

**NONCONVENTIONAL PROVISIONS IN REGIONAL
TRADE AGREEMENTS:
DO THEY ENHANCE INTERNATIONAL TRADE?**

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The scope of recent regional trade agreements (RTAs) has become much broader than before by the inclusion of nonconventional provisions such as those on competition policy and intellectual property rights protection. This paper empirically examines the extent to which those nonconventional provisions in RTAs enhance international trade between RTA member countries by estimating a gravity equation with detailed information on the contents of RTAs. We find that the provision for competition policy has the largest effect on international trade, followed by the government procurement provision. These two provisions have significant and positive impacts on intensive margin intensive margin (trade values per variety) and extensive margin (number of varieties traded)

JEL classification codes: F15, F20, F53

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I. Introduction

The scope of recent regional trade agreements (RTAs) has significantly broadened. RTAs used to be signed to primarily reduce and eventually eliminate tariff rates. Although the elimination of tariffs continues to be one of the major purposes, new RTAs tend to include provisions for various policies such as the mobility of persons, government procurement, competition policy, intellectual property rights protection, E-commerce, dispute settlement, labor standards, environmental policy, technical cooperation, institutional mechanisms, and so on. The coverage and depth of these provisions go beyond those in WTO-based agreements such as the Government Procurement Agreement (GPA) or the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS). For example, since only a handful of countries have signed GPA, RTAs with specific provisions for government procurement can lower barriers in those countries that have not signed the GPA. Even for those countries that signed GPA, provisions for government procurement in RTAs can further liberalize government procurement by requiring lower monetary thresholds for contracts. Such “extended RTAs” not only reduce tariff rates but also enhance the cooperation and linkage in various economic fields among member countries.

Significant varieties exist across RTAs in the included provisions. For example, the ASEAN–China Free Trade Area agreement does not contain a provision for government procurement; the South Asian Free Trade Area agreement does not cover intellectual property; the Australia–Chile Free Trade agreement does not have a provision for government procurement; and the Economic Cooperation Organisation Trade Agreement does not include dispute settlement. In contrast, the North American Free Trade Agreement (NAFTA) incorporates all of these four aforementioned provisions. If the existence of each provision has significant and varying degrees of trade creation effects, such differences in the scope of RTAs can lead to heterogeneous effects on trade among RTAs, even if they have the same magnitude of the tariff reduction.

This paper empirically examines the extent to which advanced and nonconventional provisions in RTAs enhance international trade among RTA member countries. It tries to detect trade creation effects of RTAs and identify provisions that are particularly effective for trade creation. Previous studies such as Brusick, Alvarez, and Cernat (2005), Alvarez and Wilse–Samson (2007), and Duval (2011) examined specific RTA provisions. However, to our knowledge, no

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