral context, countries were being asked to take on "bound commitments to implement in exchange for unbound commitments of assistance." With a promise for technical assistance to accompany the preferential trade treatment inherent in a PTA, including the additional financial assistance that comes with such a plan, political winds in the partner country might shift in favour of a PTA. This would especially be true if such technical assistance was explicitly spelled out in the agreement or be clarified with a concrete plan for implementation, rather than merely making a blanket statement that such assistance is forthcoming.

Beyond merely getting a government to sign a PTA, however, technical assistance can have an important impact on the implementation and, crucially, the utilization of, a PTA, especially if the PTA contains WTO-plus or WTO-extra provisions. As shown above and noted by Prevost (2010:25), "without such assistance, the costs of compliance with such agreements could outweigh the benefits of trade liberalization gains." This is especially true in the area of agriculture and food products, where "the evolving EU food safety regime entails major capacity building for [African and Caribbean] countries, both in their public and their private sectors" (Alavi *et al.* 2007:56). As Doherty (2005) notes, the capacity needs for developing countries are legion, including *inter alia* the need to understand modern food legislation and regulation, to implement coordinated food control management, to design an execute effective inspection functions, to execute a full range of laboratory and hygiene services, and to involve the private sector in communications and regulatory-setting efforts.

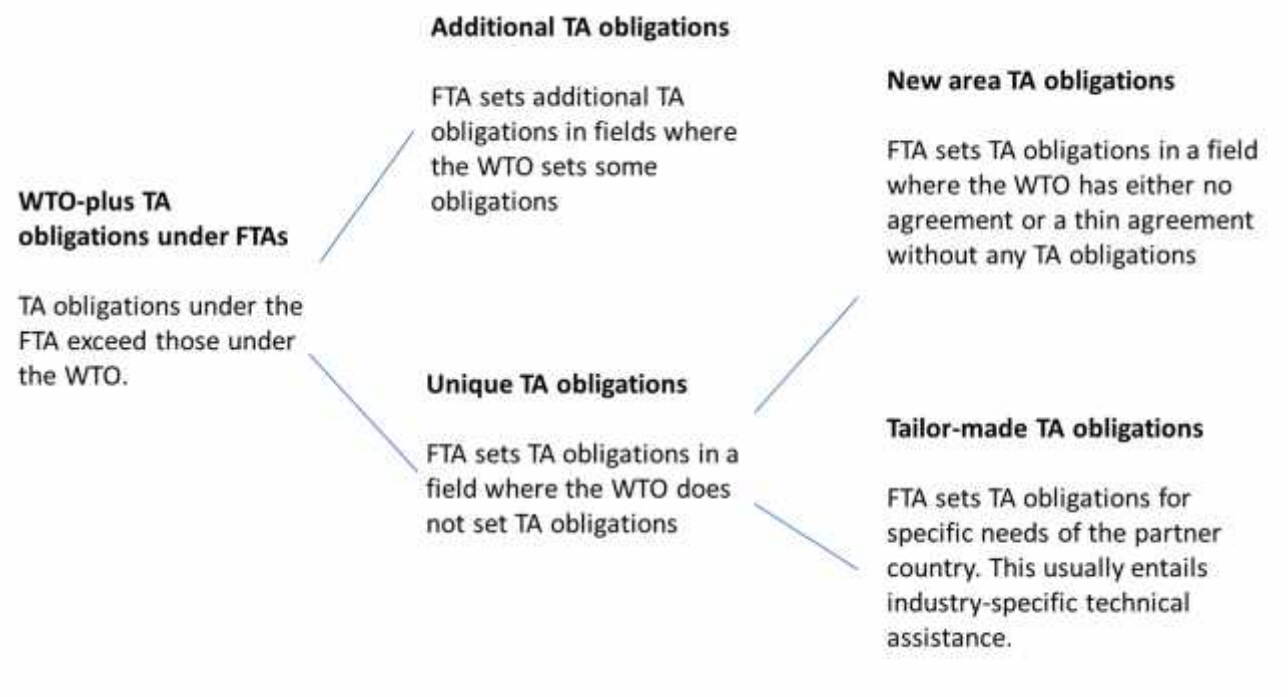
Building technical assistance into a PTA agreement can thus be a way to build capacity within partner governments in order to reach EU standards, by offering know-how and technical improvements in the many areas needed for upgrading. And, as Wiig and Kolstad (2005), speaking in the area of agricultural exports, note, this approach of technical assistance targeted specifically at capacity-building in the target government can be an effective way to directly offset compliance costs for developing countries. Any TA in capacity-building would need to be well-designed and narrowly targeted in order to maximize gains: Wiig and Kolstad (2005) suggest utilizing a cost-benefit approach to select SPS projects that produce the greatest export revenues per dollar invested. Moreover, such TA would need to be focused on institutional capacity-building, in order to ensure that the proper institutions can survive the

withdrawal of assistance monies and continue to function as a vehicle for trade facilitation. For some aspects, such as veterinary or laboratory services, helping to fashion a plan for handover to the private sector could also be a target of assistance (see below).

As already noted, capacity-building can also have positive externalities across PTAs, especially when it focuses on improving host country procedures and technologies. For example, upgrading a country such as Zambia to modern information technology for customs management would not only assist in meeting EU requirements for shipments, it would likely fulfil needs for any PTAs Zambia signed with the US or Japan. In this sense, technical assistance can have much greater trade creation effects outside the confines of a single PTA.

Finally, the delivery of technical assistance can also be conducted at a multilateral or bilateral level, depending upon the particular agreement and the partners involved. At the bilateral level, technical assistance can either encompass WTO commitments which are also included in PTAs (WTO-plus) or be designed to take into account the new obligations imposed in a WTO-extra framework. Additionally, as Figure 5 shows, the technical assistance envisaged can be additional to technical assistance that is already being provided as part of WTO accession/compliance, or it can be "unique," in that it goes beyond previous technical assistance and areas to forge new cooperation (e.g. in the area of business environment).

Figure 5: Various Modalities of Technical Assistance for PTAs



Source: Hamanaka 2011

In line with this academic research on the benefits of TA for capacity-building, various TA facilities to accompany trade agreements have been developed at both the multilateral and bilateral level. Multilateral initiatives aimed at building trade capacity in developing countries include the Joint Integrated Technical Assistance Programme (JITAP), a combined effort from UNCTAD, the ITC, and the WTO. There also exists the Integrated Framework for Trade-Related Technical Assistance for Least Developed Countries, led by the IMF but also including the World Bank and UNDP in addition to the

organizations under the JITAP (Bilal 2003). As can be expected, these WTO-centred technical assistance facilities focus on providing assistance for WTO commitments, although the operational aspects are oftentimes decided in an ad hoc manner.

At the bilateral level, the EU has also created its own technical assistance programs to accompany specific PTAs over the past decade. Couched under the "Aid for Trade" (AfT) banner (as noted by Hoekman 2010) and adopted in October 2007, the AfT approach was a policy initiative to "support all developing countries, particularly Least Developed Countries (LDCs), to better integrate into the rules-based world trading system and to more effectively use trade in promoting the overarching objective of eradication of poverty in the context of sustainable development" (Council of the European Union 2007). Focused on increasing and augmenting EU (and Member States') donor capacity, the AfT approach was specifically predicated on helping the African, Caribbean, and Pacific (ACP) states achieve the specific capacity-building necessary for benefiting from trade agreements. Originally encompassing narrow trade-specific TA, the AfT remit was expanded in October 2011 to more WTO-plus and WTO-extra attributes, including business environment improvement and sustainable development (UNIDO 2013).

The concept behind AfT has been explicitly included in several of the EU's most important PTAs signed over the past decade, including:

- In the EU-CARIFORUM agreement, he EU pledged to "assist CARIFORUM States in establishing harmonized intraregional sanitary and phytosanitary measures also with a view to facilitating the recognition of equivalence of such measures with those existing in the European Community Party" (Article 53 (c) of Economic Partnership Agreement between CARIFORUM and the EC, quoted in Murina and Nicita (2014:3)). Additionally, the EU also pledged to assist CARIFORUM States in ensuring compliance with the SPS measures of the EU, although the modalities were left unspecified in the agreement.

- Article 47 of the Euro-Mediterranean Agreement, establishing the association between the EU and Egypt, mentions that the EU will assist the official conformity assessment bodies of the Egyptian government, "with a view to the establishment, in due time, of mutual recognition agreements in the area of conformity assessment." Thus, this agreement explicitly spells out the technical assistance to accompany the agreement will be given to the partner government.

- The EU-South Africa Trade and Development Cooperation Agreement (TDCA), entering into force in 2004, also pledges EU support for technical assistance to the Republic of South Africa. In particular, Article 47 of the agreement notes that the EU will "facilitate technical assistance for Southern African capacity-building initiatives in the field of accreditation, metrology, and standardization," as well as "developing practical links between the South African and European standardization, accreditation, and certification organizations."

With each successive agreement, the EU increased its assistance budget steadily, with total AfT commitments reaching a high of €10.7 billion in 2010 (of which Member States committed €8.2 billion and the EU itself committed a further €2.5 billion). Most of this money has been targeted at African states, with the bulk of the technical assistance in Trade Related Infrastructure and Building Productive Capacity (more than 90% of total AfT commitments, according to UNIDO (2013)).

While impressive movement has been made in offering needed technical assistance to the governments of developing countries, the success of these programs from the EU is more difficult to

discern. Some research has been done on specific aspects of PTAs overall such as intellectual property (Hanamaka 2011), but in general, given the compartmentalization of technical assistance from trade (discussed below), there are few broad assessments of the success of TA. An early assessment from Wiig and Kolstad (2005) focused on the framework of PTA technical assistance, noting that, like negotiation of PTAs and the obligations they impose, the developed world's approach to technical assistance for compliance has also been highly fragmented, especially in the EU. In particular, there was no general set of the EU criteria for technical assistance, and this led to specific technical assistance projects being decided on an ad hoc or political basis.

A similar evaluation comes from Chaffour and Kleimann (2013), who reference the experience of Morocco in its attempt to harmonize to EU SPS standards. In Morocco's case, as has been found elsewhere, the lag time between TA being provided and actual quality improvements occurring might be measured in decades rather than years. According to the authors, DG Trade counted 53 instances of SPS and TBT technical assistance provided to Morocco over 2001-05, but the government only recognized in 2007 the need to reinforce local institutions charged with overseeing conformity assessment and standardization (Chaffour and Kleimann 2013). In fact, it wasn't until 2009 that the country had created its own national standards agency, perhaps not only suggesting a lack of capacity to execute obligations undertaken but a lack of political will as well.

The largest evaluation of trade-related aid comes from the EU itself, in a two-volume and detailed assessment from 2013 prepared by a consortium of aid implementing agencies (Particip 2013). This study found that, on the whole, EU trade-related assistance (TRA) was beneficial for a recipient country, especially in the area of WTO obligations and in the narrow areas of trade facilitation. For example, customs modernisation is cited as one of the biggest success stories across countries, showing positive results across partners from Egypt to ASEAN (although the report also notes that the "EU's support to customs and trade facilitation has tended to lack coordination between customs regulations enforcement mechanisms" (Princip 2013:37)). When the examination of TRA was expanded to include specific compliance costs such as SPS and technical barriers to trade, however, the results have been more mixed: specifically, the EU has excelled in changing legislation and (to some extent) building management systems for SPS compliance, but has seen less success in encouraging national standards agencies to engage in international standard-setting, involving the private sector in compliance issues, or even ensuring the sustainability of quality infrastructure improvements. The report admits quite forthrightly that the government-to-government assistance in the "more complex area of SPS control management" has been far less than what was expected (Princip 2013:39).

This EU evaluation focuses only on the effects of one donor's efforts on a broad front (and, *contra* to Wiig and Kolstad's (2005) injunction, only on benefits and not on the costs-benefit ratio of these interventions). A consistent theme in this report, however, is the difficulty in providing capacity for governments that are already at low levels of infrastructure and capacity, with the report frankly stating that "higher impact was achieved in better prepared countries" in regards to standards compliance (Princip 2013:iii). This raises a further question in the context of overlapping PTAs: how does TA work in an environment where several donors are attempting to build capacity? Developing country administrations are known for their limited absorptive capacity, and the reality of overlapping PTAs also may mean overlapping TA, with the same bureaucrats or department receiving advisors from the US, EU, and Japan on each separate set of regulations. In such a scenario, it is will be difficult for the developing country to benefit unless there is substantial harmonization of standards amongst trade partners. Where there is not (as in food safety), the necessarily slow pace of absorption and low capacity already inherent in the country's administration could make TA (and thus mitigation of compliance

costs) less effective. In this environment, the only benefit in this case will accrue to the consultants who are doing the advising.

Moreover, as noted above, technical assistance may also have its own administrative problems from the point of origin. The bureaucracies for technical assistance and trade are kept segregated throughout the developed world, and the EU is no exception. With one bureaucracy overseeing the implementation of technical assistance but not explicitly linked to trade outcomes, it is inevitable that incentives are misaligned: aid bureaucracies have different goals and imperatives in managing their own budgets, and even monitoring of the success of a TA program for trade may have different definitions of "success" than if they were managed by an explicitly trade-oriented agency. This administrative issue, coming on top of any additional policy incoherence that may exist between the EU and its Member States, may impede development of effective TA for a developing country partner. Thus, in addition to any overlapping PTAs and TA that may occur at the developing country level, there is a real danger of overlapping objectives by the EU bureaucracy in relation to one PTA. This is the equivalent of adding noodles to the spaghetti bowl.

Given these possible impediments to effective TA accompanying trade reforms, an additional way in which PTA compliance costs can be mitigated is to help simplify them from the source. Legislative and regulatory streamlining in the EU can also be of assistance to developing countries by making standards more transparent, as well as having the benefit of simplifying requirements within the EU market as well. Simply put, the fewer the amount of standards and regulations to comply with, the less likely it will be for a trading partner to be out of compliance. In this sense, the EU would be performing a WTO-extra type of exercise upon itself, dedicating itself to a regulatory guillotine approach that would remove some of the extraneous layers of standards and requirements that have accrued over the past 20 years.[5] In reference to agriculture, this could also include elimination of many "quality" standards in favour of a focus on "health" standards, as well as lessen the specific technical standards required for classification of goods. While this approach is more involved and would require more effort from the EU side than merely handing over money for developing countries to build laboratories, it could have much bigger effects within Europe, and be aligned with goals set in the 2005 Lisbon Strategy.

4.2 Industry-Specific Assistance

Beyond the assistance that can be rendered to public administrations grappling with overseeing compliance, the real costs of complying with one (let alone several) PTA(s) is borne by the private sector and the various industries involved in exporting. Indeed, as Maskus *et al* (2004) show, exporters from developing countries encounter significant additional costs adapting their production processes to comply with foreign standards; examining firms across 16 developing countries, they argue that these private sector compliance costs are directly linked to the low level of administrative, technical, and scientific capacity within the country to comply with foreign standards. This research has been confirmed, as noted above, by Song and Chen (2010), who point out that compliance costs can lead to gains for a country but still have disproportionate impact on a specific firm.

To cushion these difficulties, the EU can also offer compensating effects directly to the private sectors in affected countries, including augmenting technical assistance and aid for trade, as above, with an explicitly private sector focus. As Chaffour and Kleimann (2013:47) correctly note, possibilities under this

[5] The guillotine strategy is simply a means of rapidly reviewing a large number of regulations, and eliminating those that are no longer needed without the need for lengthy and costly legal action on each regulation. Such an approach has been successfully implemented around the world, supported by donor agencies such as USAID and the World Bank.

heading include "training programs for small and medium enterprises on compliance with technical standards and food safety requirements," as well as "launching awareness raising campaigns with a view to promoting private sector compliance" and "export and investment promotion programs." It may also include linking industries in the EU with the partner country, an approach that the EU has thus far not attempted but has been included in other country approaches under PTAs; in particular, Japan's Economic Partnership Agreement (EPA) with Malaysia has a specific codicil calling for TA between the Japanese automotive industry and Malaysia's (Hamanaka 2011).

A major difficulty here will be in the design of such programs, in particular creating a prioritisation schedule for industries and firm types. As noted above and in the extensive literature, large firms can absorb compliance costs much more readily than smaller ones, and thus smaller firms would benefit more from assistance. In reference to agricultural trade as well, smaller firms are also those that bear the burden of compliance the most given their lack of economies of scale; from a donor standpoint, however, they are also amongst the most problematic to deal with, as they tend towards the micro level and are based in hard-to-access regions of the country (as opposed to centralized bureaucracies based in the country's largest city). In other sectors, as well, there may be well-organized chambers of commerce or industry groups, but farmer associations also suffer from the dispersal of farmers and the sometimes countering interests under the "agricultural heading." For instance, different types of crops require different approaches to cultivation which may be in opposition to each other, while raising livestock requires different infrastructure than growing wheat. In this situation, incentives of different producers may not be aligned, thus making it more difficult to render assistance to a particular trade organization, much less to the agricultural sector as a whole.

Given this wide dispersion within agriculture, to say nothing of the large number of industries that can be affected under a PTA, there is a need from the EU side to prioritise assistance in line with the stringency of requirements. As noted above, countries such as Botswana have found that meat exports face some of the highest barriers in relation to SPS requirements, and thus EU assistance in these areas could help immensely. As with government-to-government assistance, however, the EU would be wise to heed Wiig and Kolstad's (2005) advice in creating cost-benefit metrics *prior* to the inclusion of TA in a PTA agreement, in order to best target resources. These metrics could also help to clear up some of the policy incoherence that is inherent in the TRA realm (as mentioned above): is increased trade in and of itself a goal? Or is broader development a goal as well? Which can be served best by specific TRA interventions? Creating the metrics for a prioritised assistance regime under each PTA can also highlight, in advance, possible conflicts with other PTAs in force in the partner country, allowing the EU to provide assistance where the greatest benefits across PTA obligations may occur.

Additionally, there may not be a need to target individual farms or clusters for assistance. Assistance may instead be created that is targeted at "choke points" in the system, including improving laboratory and veterinary services that are then utilized by private sector entities. And unlike Botswana's government-run traceability system, the lab and other quality services need not be government-led initiatives, but can be rendered through the private sector. Similarly, and in line with traditional technical assistance in agriculture, capacity-building with a "training the trainers" approach can be implemented by providing capacity-building to universities, extension services, and private trainers, so that knowledge of best practices and SPS requirements can be broadly disseminated. In this manner, the EU and Member States need not focus explicitly on specific firms or even sub-sectors of agriculture, but instead focus on infrastructure and processes that each individual firm will encounter. This may leverage the EU's limited resources and have a broader impact than individual trainings or sectoral assistance alone.

In addition to direct aid that can help to overcome bottlenecks, the actual negotiations of PTAs can also help firms in developing economies adjust to PTA obligations, by offering a slow phase-in of requirements on a firmly delineated timetable. As noted above and by Woolcock (2014b), the EU's approach to PTA negotiations has been to tailor negotiations and concessions based on a partner's level of development. This approach could be extended to the application of standards and TBT requirements after a PTA is ratified, with standards moving gradually to harmonization with EU standards over a set number of years and linked to a schedule to technical assistance. Through this approach, both TA and outcomes would be harmonized, but with the added benefit of increasing stringency over time (allowing for production processes to reorient).

Unfortunately, such an approach may not always be possible for the agricultural sector, given the stringency of SPS obligations, but it can be explored on a risk-adjusted basis; that is, not all SPS risks are equal, and lower-risk standards can be adjusted on a sliding scale. Such a reality has already been discovered by the EU in regards to its aflatoxin standards, which were adjusted after their cost-prohibitiveness *vis a vis* their benefits was revealed (Otsuki *et al.* 2001). In conjunction with a guillotine approach as noted above, creating risk-adjusted standards can also help mitigate compliance costs. And outside of food and health safety requirements, this sliding scale can be more broadly applied, as in a phase-in of RoO requirements over a period of time.

Finally, discussions also can be undertaken with the private sector during the PTA negotiation process, an approach that been thus far neglected from the EU side: as Princip (2013:v) note, consultations with the private sector in developing countries have " often been more about informing the private sector, rather than engaging in a dialogue on how best to utilise [trade related assistance]." Even though this approach as well would be hampered by the fragmentation noted above (and more likely than not would be dominated by larger firms), well-executed surveys with wide coverage conducted before the design of TRA could help to better target such assistance and involve the private sector earlier. This may also allow for, as noted above, the design of industry-to-industry TA as part of the PTA, as done in the Japan-Malaysia EPA.

5. Conclusion and recommendations

This paper has examined the effects of overlapping PTAs, especially of the WTO-plus and WTO-extra variety, from the point of view of developing countries, with reference to the agricultural sector. Even in a country with only one PTA, there may be difficulty in understanding and attaining the various requirements necessary for market access, and this problem is compounded with the existence of several PTAs. Overall, WTO-extra provisions such as investor protection and IPR create comparatively less burdens, simply because their novel nature has resulted in less overlap. By contrast, however, the most difficult requirements that diverge across trading partners include rules of origin (for manufactures) and sanitary and phytosanitary standards (for agricultural and food products). Satisfying multiple partners and multiple standards in these areas may prove too difficult for a developing country, unless assistance is rendered.

From the EU point of view, PTAs only have a benefit if they can indeed generate trade from the developing country side that did not (or would not) exist before a PTA was signed. To help countries overcome the costs of compliance, however, our analysis above has pointed to some tangible steps that the EU can take in its next generation of WTO-plus or WTO-extra agreements:

Recommendation 1: Know possible overlaps before the PTA is signed

Of course, it should not be the job of the EU or DG Trade or the European Parliament to be looking out for developing countries' interests, but in order for the EU to garner the benefit of increased trade, it may be helpful to know what the obstacles to increasing this trade may be. In particular, as the EU is undergoing PTA negotiations with a specific partner it would be useful to have a catalogue of possible standards conflicts. This, in turn, will help to classify higher-priority technical assistance related to trade for PTA implementation. Within the EU, it is likely that DG Trade would be charged with creating this analysis of overlaps, with approval and advice on such potential conflicts overseen by the European Parliament.

Recommendation 2: Prioritise TA by Cost-Benefit Principles

Any technical assistance that is going to be carried out in hopes of building capacity in the partner country must be prioritised according to a cost-benefit metric of cost of assistance versus value of trade generated. It is recommended for such a metric to be created internally within the EU before the completion of any new PTAs, in order to make them applicable and binding for the next round of agreements.

Recommendation 3: Look beyond government assistance

If technical assistance is still envisioned as a way to mitigate compliance costs, and if done according to cost-benefit principles, it may also be helpful for the EU to shift towards private sector TA as part of its trade-related assistance. Undertaking new modes such as industry-industry linkages, while supplementing with capacity-building that takes a train-the-trainers approach, the EU may be able to overcome governmental capacity constraints and target the producers who actually bear the cost of compliance.

Recommendation 4: Healer, heal thyself

In many instances, compliance costs are disproportionately large for developing countries *vis a vis* other PTA partners such as Japan and the US due to internal EU regulations and standards. It would be beneficial for both developing countries and the EU itself to undertake a broad regulatory review of its SPS and other TBT standards, in order to simplify the increasingly complex web of requirements and obligations. Such a guillotine approach would be in line with previous EU strategy, as well as helping to remove some of the obligations that developing countries need to comply with.

Through these recommendations, we believe that the reality of overlapping PTAs, and especially the way in which they influence compliance costs, can be mitigated somewhat for developing countries. As our analysis has shown, it is not enough for a PTA to be in place, as utilization requires that all barriers be lowered, not just formal, tariff ones. Compliance costs can be thought of as the second-line of trade barriers, and without a tangible strategy to address them from the EU side, they will continue to inhibit market access for the world's poorest farmers.

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Appendix

Table A.1 – 45 years of Regional Agreements

Name	Type	Provider(s)	In Force Status	Notified to WTO
Accession Of the Hellenic Republic To the European Communities	Customs Union Accession Agreement	EC (10) Enlargement	in force	yes
Accord Creant Une Association Entre La Communaute Economique Europeenne Et Malte	Association Free Trade Agreement	EC - Malta	in force	yes
Act Concerning the Conditions Of Accession Of the Kingdom Of Norway, the Republic Of Austria, the Republic Of Finland And the Kingdom Of Sweden And the Adjustments To the Treaties On Which the European Union Is Founded	Customs Union Accession Agreement	EC (15) Enlargement	in force	yes
Agreement Between the EFTA States And Romania	Association Free Trade Agreement	EFTA - Romania	in force	yes
Agreement Between the EFTA States And the Republic Of Bulgaria	Association Free Trade Agreement	EFTA - Bulgaria	in force	yes
Agreement Between the EFTA States And the Republic Of Croatia	Association Free Trade Agreement	EFTA - Croatia	in force	yes
Agreement Between the EFTA States And the Republic Of Poland	Association Free Trade Agreement	EFTA - Poland	in force	yes
Agreement Between the EFTA States And the Republic Of Slovenia	Association Free Trade Agreement	EFTA - Slovenia	in force	yes
Agreement Between the European Economic Community And the Swiss Confederation	Association Free Trade Agreement	EC - Switzerland and Liechtenstein	in force	yes
Agreement Between the European Economic Community And the Kingdom Of Norway	Association Free Trade Agreement	EC - Norway	in force	yes
AGREEMENT Between the European Economic Community And the Principality Of Andorra	Bilateral Free Trade Agreement	EC - Andorra	in force	yes
AGREEMENT Between the European Economic Community And the Republic Of Iceland	Association Free Trade Agreement	EC - Iceland	in force	yes

Name	Type	Provider(s)	In Force Status	Notified to WTO
Agreement Between the European Economic Community, Of the One Part, And the Government Of Denmark And the Home Government Of the Faroe Islands, Of the Other Part	Association Free Trade Agreement	EC - Faroe Islands	in force	yes
Agreement Between the Republic Of Hungary And the State Of Israel	Bilateral Free Trade Agreement	Hungary - Israel	in force	yes
Agreement Between the Republic Of Turkey And Romania	Bilateral Free Trade Agreement	Romania - Turkey	in force	yes
Agreement Between the Republic Of Turkey And the Republic Of Hungary	Bilateral Free Trade Agreement	Hungary - Turkey	in force	yes
Agreement On Amendment Of And Accession To the Central European Free Trade Agreement	Regional/Plurilateral Free Trade Agreement	CEFTA	in force	yes
AGREEMENT On Cooperation And Customs Union Between the European Economic Community And the Republic Of San Marino	Bilateral Free Trade Agreement	EC - San Marino	in force	yes
Agreement On Free Trade And Trade-Related Matters Between the European Community, the European Atomic Energy Community And the European Coal And Steel Community, Of the One Part, And the Republic Of Latvia, Of the Other Part	Association Free Trade Agreement	EC - Latvia	in force	yes
Agreement On Free Trade Between the Republic Of Turkey And Republic Of Croatia	Bilateral Free Trade Agreement	Croatia - Turkey	in force	yes
Agreement On the European Economic Area	Regional/Plurilateral Free Trade Agreement	EEA	in force	yes
AGREEMENT between the EFTA STATES and the REPUBLIC OF HUNGARY	Association Free Trade Agreement	EFTA - Hungary	in force	yes
ASSOCIATION AGREEMENT BETWEEN THE EUROPEAN COMMUNITY and CYPRUS	Association Free Trade Agreement	EC - Cyprus	in force	yes
Association Agreement Between the European Union And Chile	Association Free Trade Agreement	EC - Chile	in force	yes
Convention Establishing the European Free Trade Association	Regional/Plurilateral Free Trade Agreement	EFTA (Stockholm Convention)	in force	yes

Name	Type	Provider(s)	In Force Status	Notified to WTO
Cooperation Agreement Between the European Economic Community And the Arab Republic Of Egypt	Association Free Trade Agreement	EC - Egypt	in force	yes
Cooperation Agreement Between the European Economic Community And the Lebanese Republic	Association Free Trade Agreement	EC - Lebanon	in force	yes
Cooperation Agreement Between the European Economic Community And the Syrian Arab Republic	Association Free Trade Agreement	EC - Syria	in force	yes
Council Decision Of the European Communities Of 1 January 1973 Adjusting the Instruments Concerning the Accession Of the New Member States To the European Communities	Customs Union Accession Agreement	EC (9) Enlargement	in force	yes
Customs Union Between Turkey And the European Community	Customs Union Accession Agreement	EC - Turkey	in force	yes
DOCUMENTS Concerning the Accession Of the Kingdom Of Spain And the Portuguese Republic To the European Communities COMMISSION OPINION Of 31 May 1985 On the Applications For Accession To the European Communities By the Kingdom Of Spain And the Portuguese Republic	Customs Union Accession Agreement	EC (12) Enlargement	in force	yes
ECONOMIC PARTNERSHIP AGREEMENT Between the CARIFORUM States, Of the One Part, And the European Community And Its Member States, Of the Other Part	Bilateral Free Trade Agreement	EC - CARIFORUM States EPA	in force	yes
Euro-Mediterranean Agreement Establishing An Association Between the European Community And Its Member States, Of the One Part, And the People's Democratic Republic Of Algeria, Of the Other Part	Association Free Trade Agreement	EC - Algeria	in force	yes

Name	Type	Provider(s)	In Force Status	Notified to WTO
Euro-Mediterranean Agreement Establishing An Association Between the European Communities And their Members States, Of the One Part, And the State Of Israel, Of the Other Part	Association Free Trade Agreement	EC - Israel	in force	yes
Euro-Mediterranean Agreement Establishing An Association Between the European Communities And their Member States, Of the One Part, And the Kingdom Of Morocco, Of the Other Part	Association Free Trade Agreement	EC - Morocco	in force	yes
EURO-MEDITERRANEAN AGREEMENT Establishing An Association Between the European Communities And their Member States, Of the One Part, And the Republic Of Tunisia, Of the Other Part	Association Free Trade Agreement	EC - Tunisia	in force	yes
Euro-Mediterranean Interim Association Agreement On Trade And Cooperation Between the European Community And the Palestine Liberation Organization For the Benefit Of the Palestinian Authority Of the West Bank And the Gaza Strip	Association Free Trade Agreement	EC - PLO (Palestine Liberation Organization)	in force	yes
Europe Agreement Between Hungary And the European Communities	Association Free Trade Agreement	EC - Hungary	in force	yes
European Communities - Jordan Euro-Mediterranean Agreement	Association Free Trade Agreement	EC - Jordan	in force	yes
Free Trade Agreement Between Hungary And Latvia	Bilateral Free Trade Agreement	Hungary - Latvia	in force	yes
Free Trade Agreement Between Hungary And Lithuania	Bilateral Free Trade Agreement	Hungary - Lithuania	in force	yes
Free Trade Agreement Between Israel And Poland	Bilateral Free Trade Agreement	Israel - Poland	in force	yes
Free Trade Agreement Between Latvia And Slovenia	Bilateral Free Trade Agreement	Latvia - Slovenia	in force	yes
Free Trade Agreement Between Poland And Latvia	Bilateral Free Trade Agreement	Latvia - Poland	in force	yes
FREE TRADE AGREEMENT BETWEEN POLAND AND the REPUBLIC OF LITHUANIA	Bilateral Free Trade Agreement	Lithuania - Poland	in force	yes

Name	Type	Provider(s)	In Force Status	Notified to WTO
Free Trade Agreement Between Romania And the Republic Of Moldova	Bilateral Free Trade Agreement	Moldova - Romania\n\n	in force	yes
Free Trade Agreement Between Serbia And Montenegro And Romania	Bilateral Free Trade Agreement	Serbia-Montenegro-Romania	in force	yes
Free Trade Agreement Between the EFTA States And the Czech Republic	Association Free Trade Agreement	EFTA - Czech Republic\n	in force	yes
Free Trade Agreement Between the EFTA States And the Republic Of Lithuania	Association Free Trade Agreement	EFTA - Lithuania	in force	yes
Free Trade Agreement Between the EFTA States And the Slovak Republic	Association Free Trade Agreement	EFTA - Slovak Republic	in force	yes
Free Trade Agreement Between the European Communities And Mexico	Association Free Trade Agreement	EC - Mexico	in force	yes
FREE TRADE AGREEMENT BETWEEN THE FORMER YUGOSLAV republic OF MACEDONIA AND SLOVENIA	Bilateral Free Trade Agreement	Slovenia - The Former Yugoslav Republic Of Macedonia\n	in force	yes
Free Trade Agreement Between the Republic Of Moldova And the Republic Of Croatia	Bilateral Free Trade Agreement	Croatia - Moldova	in force	yes
FREE TRADE AGREEMENT BETWEEN THE REPUBLIC OF SLOVENIA and THE REPUBLIC OF LITHUANIA	Bilateral Free Trade Agreement	Lithuania - Slovenia	in force	yes
Free Trade Agreement Between the Republic Of Turkey And the Republic Of Slovenia	Bilateral Free Trade Agreement	Slovenia - Turkey	in force	yes
Free Trade Agreement Between the Republic Of Turkey And the Republic Of Latvia	Bilateral Free Trade Agreement	Latvia - Turkey	in force	yes
Free Trade Agreement Between the Slovak Republic And Israel	Bilateral Free Trade Agreement	Israel - Slovak Republic	in force	yes
Free Trade Agreement Between the Slovak Republic And the Republic Of Latvia	Bilateral Free Trade Agreement	Latvia - Slovak Republic	in force	yes
Free Trade Agreement Between the Slovak Republic And the Republic Of Lithuania	Bilateral Free Trade Agreement	Lithuania - Slovakia\n	in force	yes
Free Trade Agreement Between the Slovak Republic And the Republic Of Turkey	Bilateral Free Trade Agreement	Slovak Republic - Turkey	in force	yes

Name	Type	Provider(s)	In Force Status	Notified to WTO
Free Trade Agreement Between Turkey And Lithuania	Bilateral Free Trade Agreement	Lithuania - Turkey\n	in force	yes
Free Trade Agreement Between Turkey And Poland	Bilateral Free Trade Agreement	Poland - Turkey	in force	yes
FREE TRADE AGREEMENT BETWEEN the EFTA STATES AND THE REPUBLIC OF ESTONIA	Association Free Trade Agreement	EFTA - Estonia	in force	yes
FREE TRADE AGREEMENT BETWEEN the EFTA STATES AND THE REPUBLIC OF LATVIA	Association Free Trade Agreement	EFTA - Latvia\n	in force	yes
Interim Agreement On Trade And Trade-Related Matters Between the European Community, Of the One Part, And Bosnia And Herzegovina, Of the Other Part	Bilateral Free Trade Agreement	EC - Bosnia - Herzegovina	in force	yes
Interim Agreement On Trade And Trade-Related Matters Between the European Community, Of the One Part, And the Republic Of Albania, Of the Other Part	Regional/Plurilateral Free Trade Agreement	EC - Albania	in force	yes
INTERIM AGREEMENT On Trade And Trade-Related Matters Between the European Community, Of the One Part, And the Republic Of Lebanon, Of the Other Part	Association Free Trade Agreement	EC - Lebanon (Updated)	in force	yes
Interim Agreement On Trade And Trade-Related Matters Between the European Community, Of the One Part, And the Republic Of Montenegro, Of the Other Part.	Bilateral Free Trade Agreement	EC - Montenegro	in force	yes
Interim Agreement With A View To An Economic Partnership Agreement Between the European Community And Its Member States, Of the One Part, And the Central Africa Party, Of the Other Part	Bilateral Free Trade Agreement	EC - Cameroon	in force	yes
Oct - EC Association	Association Free Trade Agreement	EC - OCT	in force	yes
Stabilisation And Association Agreement Between the European Communities And their Member States, Of the One Part, And the Former Yugoslav Republic Of Macedonia, Of the Other Part	Association Free Trade Agreement	EC - FYROM	in force	yes

Name	Type	Provider(s)	In Force Status	Notified to WTO
Stepping Stone Economic Partnership Agreement Between Côte D'Ivoire Of the One Part, And the European Community And Its Member States Of the Other Part	Bilateral Free Trade Agreement	EC - Cote d'Ivoire	in force	yes
the European Union Accession Of the Czech Republic, the Republic Of Estonia, the Republic Of Cyprus, the Republic Of Latvia, the Republic Of Lithuania, the Republic Of Hungary, the Republic Of Malta, the Republic Of Poland, the Republic Of Slovenia And the Slovak Republic	Customs Union Accession Agreement	EC (25) Enlargement	in force	yes
Trade Preferences For Countries Of the Western Balkans	Other PTAs	European Union	in force	yes
Trade Preferences For Pakistan	Other PTAs	European Union	in force	yes
Trade Preferences For the Republic Of Moldova	Other PTAs	European Union	in force	yes
Trade, Development And Co-Operation Agreement Between the European Community And South Africa	Association Free Trade Agreement	EC - South Africa	in force	yes
Treaty Concerning the Accession Of the Republic Of Bulgaria And Romania To the European Union	Customs Union Accession Agreement	EC (27) Enlargement	in force	yes
Treaty Establishing the European Community	Customs Union Accession Agreement	EC (Treaty of Rome)	in force	yes
Agreement Between the Government Of the Republic Of Estonia And the Government Of Denmark And the Home Government Of the Faroe Islands	Bilateral Free Trade Agreement	Estonia - Faroe Islands	expired	yes
Agreement Between the Republic Of Croatia And Serbia And Montenegro On Amendments To the Free Trade Agreement Between the Republic Of Croatia And the Federal Republic Of Yugoslavia	Association Free Trade Agreement	Croatia - Serbia - Montenegro	expired	yes

Name	Type	Provider(s)	In Force Status	Notified to WTO
Agreement Between the Republic Of Poland, And the Government Of Denmark And the Home Government Of the Faroe Islands	Bilateral Free Trade Agreement	Faroe Islands - Poland	expired	yes
Agreement Between the Republic Of Slovenia And the Republic Of Croatia	Bilateral Free Trade Agreement	Croatia - Slovenia	expired	yes
Agreement Establishing the Customs Union Between the Czech Republic And the Slovak Republic	Bilateral Free Trade Agreement	Czech Republic - Slovakia	expired	yes
Agreement Of Association Between the European Economic Community And Malta	Association Free Trade Agreement	EC - Malta (English Version/Version Anglaise)	expired	yes
Agreement On Accession Of Romania To the Central European Free Trade Agreement	Regional/Plurilateral Free Trade Agreement	CEFTA Accession of Romania	expired	yes
Agreement On Accession Of the Republic Of Slovenia To the Central European Free Trade Agreement	Regional/Plurilateral Free Trade Agreement	CEFTA Accession of Slovenia	expired	yes
Agreement On Accession Of the Republic Of Bulgaria To the Central European Free Trade Agreement	Regional/Plurilateral Free Trade Agreement	CEFTA Accession of Bulgaria	expired	yes
Agreement On Free Trade And Trade-Related Matters Between the European Community, the European Atomic Energy Community And the European Coal And Steel Community, Of the One Part, And the Republic Of Estonia, Of the Other Part	Association Free Trade Agreement	EC - Estonia	Expired	yes
AGREEMENT ON FREE TRADE AND TRADE-RELATED MATTERS Between the European Community, the European Atomic Energy Community And the European Coal And Steel Community, Of the One Part, And the Republic Of Lithuania, Of the Other Part	Association Free Trade Agreement	EC - Lithuania	Expired	yes
Agreement On Free Trade Between the Republic Of Bulgaria And the Republic Of Macedonia	Bilateral Free Trade Agreement	Bulgaria - Macedonia	expired	yes
Central European Free Trade Agreement	Regional/Plurilateral Free Trade Agreement	CEFTA	expired	yes

Name	Type	Provider(s)	In Force Status	Notified to WTO
Central European Free Trade Agreement - Accession Of the Republic Of Croatia	Association Free Trade Agreement	CEFTA - Croatia	expired	yes
Europe Agreement Between the European Communities And the Czech Republic	Association Free Trade Agreement	EC - Czech Republic	Expired	yes
Europe Agreement Between the European Communities And the Slovak Republic	Association Free Trade Agreement	EC - Slovak Republic	Expired	yes
EUROPE AGREEMENT Establishing An Association Between the European Communities And their Member States, Of the One Part, And the Republic Of Bulgaria, Of the Other Part	Bilateral Free Trade Agreement	EC - Bulgaria	Expired	yes
Europe Agreement Establishing An Association Between the European Communities And their Member States, Of the One Part, And the Republic Of Poland, Of the Other Part	Association Free Trade Agreement	EC - Poland	Expired	yes
EUROPE AGREEMENT Establishing An Association Between the European Economic Communities And their Member States, Of the One Part, And Romania, Of the Other Part	Association Free Trade Agreement	EC - Romania	Expired	yes
Free Trade Agreement Between the Republic Of Macedonia And Romania	Association Free Trade Agreement	FYROM - Romania	expired	yes
Free Trade Agreement Between Bosnia And Herzegovina And Romania	Regional/Plurilateral Free Trade Agreement	Bosnia and Herzegovina - Romania	expired	yes
Free Trade Agreement Between Croatia And Bosnia And Herzegovina	Regional/Plurilateral Free Trade Agreement	Croatia-Bosnia-Herzegovina	expired	yes
Free Trade Agreement Between Croatia And Bosnia And Herzegovina	Bilateral Free Trade Agreement	Bosnia and Herzegovina - Croatia	expired	yes
Free Trade Agreement Between Croatia And the Former Yugoslav Republic Of Macedonia	Bilateral Free Trade Agreement	Croatia - Macedonia (FYROM)	expired	yes
Free Trade Agreement Between Estonia And Ukraine	Bilateral Free Trade Agreement	Estonia - Ukraine	expired	yes
Free Trade Agreement Between Hungary And Estonia	Bilateral Free Trade Agreement	Estonia - Hungary	expired	yes

Name	Type	Provider(s)	In Force Status	Notified to WTO
Free Trade Agreement Between Israel And Romania	Bilateral Free Trade Agreement	Israel - Romania	expired	yes
Free Trade Agreement Between Israel And Slovenia	Bilateral Free Trade Agreement	Israel - Slovenia	expired	yes
Free Trade Agreement Between Slovenia And Bosnia And Herzegovina	Bilateral Free Trade Agreement	Bosnia and Herzegovina - Slovenia	expired	yes
Free Trade Agreement Between the Czech Republic And Israel	Bilateral Free Trade Agreement	Czech Republic - Israel	expired	yes
Free Trade Agreement Between the Czech Republic And the Republic Of Estonia	Bilateral Free Trade Agreement	Czech Republic - Estonia	expired	yes
Free Trade Agreement Between the Czech Republic And the Republic Of Latvia	Bilateral Free Trade Agreement	Czech Republic - Latvia	expired	yes
Free Trade Agreement Between the Czech Republic And the Republic Of Lithuania	Bilateral Free Trade Agreement	Czech Republic - Lithuania	expired	yes
Free Trade Agreement Between the Government Of the Republic Of Bulgaria And the Government Of the State Of Israel	Bilateral Free Trade Agreement	Bulgaria - Israel	expired	yes
Free Trade Agreement Between the Republic Of Bulgaria And Bosnia And Herzegovina	Bilateral Free Trade Agreement	Bulgaria - Bosnia and Herzegovina	expired	yes
Free Trade Agreement Between the Republic Of Bulgaria And the Republic Of Estonia	Bilateral Free Trade Agreement	Bulgaria - Estonia	expired	yes
Free Trade Agreement Between the Republic Of Bulgaria And the Republic Of Latvia	Bilateral Free Trade Agreement	Bulgaria - Latvia	expired	yes
Free Trade Agreement Between the Republic Of Croatia And the Republic Of Lithuania	Bilateral Free Trade Agreement	Croatia - Lithuania	expired	no
Free Trade Agreement Between the Republic Of Estonia And the Republic Of Slovenia	Bilateral Free Trade Agreement	Estonia - Slovenia	expired	yes
Free Trade Agreement Between the Slovak Republic And the Republic Of Estonia	Bilateral Free Trade Agreement	Estonia - Slovak Republic	expired	yes
Free Trade Agreement Between Turkey And Bulgaria	Bilateral Free Trade Agreement	Bulgaria - Turkey	expired	yes
Free Trade Agreement Between Turkey And Estonia	Bilateral Free Trade Agreement	Estonia - Turkey	expired	yes
Free Trade Agreement Between Turkey And the Czech Republic	Bilateral Free Trade Agreement	Czech Republic - Turkey	expired	yes

Name	Type	Provider(s)	In Force Status	Notified to WTO
INTERIM AGREEMENT On Trade And Trade-Related Matters Between the European Community, Of the One Part, And the Republic Of Croatia, Of the Other Part	Association Free Trade Agreement	EC - Croatia	Expired	yes
Interim Agreement On Trade And Trade-Related Matters Between the European Community, the European Coal And Steel Community and the European Atomic Energy Community, Of the One Part, and the Republic Of Slovenia Of the Other Part	Association Free Trade Agreement	EC - Slovenia	Expired	yes
the Republic Of Bulgaria And the Republic Of Lithuania	Bilateral Free Trade Agreement	Bulgaria - Lithuania	expired	yes

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