

Doctoral Dissertation

**Trade Agreements, Investment Treaties, and International Integration
(Summary)**

NYI NYI HTWE

Graduate School for International Development and Cooperation

Hiroshima University

March 2020

Regional trade agreements (RTAs), both bilateral and plurilateral, are expected to achieve trade liberalization with free flow of goods and services between member countries. Although scopes and coverage areas differ among agreements, the fundamental purpose of trade agreements is to eliminate tariff and non-tariff barriers to trade (Missios et al., 2016; Saucier & Tariq, 2017). Leal-Arcas (2010) states that participants in an RTA offer more favorable condition in trade related matters to each other than to non-members, even within the world trade organization (WTO). Whalley (1996) states three main motivations of countries to make RTAs: (i) small countries attempt to engage in trade agreements with larger countries to get more shares of their partner's large markets; (ii) countries seek regional and multilateral engagements to get supports for their local reform process; and (iii) trade agreements reflect countries' tactical considerations in the sense that they attempt to use prior regional agreements to influence subsequent international negotiation. The WTO allows its members to violate the basic rule of most favored nation (MFN) treatment under RTAs, so that the WTO members can enjoy special treatments by making an RTA, which targets only for its participating members. Thus, countries have still attempted to participate in RTAs to obtain benefits from country-specific special treatments.

Given the distinct features of trade agreements, this dissertation attempts to understand the roles of RTAs in relating to three crucial factors: (i) investment treaties, (ii) bilateral and multilateral concepts, and (iii) intermediate, final products trade and trade in value added. In the last few decades, many countries have engaged in various types of international agreements. In particular, trade-related as well as investment-related treaties among countries have proliferated drastically for the promotion of trade and investment relationships. Concerning RTAs which started widespread after the 1990s, Crawford and Laird (2001) estimate that 76% of WTO members participated in at least one RTA in 1998. For investment treaties, there were 385 bilateral investment treaties (BITs) before 1989, and the number of BITs has grown drastically and amounted to 2,181 by 2002 and 2,946 in 2018 (UNCTAD, 2003, 2018). The increasing trend of both RTAs and BITs shows the importance of international integration in the contexts of trade and investment for economic development of countries.

With globalization, the world economy is now characterized as the 'Global Village' in terms of trade and investment relationships (Zhang et al., 2016). As the rapid growth of trade and investment transactions, understanding the global linkages of economic and political landscape would be crucial for policy design. Many studies have examined international trade and the roles of RTAs. At the same time, cross-border investment has been discussed with the consideration of BITs. However, most studies have evaluated RTAs and BITs separately. Given the importance of trade and investment relationships, the examination of the two international agreements is important to understand on-going globalization. The first issue to be addressed in this dissertation is to analyze the dynamic interconnection of RTAs with BITs. Since international agreements have various network-related properties, such as triadic closures and preferential attachments, this study applies social network analysis.

As the proliferation of multinational corporations (MNCs) has emerged under globalization, global supply chain has become more important and several countries have been involved in a single production scheme. Complicated structure of global supply chain or production network has caused economists to reconsider theories on international trade. To address the roles of global supply chain, I attempt to examine the relationship of RTAs with two crucial issues: (i) trade in intermediate products and final products and (ii) trade in value added, which correspond to the second and third issues to be addressed in this dissertation, respectively. Doing so enables us to understand the roles of RTAs in relating to fragmented production in a world. The dissertation is organized as follows.

Chapter 1: Introduction

Chapter 2: The coevolution of trade agreements and investment treaties: Some evidence from network analysis

Chapter 3: Which regional trade agreement is more effective for developing countries, bilateral or multilateral?

Chapter 4: Are non-reciprocal trade agreements effective for the exports of developing countries?

Chapter 5: Conclusion

Appendix: Individual report for Taoyaka team project

As a student of Taoyaka program, I got a chance to participate in the Taoyaka team project which consisting three team members from different backgrounds. The team project was fully supported by Taoyaka program and guided by a mentor, Professor Shinji Kaneko. The team report was published, and I here proudly added individual report of the team project as an appendix of the dissertation.