

FTAs and Other Trade Deals

Economist, “The art of the deal: Rumours of the trade deal’s death are greatly exaggerated,” *The Economist*, June 13, 2024.

- Have FTAs ceased to be created, or only slowed down, and if so why? **<a: Slowed down, in part because there are already so many that new partners are becoming scarce. But also in part because of increased protectionism by some, especially Trump and Biden.>**
- Who is continuing to do them? **<a: This mentions South Asia and Latin America, though the EU is still doing some.>**
- How is India “streamlining” their new deals? **<a: It avoids many of the non-trade requirements that the US and EU like; it builds in the possibility of re-raising tariffs if investment doesn’t materialize; and it “opens up complementary sectors in each country, to avoid hurting existing exporters.”>**
- What sorts of deals are mentioned that are not traditional Free Trade Agreements? **<a: Many: US “critical minerals agreement” with Japan; mutual recognition agreements, agreement that would cut certification costs; standalone deals for digital services.>**

USMCA:

Kirby, Jen, “USMCA, Trumps New NAFTA Deal, Explained in 600 Words,” *Vox*, July 1, 2020.

- How big a change is USMCA compared to NAFTA? **<a: This doesn’t say more than that it is an “updated version” of NAFTA. (The earlier version of this said that NAFTA had just been “tweaked” and has a “few updates.”>**
- What industry or product seems to have gotten the most attention in the changes made to USMCA? **<a: Autos, which are the subject of two of the five changes mentioned here.>**
- How are the rules of origin for cars and car parts changed in USMCA compared to NAFTA? **<a: Percent that must be made in North America raised from 62.5% to 75%. Also, substantial input from workers earning over \$16/hr.>**
- What is the “rapid-response mechanism”? **<a: A provision that was added to satisfy Democrats and unions, calling for “an independent, three-person panel of multinational, independent experts who will make sure Mexico abides by its union rules and other protections.>**

Campbell, Peter, “Mexico trade deal threat poses risk to prices of US pick-ups, warns Chrysler boss,” *Financial Times*, April 27, 2024.

- What has Trump said he will do to imports of Chinese cars? **<a: Two things mentioned here: Stop imports of Chinese cars made in Mexico, and impose a tariff of 50-100% on all imports of Chinese cars.>**
- Why does any of this threaten the USMCA? **<a: Anything made in Mexico, if it satisfies the rules of origin (not mentioned here) gets a zero tariff coming into the US, under the USMCA. So this would violate USMCA and presumably cause the rest of it to stop.>**
- Does China make any cars in Mexico? **<a: Not yet, but BYD is planning a plant there.>**
- The source quoted here predicts both higher car and truck prices and increased immigration from Mexico if this is done. Why? **<a: Without USMCA, cars and parts from Mexico will have a tariff, reducing the incentive to produce there with its lower labor costs for both cars and parts. And many Mexican workers will lose jobs and want to migrate to US.>**
- When is USMCA scheduled for review? **<a: 2026.>**

CPTPP:

Hayashi, Yuka, “U.S. on Sidelines as China and Other Asia-Pacific Nations Launch Trade Pact,” *Wall Street Journal*, January 1, 2022.

- How many countries are in RCEP, and how does it compare in size to other trade agreements? **<a: 15, and it is the largest by several measures.>**
- Who initiated the negotiations for RCEP? **<a: Association of Southeast Asian Nations.>**
- Over what period are the tariff reductions of RCEP scheduled? **<a: 20 years.>**
- Does it eliminate all tariffs among the countries? **<a: No. But the fractions mentioned are large: 86%, 92%.>**
- What rule of origin is applied in RCEP? **<a: It requires only 40% of the contents of a product to originate within the RCEP bloc to qualify for duty-free treatment.>**

Edmond, Charlotte, "The United Kingdom Is Set to Join the Trans-Pacific Free Trade Pact. Here's What You Need to Know," World Economic Forum, April 3, 2023.

- How many countries are in the CPTPP including UK, and how many will be in it after those who've applied join? **<a: 12 now, 14 after, according to what is stated here, though the map disagrees.>**
- Will all tariffs be removed for trade among these countries? **<a: No, though most will be reduced. Japan keeps its tariff on rice, and tariffs on cars will only “gradually be removed”.>**

- By how much does UK GDP stand to grow as a result of joining the CPTPP? **<a: 0.08%. [Note, that is not 8%.]>**
- What criticism is mentioned? **<a: Pressure to reduce standards on food and the environment to compete with CPTPP countries.>**

EU & Other:

Bounds, Andy, "EU Seals Chile Trade Deal That Will Improve Bloc's Access to Key Minerals," *Financial Times*, December 9, 2022.

- Will Chile remove all tariffs on EU exports? **<a: All except sugar.>**
- Will the EU remove all tariffs on Chile? **<a: This doesn't say. Only that Chile will get "more favorable access" for its exports, particularly food, and professional services.>**
- What objections had to be overcome to achieve this agreement? **<a: France opposed tariff-free chickens and Chile's president needed to "embrace the EU's sustainable trade agenda.">**
- Is this just a simple FTA dealing only with tariffs? **<a: No. It includes many other issues, such as labor standards, human rights, environmental protection, and gender equality.>**
- What does Chile hope this will do for its economy? **<a: Allow its GDP to grow 6%.>**
- Is this a done deal, or do more things have to happen for it to be final? **<a: Many things: first, signed by autumn; then ratified by Chile, the EU governments, and the EU parliament, and for full force by all 27 EU national parliaments.>**

Fildes, Nic and Andy Bounds, "Australia and EU fail to reach free trade deal," *Financial Times*, October 30, 2023.

- For how long had Australia and the EU been negotiating a trade deal? **<a: 5 years.>**
- After this impasse, when is the earliest that a deal might be reached, and why? **<a: 2025, because of elections in the EU and Australia.>**
- What issues seem to have blocked the agreement? **<a: EU demands to restrict the labelling of Australian feta cheese and prosecco and EU has not been prepared to open its market to tariff-free beef and sheep imports..>**
- What other trade agreement efforts are mentioned here? **<a: Australia with UK (done), India (in process), and China (improving relations). EU with New Zealand (done), India (progress stymied), and Mercosur (signed but not approved).>**

Bounds, Andy, “Brussels to proceed with LatAm trade deal despite French objections,” *Financial Times*, December 10, 2023.

- Who negotiates trade agreements between the EU and other countries, and how are they then approved? **<a: Negotiated by the EU, not the countries, and then must be approved by a majority, not all, of the members.>**
- Who leads the negotiations for the EU? **<a: Valdis Dombrovskis, the European Commission vice-president in charge of trade policy.>**
- What does French President Macron not like about what has been negotiated? **<a: “it would be disastrous for the environment, French farmers and industry.”>**
- Is the EU doing anything for the environment? **<a: Yes: Dombrovskis says that the Paris Agreement would be an essential element of the pact. Brussels was also working on additional sustainability requirements, including commitments to protect the Amazon. In addition, the EU had already introduced laws to ban the import of products made on deforested land and tax carbon-intensive imports, he said.>**
- What others are mentioned as for or against the pact? **<a: German Chancellor Olaf Scholz and Argentina’s new president Javier Milei in favor. French opposition leader Marine Le Pen opposed.>**
- When is Dombrovskis hoping for a deal to be done? **<a: Mid-2024.>**

Optional to Read:

Bounds, Andy and Andres Schipani, "EU Agrees Trade Deal with Kenya as Brussels Aims to Boost Africa Ties," *Financial Times*, June 14, 2023.

- Does this bring down tariffs on EU imports from Kenya? **<a: It doesn’t seem to, since it appears that Kenya already had zero tariffs as a least-developed country.>**
- Does it bring down tariffs on Kenya imports from the EU? **<a: Yes, but “gradually.”>**
- Does it deal with more than just tariffs? **<a: Yes: “binding commitments on environmental protection, climate and labour rights .”>**

UK & Other:

Fedor, Lauren and James Politi, "US Calls for Revived UK Trade Talks After Northern Ireland Deal" *Financial Times* March 3, 2023.

- Why was the Windsor Framework important for getting negotiations on a UK-US FTA? **<a: It wasn’t, directly, but without it and with unhappiness over the state of Northern Ireland, the US and especially Biden wouldn’t be willing to talk with the UK about anything else.>**
- What action was actually taken toward that objective? **<a: Only that two senators put forward a bill for Fast Track, for just 2 years.>**

- Has the Biden administration said it wants to pursue this? **<a: Apparently no, as USTR is quoted, but not about that.>**

Edgington, Tom, “Trade deals: What has the UK done since Brexit?,” *BBC Verify*, January 26, 2024.

- Why does the UK need new FTAs after Brexit? **<a: Because it had free trade with EU as part of it, and also with all countries that EU had FTAs.>**
- How many FTAs has UK signed since Brexit? **<a: “about 70”.>**
- What is a “rollover” FTA? **<a: A copy of what UK had as part of EU.>**
- How many new FTAs has UK done, and do they cover lots of trade? **<a: Four are mentioned – Japan, Australia, New Zealand, and Norway-Iceland-Liechtenstein, and UK trade little with these.>**
- What bigger deal is likely soon? **<a: Joining the CPTPP, which includes 11 countries.>**
- Since UK now has an FTA with the EU, is this the same for trade as being an EU member? **<a: No. Tariffs are zero [but subject to rules of origin, not mentioned here]. Mentioned are the role of product standards and the possibility of tariffs based on worker rights or environmental protection.>**
- What is the status of an FTA between the UK and Canada? **<a: Talks have been suspended.>**

US and Other:

Economist, "The Great Steeplechase: America Is Losing Ground in Asian Trade", *the Economist*, June 15, 2023.

- What are the two trade agreements that are compared here? **<a: IPEF and RCEP.>**
- Which of them reduces tariffs the most? **<a: RCEP, since it is an FTA, though the reductions “are too puny to matter.” IPEF doesn’t reduce tariffs at all.>**
- What does IPEF mainly do? **<a: So far, its “first building block is as an early-warning system over supply-chain problems.>**
- What does RCEP mainly do? **<a: Harmonizes rules of origin, much simplifying trade within the group.>**
- What is taken to signal that the US will do little in the near future to liberalize trade? **<a: The fact that it is doing a deal with India, which “studiously avoid[s] multilateral trade agreements that genuinely mean business.>**

Beattie, Alan, "The US Trade Pledge to the Indo-Pacific Is Empty," *Financial Times*, June 8, 2023.

- How many countries other than the US are included in this agreement? **<a: 13.>**
- What new bodies does it set up, and with what purpose? **<a: A new Supply Chain Council, a Supply Chain Crisis Response Network, and a Labor Rights Advisory Board,” the purpose being to identify “disruptions or potential disruptions [in supply chains] and respond.”>**

- Why does this author say that this agreement can accomplish little? **<a: Because by giving no added access to the US market or other privileges, it provides no incentive for other countries to make big commitments.>**
- Since IPEF is “empty,” has it met no resistance? **<a: Hardly. There is resistance from all sorts, including business groups, Congress, and NGOs.>**

Areddy, James T., "U.S., Taiwan Reach Trade Deal as Tensions with China Simmer," *Wall Street Journal*, May 18, 2023.

- What does the agreement cover? **<a: “Low-hanging fruit”: customs administration, trade facilitation, standards for good regulatory practices, regulations on domestic services, anticorruption measures, and initiatives related to small and midsize enterprises.>**
- What does the agreement NOT cover? **<a: Market access (tariffs) and double taxation.>**
- Why is the agreement not an FTA? **<a: Because it doesn’t lower tariffs, and that’s because lowering tariffs would require approval of Congress.>**
- When did US cease formal diplomatic relations with Taiwan, and why? **<a: 1978, because it switched relations to China.>**

Other:

Daniels, Joe and Joe Leahy, "China Deepens Ties in Latin America with Ecuador Free Trade Agreement," *Financial Times*, May 11, 2023.

- With what Latin American countries did China have FTAs before this? **<a: Peru, Chile, and Costa Rica.>**
- Why does Ecuador prefer having an FTA with China rather than the US? **<a: It, or at least its president, doesn’t. They’d prefer one with the US, but the US isn’t doing FTAs much under Biden.>**
- Will this FTA be ratified in Ecuador? **<a: There is said to be opposition that might stop it in the national assembly, and the president of Ecuador is facing impeachment. [Later news reports that the president has dissolved the national assembly, so this must be in limbo.]>**
- Does Ecuador export more to China or to the US? **<a: More to the US if you include oil, but for non-oil exports, China is #1.>**

Lawal, Shola, “Can Africa’s new free trade treaty boost business on the continent?,” *Al Jazeera*, February 16,, 2024.

- How many countries are part of the African Union, and how many of these signed the AfCFTA? **<a: 55 members, of which all but Eritrea signed.>**
- How does intra-Africa trade compare to intra-Asia, intra-North American, intra-South America, and intra-Europe? **<a: At 14% of total trade, it is much smaller than intra-Asia (55%), intra-North America (49%), and intra-Europe. (63%) This does not mention South America.>**
- How is AfCFTA supposed to change this? **<a: By lowering tariffs.>**

- Is there any other policy mentioned to encourage manufacturing in Africa? <a: **Yes, that firms like Tesla, that use the raw materials from African, be required to produce there.>**
- Has AfCFTA so far increased any intra-Africa trade? <a: **No number is given, but the one example mentioned suggests to me that very little has happened. “In late 2022, Kenya and Rwanda shipped goods like batteries and coffee to Ghana, marking the first-ever shipments under the AfCFTA.>**
- What does it mean that “AfCFTA shuns informal trade on the continent?” <a: **“existing small businesses that make up the bulk of trade on the continent, especially those in border areas, might be excluded from the framework.”>**