Who Benefits from Regional Trade Agreements? The View from the Stock Market

Christoph Moser and Andrew K. Rose*

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Abstract

The effects of Regional Trade Agreements (RTAs) are disputed. In this paper, we assess these effects using stock returns from a recent data set that spans over two hundred RTA announcements, eighty economies, and twenty years. We measure the effects of news concerning RTAs on the returns of national stock markets, after adjusting these returns for international stock market movements. We then link these abnormal returns to features of the RTA members and the agreements themselves. We find evidence of the natural trading partner hypothesis; stock markets rise more when RTAs are signed between countries that already engage in high volumes of trade. Stock markets also rise more when poorer countries sign RTAs, and when RTAs are signed with smaller partners. We also find no evidence that capital markets expect significant trade diversion effects.

Keywords: event, study, daily, assets, low, income, natural, panel, data, empirical

JEL codes: F10, F13, G14.

Contact: Christoph Moser
ETH Zurich
KOF Swiss Economic Institute
Weinbergstrasse 35
8092 Zurich
Tel: +41 44 632 83 11
E-Mail: moser@kof.ethz.ch
URL: <http://www.cer.ethz.ch/sturm/people/moserc/>

* The authors are respectively: post-doctoral researcher at ETH Zurich, KOF Swiss Economic Institute, and CESifo research affiliate; and B.T. Rocca Jr. Professor of International Trade, NBER research associate and CEPR research fellow. For comments, we thank: Jeff Bergstrand, Christian Conrad, Mark Copelovitch, Peter Egger, Martin Gassebner, Michael Lamla, Mario Larch, Emanuel Ornelas and participants of the 3rd Volkswirtschaftlicher Workshop at the University of Tübingen, the CEEI-conference in Vienna, the University of Munich, the University of Lucerne, the University of Bayreuth, the University of Hohenheim, the Swiss Society of Economics and Statistics in Zurich, the Verein für Socialpolitik in Göttingen and the KOF Brown Bag Seminar.

1: Introduction and Motivation

Almost all economists favor trade liberalization. While multilateral liberalization has stalled lately, there has been an unprecedented rise in the number of Regional Trade Agreements (hereafter RTAs) over the last fifteen years. However, the consequences of RTAs are controversial. Are RTAs indeed a viable and desirable alternative to multilateral trade liberalization? In this empirical paper, we take a fresh look at this question and assess RTAs using the lens of the stock market.¹

A large literature on RTAs has emerged; Freund and Ornelas (2009), Baldwin (2008) and Panagariya (2000) provide surveys. Some stylized facts emerge from the recent literature. RTAs tend to boost trade between their members, with small trade-diverting effects for non-members. RTA formation is not random, but depends systematically on economic and political factors. Further, there is evidence of considerable heterogeneity in the overall trade effect of RTAs.²

The “natural trading partner hypothesis” suggests that positive welfare effects stem from RTAs between countries with high trade volumes prior to the agreement. The strength of the theory is a matter of controversy. Baier and Bergstrand (2004) and Egger and Larch (2008) find support for the hypothesis. In contrast, Krishna (2003) uses a general equilibrium model to argue that the welfare effects from potential RTAs with 24 trading partners of the United States are associated with neither trade volume between nor distance to RTA partners.

A few empirical studies go beyond the trade effects of RTAs. The welfare effects of the Canada-U.S. FTA and NAFTA on member and non-member countries have been assessed to be small and positive or close to zero according to Trefler (2004) and Romalis (2007). Based on a structural model, Egger and Larch (2011) find that positive welfare effects of the Europe Agreements are more pronounced for Central and Eastern European countries (CEEC) than for the older (15) members of the EU.

The theoretical impact of a RTA on the returns to capital (as measured by the stock market) depends crucially on the degree of capital mobility across sectors.

Grossman (1983) offers a theoretical framework, where the Heckscher-Ohlin model and the specific-factor model emerge as two polar cases. With perfect capital mobility, overall stock market returns depend on a country's capital endowment relative to its RTA-partners. However, Grossman and Levinsohn (1989) provide evidence in favor of limited short-run capital mobility (and a specific-factor model).³ In this case, some industries (and the owners of their capital) might profit from a new RTA, while others potentially suffer. More generally, firm profits and RTAs can be related in different ways. On the one hand, profits may rise due to 1) productivity gains within the firm or industry due to trade liberalization (e.g., Pavcnik, 2002; Melitz, 2003; Trefler, 2004; Lileeva and Trefler, 2010); 2) economies of scale that can be exploited in a bigger market, and/or 3) trade creation within the RTA. On the other hand, RTAs can enable costly trade diversion, and profits for some industries might fall due to increased import competition.⁴

In this paper, we are interested in the effect of important news about RTAs on the *overall* stock market. We examine national stock market reactions to RTAs for a number of reasons. First, stock prices should react quickly to news that changes the expected stream of discounted future dividends. Given that some firms might be expected to profit and others to suffer from lowering trade barriers, a country's stock market index captures the net effect on expected future profits of listed firms due to a RTA. Second, in case of trade liberalizations, short-term adjustments costs have to be weighed against long-term gains (e.g., Trefler, 2004). Both effects are hard to measure individually, but the stock market represents a natural way to measure the net present value of these counteracting effects. Third, there is little empirical evidence on the effects of trade liberalization on capital owners; the effects of trade on labor outcomes have attracted most of the profession's attention. Fourth, profits are arguably the most important firm performance variable, crucial for a firm's innovation, employment and survival. Nevertheless, there are only a small number of studies on profitability, as Wagner (2012) concludes in his survey.

We provide the first systematic evidence on the effects of RTAs on stock market returns. Our data set encompasses a large number of RTAs, countries, and years.

Since we have a relatively large number of observations, we are able to differentiate across the countries that sign RTAs and the RTAs themselves, enabling us to link the impact of RTA news on stock market with the characteristics of both RTAs and countries. This enables us, for example, to examine whether poorer countries profit from RTAs. This is a matter of considerable controversy to eminent economists like Joseph Stiglitz, who are concerned that poorer countries face a “take-it-or-leave-it” attitude in negotiations with partners like the United States.⁵ We can also check the natural trading partner hypothesis, since our data set includes variation in trade links across trading partners.

The few empirical studies close to ours study the stock market reactions of individual firms. Thompson (1993, 1994), Rodriguez (2003) and Breinlich (2011) all exploit important news about the Canada-US free trade agreement and NAFTA. These papers use the stock market to study trade determination, and find evidence in favor of economies of scale, factor-intensity and heterogeneous firm models. Our work is complementary and distinct, focusing on the characteristics of RTAs and countries whose stock markets react to RTA news, rather than the nature of international trade.

Our approach remains unabashedly empirical, and uses standard empirical techniques. We find three robust results. First, RTAs tend to increase the stock market if they are signed with ‘natural’ trading partners. Second, the stock markets of poor countries rise more on RTA news than those of the rich. Third, returns are highest when RTAs are signed with smaller RTA-partners.

2: The Data Set

We consider all RTAs that have been signed, reported and enacted into force as of end of October 2009. The universe of RTAs is drawn from the “Regional Trade Agreement Information System” (RTA-IS) database of the World Trade Organization (WTO), available at <http://rtais.wto.org>.⁶ However, data limitations prevent us from using data on all RTAs, as we discuss below.

News Announcements

A central component of our data set and identification strategy consists of a unique set of dates. These are days of important news releases concerning individual RTAs. We consider two important dates: a) the day when it was announced that negotiations on a RTA will commence at some future date (which we dub “Start”), and b) the day that agreement on the RTA was actually reached (“Deal”).^{7,8} We identify the exact announcement dates through a full-text analysis on LexisNexis, where we mainly focus on international newswires, press releases and well-established newspapers published in English.⁹ Announcements of RTAs are usually made by prominent policy makers like the President, Prime Minister, or the Minister of Finance, Economics, or Trade. These dates often precede official signature dates (as reported by the WTO) by weeks or months.¹⁰ Announcements that are made over the weekend are advanced to register on the next business day.¹¹

Stock Markets and Exchange Rates

Over 130 countries in the world have signed RTAs. Since we try to include as many observations as possible, one of the constraints on our data set is the fact that a number of countries have either no national stock market or have opened one only recently. To the best of our knowledge, we include all countries for which any daily stock market data are available since 1970.

Our default measure is the daily closing rate of a broad national stock market index, denominated in local currency. For example, we use: the S&P500 for the American stock market, the FTSE for the UK, the DAX for Germany, the Nikkei for Japan, and the S&P/TSX for Canada. We search for these series from a number of different data providers, and use them in a sequential order determined mostly by the span of the data and (our perceived) accuracy of the data set: Global Financial Database (which we use wherever possible); MSCI/Barra (which we use when reliable GFD data does not exist); Freelunch.com and the Standard & Poors IFC (to fill in remaining gaps).¹²

While returns in local currency are those of greatest interest to local investors, they are not the only returns of interest. Foreign investors may be more interested in local returns after taking into account any coincident exchange rate changes. Accordingly, we add to our data set daily closing spot exchange rates vis-à-vis the U.S. dollar; these allow us to convert stock market returns from local currency returns into U.S. dollar returns. Once again, we gather data from a number of different sources and use them in sequential order. We draw on exchange rate data from the U.S. Federal Reserve, and (via Datastream): Thomson Reuters, WM/Reuters, Global Treasury Information Systems (before 2000, these series come from Bankers Trust), and MSCI.

National stock markets sometimes move in synchronization with international stock prices; we usually account for this feature. We use a few global stock market aggregates to adjust domestic returns for international movements. We primarily use the *MSCI World* index, though we also take advantage of the *EAFE* index (both measured in dollars). The MSCI World index covers all important stock markets around the world, while the EAFE focuses on developed stock markets outside the United States

We restrict ourselves to trading Monday through Friday. All series have been corrected after extensive checking for mistakes, transcription errors, jumps, the introduction of the Euro, and the like.¹³

We are left overall with a data set that covers 1001 country-RTA-events for 82 countries and 122 regional trade agreements.¹⁴ Online appendix table 1 provides detailed information on the announcement dates, the type of news and the countries included for each RTA in the data set.

Country Characteristics

To measure national economic and financial characteristics, we gather data from the World Bank's *World Development Indicators* which provides measures of country income, size and stock-market size. We add bilateral trade data taken from the IMF's *Direction of Trade Statistics* in order to measure openness and importance of trade.¹⁵

3: Empirical Methodology

We use a two-step empirical methodology. First, we adopt a standard event-study methodology to generate abnormal returns for domestic stock markets around the dates of RTA announcements. Second, we study why these returns differ by comparing them to the features of both the countries and the RTAs involved.

Step 1: Creating Abnormal National Returns

We are typically interested in a high-frequency return on the stock market around the time of RTA news, but only the idiosyncratic *national* component after adjusting for any common *global* stock market drift. We adjust national returns for international movement using the plain-vanilla “event study” methodology suggested by MacKinlay (1997). In particular, we regress daily national returns on daily global returns of the MSCI-World index so as to be able to estimate a national beta (capturing the co-movement between the national and global stock markets) and an associated intercept (capturing any potential out- or under-performance of the national stock market relative to the world stock market). We do this separately for each country-RTA-event, using a window of time that starts thirteen months before the news event and ends a month before the announcement (in order to avoid allowing the estimation window to be influenced by the announcement itself). That is, we estimate over the relevant estimation window:

$$R_{i,t} = \alpha_i + \beta_i R_{MSCI,t} + \varepsilon_{i,t} \quad \text{over } t=T-395 \dots T-29 \quad (1)$$

where: $R_{i,t}$ is the one-day return on the national stock market index of country i realized at the end of day t , $R_{MSCI,t}$ is the analogue for the MSCI-World index, $E(\varepsilon_{i,t})=0$, $\text{Var}(\varepsilon_{i,t})=\sigma^2$, and T is the day of the relevant RTA news announcement.

After we estimate the coefficients $\{\hat{\alpha}_i, \hat{\beta}_i\}$ with least squares, we can then use them to form one-day abnormal returns ($AR_{i,t}$) around the time of the RTA event. Our default measure of abnormal returns is thus the national return (measured in local currency) adjusted for global stock market drift as proxied by the MSCI dollar return:

$$AR_{it} \equiv R_{it} - \hat{\alpha}_i - \hat{\beta}_i \cdot R_{MSCI,t} \quad (2)$$

We cumulate these abnormal returns over time around the dates of RTA announcements. Our default measure of cumulative abnormal return ($CAR_{i,t}$) aggregates abnormal returns starting a day before the news event, and continuing through five business days (one week) afterward. That is, we form

$$CAR_{i,T} \equiv \sum_{t=T-1}^{T+5} AR_{i,t} \quad (3)$$

We test for robustness with respect to the exact window of time by cumulating for both fewer (one and three) and more (seven and ten) days after the RTA news event.

Step 2: Linking National Returns to Fundamentals

The first part of our methodology delivers a set of observations, each measuring the reaction of the stock market to a particular piece of RTA news for an individual country. However, our primary interest is not the intrinsic characteristics of these cumulative abnormal returns (hereafter CARs). Rather, we seek to understand why these returns vary across countries and RTAs; we ask why the stock market responds more to news about certain countries and/or RTAs than to others? We estimate the following equation:¹⁶

$$CAR_{i,T} = \gamma \cdot NAT_{i,T} + \delta \cdot RTA_{i,T} + u_{i,T} \quad (4)$$

where: $NAT_{i,T}$ denotes a set of characteristics of country i at time T , $RTA_{i,T}$ is a set of characteristics describing the nature of the RTA signed by the country at the time, $u_{i,T}$ is a well-behaved residual and $\{\gamma, \delta\}$ are the (vectors of) coefficients of interest to us. We estimate (4) with least squares on the assumption that the disturbance represents a host of well-behaved terms that drive the national stock market independently of the included regressors. We use standard errors clustered at the country-level.¹⁷

The economic literature offers us little guidance with respect to the regressors in equation (4). Our choice of variables is *ad hoc* but intuitive.

We are interested in whether the macroeconomic characteristics of a country affect the response of the stock market to RTA news. Accordingly, as (NAT) regressors in (4) we include:

1. (the natural logarithm of) *real GDP per capita*, since poorer countries might lack the bargaining power in negotiations to benefit from RTAs,
2. (log) *real GDP* (economic size), another proxy for a country's ability to extract benefit from a RTA, and a key variable in traditional empirical gravity models,
3. the (log of the) *ratio of nominal trade to GDP* (openness), since the liberalization of a closed economy sends a stronger signal of economic reform, and
4. the (log of the) *ratio of stocks traded to GDP*, since it is well known from the finance literature that expected stock market returns and liquidity are positively related and stock markets tend to be less liquid in developing countries (e.g., Amihud, 2002; Karolyi et al., 2012).¹⁸

We are also interested in whether features of the RTA drive the stock market reaction. We do this by including as (RTA) regressors in (4):

1. the ratio of *bilateral exports to RTA partners/GDP*, since current (and potential) exports can benefit more from a RTA; a positive coefficient would indicate support for the “natural” trading partner hypothesis,¹⁹ and
2. the (log of the) *sum of real GDPs of RTA trading partners*. This represents a different measure of RTA importance. This effect is, in principle, ambiguously signed since trade and its benefits grow with the size of the RTA (consistent with the gravity model), but the ability of a country to extract these benefits may shrink as the foreign part of the RTA grows (as Joseph Stiglitz worries).²⁰

Thus in the second stage, we regress the CARs on four national and two RTA characteristics. Throughout, we include in (4): time-fixed effects, an intercept and a dummy that differentiates RTAs that cover trade in goods and services (rather than simply goods).

4: Results

First Evidence on Stock Market Returns

We begin by presenting graphical evidence of the event study methodology which constitutes the first step of the methodology. Graph 1 plots the average CARs around the RTA events as a black solid line (with the corresponding 90% confidence intervals as grey dashed lines). The shaded area marks the baseline event window from $t-1$ to $t+5$. For event days before the RTA announcement, we follow Dube et al. (2012) and aggregate from the beginning of the event window, $t-1$, backwards.

CARs are never significantly different from zero before the RTA events, but are small, positive and, for many time periods, statistically significant for up to two-and-half weeks after the event. While Graph 1 offers insights into the dependent variable of equation (4) for different event windows, the main focus of this paper is on explaining the variation in abnormal returns. We turn to the second stage of the event study now.

Benchmark Results

We tabulate our default estimates of equation (4) in Table 1. The middle column presents results for our default window, which begins one day before the news announcement and extends until five days afterwards. To check for sensitivity we consider both longer and shorter windows; these are presented on either side of our default.

A country's size, openness, and stock market depth play little important role in explaining stock market returns across different RTA announcements. Still, we find three interesting results. First, there is a strong negative effect of national income; the stock markets of poor countries rise more with RTA news than do those of rich countries.²¹ This effect is statistically significant at conventional levels. It is also economically large; for our default window of $(t-1, t+5)$, an increase in per capita income of one standard deviation around the average level of real GDP per capita lowers abnormal returns by an annualized 10% (this effect is larger if we use a shorter window of time). This result echoes and generalizes the results of Baier and Bergstrand (2009). Finally, this result is sensible; poorer countries are more protectionist than richer ones, and thus have more to gain from trade liberalization.

Second, we find a strong effect for the impact of normalized exports to RTA members, consistent with the "natural trading partner" hypothesis. This effect is consistently statistically significant, and economically large; an increase in the RTA export to GDP ratio of one standard deviation from the mean delivers annualized returns of around 10%.^{22,23} This finding is in line with the empirical literature on trade flows and extends it to expected profits.

The effect of RTA-partner's log real GDP is statistically significant and negative, implying that annualized returns are depressed by about 10% for a change of one standard deviation from the mean. That is, Stiglitz's concern about the negotiating power of large RTA-partner(s) might be warranted (unreported results show that the United States and the European Union do not drive this result).²⁴

Appendix Graphs 1 to 3 plot the coefficients for our three main results for each potential event window starting from $(t-20, t-1)$ over our default window $(t-1, t+5)$ marked

as a grey shaded area up to the last event window considered ($t-1$, $t+20$). While the effects on poorer countries and large RTA-partners become insignificant after about two-and-half weeks, the positive stock market effect for natural trading partner seems to persist for a longer period.

Sensitivity Analyses

We have found that the stock markets of poorer countries respond more to RTA news; RTAs between countries with proportionately more exports also experience a more pronounced stock market effect; and large RTA-partners tend to reduce stock market returns. On the other hand, the economic size, openness and financial depth of the country signing the RTA seem irrelevant to the markets. Are these results sensitive to a number of perturbations in the baseline specification? In a word, “no,” as we now document.

To check for sensitivity of the computation of our default measure of abnormal returns, we provide a number of alternative techniques to adjust national for global returns. Table 2 compares results from our default regressand with four alternatives. First, we substitute EAFE returns (a more narrow measure of the global stock market index, which excludes the United States) for those of the MSCI. Next, we restrict β_i in equation (1) to lie in the range of $(-1,1)$ in order to curb the responsiveness of the national stock market to international returns. Third, we set $\alpha_i = \beta_i = 0$ and thus do not adjust for global returns at all and use the raw returns in local currency instead. Finally, we scale abnormal returns by the standard deviation of the residuals of the estimation window to limit the influence of volatile stock market observations (coefficients change due to smaller mean and variation of regressand).²⁵ None of these perturbations substantively changes our results.²⁶

Our default measure of national returns is measured as a percentage change in local currency. In Table 3 we show that currency fluctuations do not account for our results. First, we convert LC to US\$ returns and report results for US dollar returns both unadjusted, and adjusted to global returns; alternatively, we add the LC/\$ exchange change to the MSCI return in equation (1). Our results seem insensitive.²⁷

In Table 4 we check our results by varying the fixed effects. First, we exclude time-specific fixed effects. Another column reports adding controls for the type of RTA to the baseline; we differentiate customs unions, free trade agreements, and preferential trade agreements. Next we add a fixed effect for each country. Finally, we include fixed effects for each RTA (e.g., NAFTA, which affects the stock markets of Canada, Mexico, and the USA). Only the inclusion of country-fixed effects has a non-trivial effect; the export effect is unchanged, but there is too little variation within a country over time to identify the effects of national variables.

Finally, in Appendix Tables 5 and 6, we add a number of additional control variables on the RTA-partner or country *i*. Most of these variables are not significant and our main results are robust to their inclusion.

Evidence for (Expected) Trade Diversion?

Our analysis so far suggests that listed firms in RTA-member countries are, on average, expected to profit from RTAs. While an analysis of potential winners and losers *within* RTA-member countries is beyond this study, this section sheds some light on a related question of importance: Do the gains of RTA-members come at the expense of countries outside the RTA? That is, do market participants expect measurable trade (or profit) diversion effects?

We consider cases like the following. The United States has been one of Brazil's top export destinations over the last 20 years, but these two countries are not linked by a RTA. How did the Brazilian stock market react to important news about NAFTA (a RTA that involved the United States)? For such non-RTA-member countries we compute abnormal returns and link them to the set of variables used in the main specification.²⁸ We expect the coefficient on the export variable to be negative for serious expected trade or profit diversion effects of non-RTA-members

Column (1) of Table 5 replicates the baseline and columns (2) to (5) show the results for different definitions of an important export destination. The coefficient of main interest on exports is never significantly different from zero in any specification.

Financial market participants do not seem to price in any negative spill-over effects to non-RTA-members. This is also perfectly in line with the empirical trade literature. Freund and Ornelas (2009) conclude in their excellent survey that trade diversion does not seem to be a major concern, even though it might matter for some RTAs or in certain sectors.

Table 5 also includes a placebo test. Keep in mind that columns (2) to (5) refer to stock market reactions in countries without an important RTA-news on the very same day of other countries making such announcements. If on these event-days anything favorable to poor countries and unobservable to the econometrician (and hence not captured by the market model) happened to poorer countries, we would expect a negative and significant coefficient on *Log Real GDP p/c*. This is never the case.

5: Summary

In this empirical paper, we have assessed the effects of Regional Trade Agreements (RTAs) from a new vantage point, that of the stock market. We use a two-step methodology to analyze a new comprehensive daily data set that includes 1001 observations spanning 82 economies, 199 announcements and 122 RTAs between 1988 and 2009. First, we measure the effects of RTA news on the returns of national stock markets, after adjusted for international stock market movements in a variety of ways using an event-study methodology. Then we link these abnormal returns to features of both the RTA participants and those of the agreement itself. We find strong robust evidence of the natural trading partner hypothesis; stock markets rise more for RTAs between countries that engage in high volumes of trade. Stock markets respond more to RTAs signed by poorer countries, and more to RTAs signed with small RTA-partners. We do not find any evidence that expected trade or profit diversion effects are important to non-RTA-members. A better understanding of the underlying channels responsible for these effects is a fruitful field for future research.

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Graph 1: First stage of Event Study (Cumulative Abnormal Returns around RTA Events)

Table 1: Default - Stock Market Returns in Local Currency

Event window	(t-1, t+1)	(t-1, t+3)	(t-1, t+5)	(t-1, t+7)	(t-1, t+10)
<i>Log real GDP p/c</i>	-0.172*	-0.191°	-0.248*	-0.302*	-0.302°
	(0.08)	(0.10)	(0.12)	(0.13)	(0.17)
<i>Log real GDP</i>	0.020	0.016	0.042	0.081	0.157
	(0.04)	(0.05)	(0.08)	(0.10)	(0.12)
<i>Log Trade/GDP</i>	-0.094	-0.065	-0.099	0.177	0.207
	(0.09)	(0.10)	(0.16)	(0.19)	(0.24)
<i>Log National Stocks/GDP</i>	0.058	0.069	0.043	0.011	-0.019
	(0.05)	(0.07)	(0.08)	(0.10)	(0.13)
<i>Exports to RTA partners/GDP</i>	1.563**	1.550*	2.620**	2.178*	3.060**
	(0.56)	(0.61)	(0.79)	(0.99)	(1.14)
<i>RTA-partner's log real GDP</i>	-0.102**	-0.102*	-0.153**	-0.163*	-0.166°
	(0.03)	(0.05)	(0.06)	(0.07)	(0.09)

Note: Each column is estimated via OLS. Estimates based on 1001 observations, covering 82 developing and developed countries and 122 RTAs from 1988 to 2009. Event date defined as announcement of the start of negotiations of RTA or announcement of a successful conclusion of such an agreement. Coefficients with standard errors clustered at country-level in parentheses. Coefficients significantly different from zero at [0.10] 0.05 (0.01) marked with [one circle] one (two) asterisk(s). Regressand: National Stock Market return in local currency, adjusted for MSCI movement. Time-fixed effects, intercepts and Goods/Goods&Services dummy included but not reported.

Table 2: Different Measures of Stock Market Returns (in LC)

Model	Default	Beta adj. (EAFE)	Beta in (-1,1) (MSCI)	No beta adj. (MSCI)	Scaled, adj. (MSCI)
<i>Log real GDP p/c</i>	-0.248*	-0.285*	-0.266*	-0.474**	-0.070*
	(0.12)	(0.12)	(0.12)	(0.12)	(0.03)
<i>Log real GDP</i>	0.042	0.021	0.070	0.029	0.032
	(0.08)	(0.08)	(0.09)	(0.09)	(0.02)
<i>Log Trade/GDP</i>	-0.099	-0.073	-0.100	-0.084	0.004
	(0.16)	(0.15)	(0.17)	(0.23)	(0.06)
<i>Log National Stocks/GDP</i>	0.043	0.050	0.041	0.120	0.012
	(0.08)	(0.08)	(0.09)	(0.10)	(0.02)
<i>Exports to RTA partners/GDP</i>	2.620**	2.416**	2.917**	2.709*	0.938**
	(0.79)	(0.80)	(0.85)	(1.06)	(0.33)
<i>RTA-partner's log real GDP</i>	-0.153**	-0.179**	-0.166**	-0.151*	-0.044*
	(0.06)	(0.06)	(0.06)	(0.06)	(0.02)
Number of Observations	1001	1001	879	1001	1001

Note: Each column is estimated via OLS; (t-1, t+5) event window. Estimates in Column (1) show the baseline results from Table 1 for comparability, covering 82 developing and developed countries and 122 RTAs from 1988 to 2009. Column (2) displays results for national stock market returns adjusted for EAFE movement. In Column (3), sample is restricted to observations with betas between -1 and +1 (MSCI). Column (4) reports results for local returns without beta-adjustment. Column (5) reports results for scaled excess returns (MSCI), whereby excess returns are divided by residual standard deviation of estimation window. Event date defined as announcement of the start of negotiations of RTA or announcement of a successful conclusion of such an agreement. Coefficients with standard errors clustered at the country-level in parentheses. Coefficients significantly different from zero at [0.10] 0.05 (0.01) marked with [one circle] one (two) asterisk(s). Regressand: National Stock Market return in local currency, adjusted for MSCI movement (unless indicated otherwise). Time-fixed effects, intercepts and Goods/Goods&Services dummy included but not reported.

Table 3: Different Adjustments of Stock Market Returns for Exchange Rates

Model	Default	Stock returns in LC	No beta adj. (USD)	Beta adj. (USD)	Adjusted for MSCI and FX
<i>Log real GDP p/c</i>	-0.248* (0.12)	-0.230° (0.13)	-0.383** (0.13)	-0.322* (0.15)	-0.368** (0.14)
<i>Log real GDP</i>	0.042 (0.08)	0.041 (0.08)	0.056 (0.09)	0.026 (0.10)	0.080 (0.10)
<i>Log Trade/GDP</i>	-0.099 (0.16)	-0.203 (0.15)	-0.335 (0.26)	-0.491° (0.27)	-0.119 (0.19)
<i>Log National Stocks/GDP</i>	0.043 (0.08)	0.059 (0.08)	0.173° (0.09)	0.154 (0.10)	0.097 (0.10)
<i>Exports to RTA partners/GDP</i>	2.620** (0.79)	2.703** (0.81)	2.943* (1.31)	2.726* (1.28)	2.303* (1.02)
<i>RTA-partner's log real GDP</i>	-0.153** (0.06)	-0.155** (0.06)	-0.140* (0.06)	-0.162* (0.07)	-0.159* (0.06)
Number of Observations	1001	928	928	928	928

Note: Each column is estimated via OLS; (t-1, t+5) event window. Estimates in Column (1) show the baseline results from Table 1 for comparability, covering 82 developing and developed countries and 122 RTAs from 1988 to 2009. In Column (2), sample is restricted to observations, where national stock market returns are available in local currency and U.S. dollar. Columns (3) and (4) report results for U.S. dollar returns without and with adjustment, respectively. Column (5) displays results for national stock market returns adjusted for MSCI and exchange rate movement. Event date defined as announcement of the start of negotiations of RTA or announcement of a successful conclusion of such an agreement. Coefficients with standard errors clustered at the country-level in parentheses. Coefficients significantly different from zero at [0.10] 0.05 (0.01) marked with [one circle] one (two) asterisk(s). Regressand: National Stock Market return in local currency, adjusted for MSCI movement (unless indicated otherwise). Time-fixed effects, intercepts and Goods/Goods&Services dummy included but not reported.

Table 4: Various Fixed Effects

Model	Default	Without time-fixed effects	RTA-type dummies	Country-fixed effects	RTA-fe effects
<i>Log real GDP p/c</i>	-0.248* (0.12)	-0.219° (0.11)	-0.199° (0.11)	3.487 (5.40)	-0.264° (0.15)
<i>Log real GDP</i>	0.042 (0.08)	0.034 (0.07)	0.021 (0.07)	-2.336 (4.47)	0.115 (0.13)
<i>Log Trade/GDP</i>	-0.099 (0.16)	-0.058 (0.17)	-0.146 (0.16)	0.756 (0.92)	0.163 (0.28)
<i>Log National Stocks/GDP</i>	0.043 (0.08)	0.032 (0.08)	0.034 (0.08)	-0.020 (0.19)	0.073 (0.09)
<i>Exports to RTA partners/GDP</i>	2.620** (0.79)	2.456** (0.71)	2.649** (0.80)	2.696** (0.89)	1.769° (0.90)
<i>RTA-partner's real GDP</i>	-0.153** (0.06)	-0.115* (0.05)	-0.170** (0.06)	-0.135 (0.09)	-0.085 (0.11)
Number of Observations	1001	1001	1001	1001	1001

Note: Each column is estimated via OLS; (t-1, t+5) event window. Estimates in Column (1) show the baseline results from Table 1 for comparability, covering 82 developing and developed countries and 122 RTAs from 1988 to 2009. Column (2) drops time-fixed effects to baseline. In Column (3), the dummy variables Currency Union and Free Trade Agreement are included, but not reported (with Preferential Trade Agreement being the leave-out category). Columns (4) and (5) employ country-fixed effects and RTA-fixed effects. Event date defined as announcement of the start of negotiations of RTA or announcement of a successful conclusion of such an agreement. Coefficients with standard errors clustered at the country-level in parentheses. Coefficients significantly different from zero at [0.10] 0.05 (0.01) marked with [one circle] one (two) asterisk(s). Regressand: National Stock Market return in local currency, adjusted for MSCI movement. Time-fixed effects (except for column 2), intercepts and Goods/Goods&Services dummy variable included but not reported.

Table 5: Non-RTA-members Stock Market Returns - Expected Trade Diversion?

	RTA-members	Non-RTA-members			
Model	Default	Top 10 Export Destination	Top 5 Export Destination	Top 3 Export Destination	Top 1 Export Destination
<i>Log real GDP p/c</i>	-0.248* (0.12)	0.013 (0.06)	-0.027 (0.07)	-0.088 (0.08)	-0.198 (0.13)
<i>Log real GDP</i>	0.042 (0.08)	0.089 (0.06)	0.139 (0.08)	0.065 (0.07)	0.041 (0.07)
<i>Log Trade/GDP</i>	-0.099 (0.16)	0.132 (0.13)	0.272 (0.17)	0.344 (0.23)	0.134 (0.28)
<i>Log National Stocks/GDP</i>	0.043 (0.08)	-0.120* (0.06)	-0.120° (0.07)	-0.044 (0.07)	0.023 (0.08)
<i>Exports to RTA partners/GDP</i>	2.620** (0.79)	-0.929 (0.97)	-1.352 (1.10)	-1.352 (1.14)	-0.655 (1.42)
<i>RTA-partner's log real GDP</i>	-0.153** (0.06)	0.073 (0.06)	0.065 (0.07)	0.102 (0.09)	-0.126 (0.18)
Number of Observations	1001	4127	2868	2017	811

Note: Each column is estimated via OLS; (t-1, t+5) event window. Estimates in Column (1) show the baseline results from Table 1 for comparability, covering 82 developing and developed countries and 122 RTAs from 1988 to 2009. Columns (2) to (5) display results for stock market returns of countries that are not part of a new RTA. For these non-RTA members (at least one) RTA-member country constitutes an important export destination (Top 10, 5, 3 or 1). Event date defined as announcement of the start of negotiations of RTA or announcement of a successful conclusion of such an agreement. Coefficients with standard errors clustered at the country-level in parentheses. Coefficients significantly different from zero at [0.10] 0.05 (0.01) marked with [one circle] one (two) asterisk(s). Regressand: National Stock Market return in local currency, adjusted for MSCI movement (unless indicated otherwise). Time-fixed effects, intercepts and Goods/Goods&Services dummy included but not reported.

Appendix Table 1: Pooling Test for First Stage of Event Study

Event window	(t-1, t+1)	(t-1, t+3)	(t-1, t+5)	(t-1, t+7)	(t-1, t+10)
<i>Event dummy</i>	-0.038	0.175	-0.192	-0.175	-0.128
	(0.18)	(0.24)	(0.24)	(0.28)	(0.33)

Note: The dependent variable is the average cumulative abnormal returns (in local currency) for the main sample of 1001 observations. The dummy variable event is one if the announcement marks the start of RTA negotiations and zero, if the announcement of a new trade agreement is made. Standard errors in brackets are computed using the cross-section standard deviation of the returns and account for variance inflation and clustering at the announcement day. Returns significantly different from zero at [0.10] 0.05 (0.01) marked with [one circle] one (two) asterisk(s).

Appendix Table A2: Pooling Test for Second Stage of Event Study

Event window	(t-1, t+1)	(t-1, t+5)	(t-1, t+10)	(t-1, t+15)	(t-1, t+20)
<i>Log real GDP p/c</i>	-0.339*	-0.354*	-0.355*	-0.398*	-0.340
	(0.14)	(0.14)	(0.17)	(0.18)	(0.23)
<i>Log real GDP p/c * Event</i>	0.424°	0.406°	0.281	0.247	0.111
	(0.22)	(0.22)	(0.25)	(0.23)	(0.25)
<i>Log real GDP</i>	0.067	0.003	0.045	0.028	0.078
	(0.07)	(0.06)	(0.09)	(0.11)	(0.13)
<i>Log real GDP * Event</i>	-0.109	0.028	0.004	0.130	0.179
	(0.11)	(0.12)	(0.15)	(0.17)	(0.16)
<i>Log Trade/GDP</i>	-0.049	-0.058	-0.132	0.076	-0.012
	(0.15)	(0.16)	(0.21)	(0.27)	(0.34)
<i>Log Trade/GDP * Event</i>	-0.076	0.007	0.090	0.197	0.423
	(0.21)	(0.24)	(0.29)	(0.37)	(0.44)
<i>Log National Stocks/GDP</i>	0.107	0.124	0.061	-0.028	-0.021
	(0.08)	(0.08)	(0.11)	(0.13)	(0.16)
<i>Log National Stocks/GDP * Event</i>	-0.139	-0.142	-0.057	0.092	0.003
	(0.10)	(0.13)	(0.16)	(0.18)	(0.21)
<i>Exports to RTA partners/GDP</i>	1.574**	1.723**	2.570*	2.196°	2.978*
	(0.60)	(0.63)	(1.02)	(1.25)	(1.32)
<i>Exports to RTA partners/GDP * Event</i>	-0.100	-0.904	0.165	-0.047	1.257
	(1.89)	(2.19)	(2.63)	(3.00)	(3.05)
<i>RTA-partner's log real GDP</i>	-0.103*	-0.122*	-0.082	-0.135	-0.193°
	(0.05)	(0.06)	(0.08)	(0.09)	(0.11)
<i>RTA-partner's log real GDP * Event</i>	0.010	0.064	-0.145	-0.028	0.072
	(0.10)	(0.11)	(0.15)	(0.15)	(0.17)

Note: Each column is estimated via OLS. Estimates based on 1001 observations, covering 82 developing and developed countries and 122 RTAs from 1988 to 2009. Event date defined as announcement of the start of negotiations of RTA or announcement of a successful conclusion of such an agreement. Coefficients with standard errors clustered at the country-level in parentheses. Coefficients significantly different from zero at [0.10] 0.05 (0.01) marked with [one circle] one (two) asterisk(s). Regressand: National Stock Market return in local currency, beta-adjusted for MSCI movement. Dummy variable *Event* is one if the announcement marks the start of RTA negotiations and zero, if the announcement a new trade agreement is made. Time-fixed effects, intercepts and dummy variables for RTA-coverage and *Event* included but not reported.

Appendix Table A3: Financial Crises and Extreme Stock Market Returns (in LC)

Model	Default	No financial crises	Trimmed sample (1%)	Trimmed sample (2%)	Trimmed sample (5%)
<i>Log real GDP p/c</i>	-0.248* (0.12)	-0.282** (0.10)	-0.231* (0.10)	-0.201* (0.10)	-0.139° (0.08)
<i>Log real GDP</i>	0.042 (0.08)	0.064 (0.07)	0.062 (0.08)	0.046 (0.08)	0.091 (0.06)
<i>Log Trade/GDP</i>	-0.099 (0.16)	-0.133 (0.15)	-0.122 (0.17)	-0.111 (0.16)	0.044 (0.12)
<i>Log National Stocks/GDP</i>	0.043 (0.08)	0.030 (0.08)	0.071 (0.08)	0.065 (0.08)	-0.017 (0.06)
<i>Exports to RTA partners/GDP</i>	2.620** (0.79)	2.755** (0.78)	2.371** (0.80)	2.309** (0.80)	1.859** (0.68)
<i>RTA-partner's log real GDP</i>	-0.153** (0.06)	-0.183** (0.06)	-0.104° (0.06)	-0.110* (0.05)	-0.127** (0.05)
Number of Observations	1001	952	992	983	953

Note: Each column is estimated via OLS; (t-1, t+5) event window. Estimates in Column (1) show the baseline results from Table 1 for comparability, covering 82 developing and developed countries and 122 RTAs from 1988 to 2009. In Column (2), sample is restricted to observations with no major financial crisis (see endnote details). Columns (3), (4) and (5) report results for local returns, where top and bottom 0.5%, 1% and 2.5% is dropped, respectively. Event date defined as announcement of the start of negotiations of RTA or announcement of a successful conclusion of such an agreement. Coefficients with standard errors clustered at the country-level in parentheses. Coefficients significantly different from zero at [0.10] 0.05 (0.01) marked with [one circle] one (two) asterisk(s). Regressand: National Stock Market return in local currency, adjusted for MSCI movement. Time-fixed effects, intercepts and Goods/Goods&Services dummy included but not reported.

Appendix Table A4: Stock Market Returns in U.S. Dollar

Event window	(t-1, t+1)	(t-1, t+3)	(t-1, t+5)	(t-1, t+7)	(t-1, t+10)
<i>Log real GDP p/c</i>	-0.147 (0.09)	-0.205° (0.12)	-0.322* (0.15)	-0.326* (0.16)	-0.212 (0.23)
<i>Log real GDP</i>	-0.016 (0.06)	0.053 (0.08)	0.026 (0.10)	0.100 (0.11)	0.187 (0.15)
<i>Log Trade/GDP</i>	-0.257* (0.12)	-0.363° (0.19)	-0.491° (0.27)	-0.273 (0.30)	-0.073 (0.30)
<i>Log National Stocks/GDP</i>	0.129* (0.06)	0.163* (0.08)	0.154 (0.10)	0.113 (0.11)	0.056 (0.14)
<i>Exports to RTA partners/GDP</i>	2.039** (0.74)	2.160* (0.92)	2.726* (1.28)	3.890** (1.22)	5.973** (1.28)
<i>RTA-partner's log real GDP</i>	-0.131** (0.04)	-0.070 (0.06)	-0.162* (0.07)	-0.051 (0.10)	-0.210° (0.12)

Note: Each column is estimated via OLS. Estimates based on 928 observations, covering 80 developing and developed countries and 122 RTAs from 1988 to 2009. Event date defined as announcement of the start of negotiations of RTA or announcement of a successful conclusion of such an agreement. Coefficients with standard errors clustered at country-level in parentheses. Coefficients significantly different from zero at [0.10] 0.05 (0.01) marked with [one circle] one (two) asterisk(s). Regressand: National Stock Market return in U.S. dollar, adjusted for MSCI movement. Time-fixed effects, intercepts and Goods/Goods&Services dummy included but not reported.

Appendix Table A5: Extra Variables on RTA-partner

Model	Default	RTA-partner GDP p/c	RTA-partner Size	Rel. Capital Endowment	Similarity
Event window	(t-1, t+5)	(t-1, t+5)	(t-1, t+5)	(t-1, t+5)	(t-1, t+5)
<i>Log real GDP p/c</i>	-0.248* (0.12)	-0.255* (0.12)	-0.272* (0.12)	-0.238° (0.12)	-0.248* (0.12)
<i>Log real GDP</i>	0.042 (0.08)	0.046 (0.08)	0.072 (0.09)	0.046 (0.08)	0.056 (0.08)
<i>Log Trade/GDP</i>	-0.099 (0.16)	-0.091 (0.16)	-0.074 (0.17)	-0.099 (0.16)	-0.120 (0.16)
<i>Log National Stocks/GDP</i>	0.043 (0.08)	0.046 (0.08)	0.035 (0.08)	0.040 (0.08)	0.043 (0.08)
<i>Exports to RTA partners/GDP</i>	2.620** (0.79)	2.756** (0.84)	2.802** (0.82)	2.681** (0.81)	2.655** (0.80)
<i>RTA-partner's log real GDP</i>	-0.153** (0.06)	-0.179* (0.07)	-0.148** (0.05)	-0.158** (0.06)	-0.159** (0.06)
<i>RTA-partner's log real GDP p/c</i>		0.074 (0.10)			
<i>RTA-partner's log Population</i>			-0.084 (0.10)		
<i>Proxy relative capital endowment</i>				-0.072 (0.10)	
<i>Proxy similarity</i>					0.062 (0.10)

Note: Each column is estimated via OLS. Estimates based on 1001 observations, covering 82 developing and developed countries and 122 RTAs from 1988 to 2009. Event date defined as announcement of the start of negotiations of RTA or announcement of a successful conclusion of such an agreement. Coefficients with standard errors clustered at country-level in parentheses. Coefficients significantly different from zero at [0.10] 0.05 (0.01) marked with [one circle] one (two) asterisk(s). Regressand: National Stock Market return in local currency, beta-adjusted for MSCI movement. Time-fixed effects, intercepts and dummy variable RTA-coverage included but not reported.

Appendix Table A6: Extra Variables on Country i or RTA-partner

Model	Default	Distance	Number of Listed Firms	Corruption Index	Exports and Imports to RTA
Event window	(t-1, t+5)	(t-1, t+5)	(t-1, t+5)	(t-1, t+5)	(t-1, t+5)
<i>Log real GDP p/c</i>	-0.248*	-0.255*	-0.225°	-0.443**	-0.253*
	(0.12)	(0.12)	(0.12)	(0.13)	(0.12)
<i>Log real GDP</i>	0.042	0.017	-0.005	0.112	0.044
	(0.08)	(0.09)	(0.10)	(0.09)	(0.08)
<i>Log Trade/GDP</i>	-0.099	-0.155	-0.127	-0.061	-0.093
	(0.16)	(0.17)	(0.17)	(0.16)	(0.17)
<i>Log National Stocks/GDP</i>	0.043	0.035	0.048	-0.023	0.053
	(0.08)	(0.09)	(0.09)	(0.09)	(0.09)
<i>Exports to RTA partners/GDP</i>	2.620**	2.967**	2.574**	2.346**	
	(0.79)	(0.88)	(0.80)	(0.80)	
<i>RTA-partner's log real GDP</i>	-0.153**	-0.184**	-0.145*	-0.151*	-0.162*
	(0.06)	(0.06)	(0.06)	(0.06)	(0.06)
<i>Log distance</i>		0.041			
		(0.12)			
<i>Log Number of Listed Firms</i>			0.042		
			(0.12)		
<i>Corruption Index (ICRG)</i>				0.279**	
				(0.09)	
<i>Exports to and Imports from RTA partners/GDP</i>					1.392*
					(0.058)

Note: Each column is estimated via OLS. Estimates based on 1001 observations, covering 82 developing and developed countries and 122 RTAs from 1988 to 2009. Event date defined as announcement of the start of negotiations of RTA or announcement of a successful conclusion of such an agreement. Coefficients with standard errors clustered at country-level in parentheses. The variable Distance is measured as the (log) average distance to RTA-partners. The variables (log) Number of Listed Firms and the Corruption Index (ICRG) refer to country i. Coefficients significantly different from zero at [0.10] 0.05 (0.01) marked with [one circle] one (two) asterisk(s). Regressand: National Stock Market return in local currency, beta-adjusted for MSCI movement. Time-fixed effects, intercepts and dummy variable RTA-coverage included but not reported.

Online Appendix
(Not Intended for Publication)

Table OA1: Announcements on Regional Trade Agreements (RTAs), RTA-members, date, name, and other characteristics (1988 - 2009).

Name of RTA	Event date (LexisNexis)	Event Type	RTA-members in data set	Description of Announcement	Signature date (WTO)
Global System of Trade Preferences among Developing Countries (GSTP)	13 Apr. 1988	Deal	Argentina, Chile, Peru, Sri Lanka, India, Indonesia, Malaysia, Philippines, Singapore, Thailand	Ministers of nearly 50 developing nations have agreed in the "Belgrade Declaration" to grant one another tariff concessions and trade preferences.	13 Apr. 1988
ANZCERTA (Services)	18 Aug. 1988	Deal	Australia, New Zealand	New Zealand's Prime Minister recognizes that the world economy is increasingly characterized by strong growth in trade in services [...] two countries agreed to include services in its free trade agreement.	18 Aug. 1988
European Economic Area (EEA)	19 Dec. 1989	Start	Austria, Denmark, France, Finland, Germany, Greece, Italy Netherlands, Norway, Portugal, Spain, Sweden, United Kingdom	The 19 European Community and seven European Free Trade Association nations agreed Tuesday to begin talks early next year on closer economic cooperation aimed at forging a so called European Economic Space.	---
North American Free Trade Agreement (NAFTA)	11 June 1990	Start	Mexico, United States	United States and Mexico agreed to begin work on a free-trade accord [...] in a joint statement issued Monday by the White House.	---
Economic Cooperation Organization (ECO)	19 June 1990	Deal	Pakistan, Turkey	Pakistan, Iran and Turkey have agreed to enhance their cooperation in economic, technical and other fields in an extraordinary ministerial meeting of ECO in Islamabad.	N/A
Southern Common Market (MERCOSUR)	6 July 1990 / 1 Aug. 1990	Start	Argentina, Brazil	Presidents of Argentina and Brazil signed a statement "to establish a common market [...] which must be formed by January 1, 1995."	---
Chile – Mexico	20 Sept. 1990	Deal	Chile, Mexico	Mexico and Chile will sign a FTA next month [...] Mr. Serra, Mexico's Secretary of Trade and Industry, and Chilean Finance Minister Mr. Foxley announced the deal.	17 Apr. 1998
North American Free Trade Agreement (NAFTA)	24 Sept. 1990	Start	Canada, Mexico, United States	Canadian government announced Monday it would plunge into trade talks underway between the United States and Mexico.	---
Southern Common Market (MERCOSUR)	20 March 1991	Deal	Argentina, Brazil	Presidents of Brazil, Argentina, Uruguay and Paraguay will meet Tuesday to sign a common market treaty, Brazil's Foreign Ministry announced Wednesday.	29 Nov. 1991

EC (15) Enlargement	31 July 1991	Start	Austria, Belgium, Denmark, France, Germany, Greece, Italy, Netherlands, Portugal, Spain, United Kingdom	European Commission recommended today that Austria should become a member of the European Community. This is the gist of the so-called "avis".	---
ASEAN Free Trade Area (AFTA)	8 Oct. 1991	Start	Indonesia, Malaysia, Philippines, Singapore, Thailand	Economic Ministers of the Association of Southeast Asian Nations (ASEAN) on Tuesday announced plans to establish a free trade area.	---
EFTA – Turkey	17 Oct. 1991	Deal	Austria, Finland, Norway, Sweden, Switzerland, Turkey	Free trade negotiations between the EFTA countries and Turkey were concluded on October 17 in Geneva, when a FTA was initialed by representatives of the two parties.	10 Dec. 1991
European Economic Area (EEA)	22 Oct. 1991	Deal	Austria, Belgium, Denmark, France, Finland, Germany, Greece, Italy Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, United Kingdom	European Community (EC) and the EFTA nations of northern Europe agreed here early Tuesday to form the world's largest common market.	2 May 1992
South Asian Preferential Trade Arrangement (SAPTA)	23 Dec. 1991	Start	Bangladesh, India, Pakistan, Sri Lanka	The sixth SAARC summit concluded [...] also agreed to examine host Sri Lanka's proposal to set up a "SAARC Preferential Trade Arrangement" by 1997.	---
ASEAN Free Trade Area (AFTA)	28 Jan. 1992	Deal	Indonesia, Malaysia, Philippines, Singapore, Thailand	ASEAN economic ministers signed an agreement on the common effective preferential tariff for the Asean Free Trade Area (AFTA).	N/A
EFTA – Israel	16 July 1992	Deal	Austria, Finland, Israel, Norway, Sweden, Switzerland	Israel and the seven members of EFTA yesterday reached a free trade agreement after 13 months of negotiations.	17 Sept. 1992
EC (15) Enlargement	31 July 1992	Start	Austria, Belgium, Denmark, France, Germany, Greece, Italy, Netherlands, Portugal, Spain, Sweden, United Kingdom	European Commission gave the go-ahead today to open formal negotiations to bring Sweden into the European Community.	---
North American Free Trade Agreement (NAFTA)	12. Aug. 1992	Deal	Canada, Mexico, United States	U.S. President Bush announced that the US, Canada and Mexico have reached a free-trade agreement to create the world's largest trading bloc.	17 Dec. 1992
EC – Israel	2 Oct. 1992	Start	Belgium, Denmark, France, Germany, Greece, Israel, Italy, Netherlands, Portugal, Spain, United Kingdom	European Commission President Delors told Foreign Minister Peres on Friday that the EC would renew its economic accord.	---
EC (15) Enlargement	4 Nov. 1992	Start	Austria, Belgium, Denmark, Finland, France, Germany,	European Commission recommended on Wednesday that the 12 EC states open membership	---

			Greece, Italy, Netherlands, Portugal, Spain, Sweden, United Kingdom	talks with Finland.	
South Asian Preferential Trade Arrangement (SAPTA)	12 April 1993	Deal	Bangladesh, India, Pakistan, Sri Lanka	South Asian leaders signed an agreement to pave the way for preferential trading schemes (SAPTA) yesterday.	11 April 1993
EC (15) Enlargement	2 March 1994	Deal	Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Netherlands, Portugal, Spain, Sweden, United Kingdom	Sweden, Finland and Austria agreed terms to join the European Union after five days and three nights of arduous talks.	24 June 1994
EC – South Africa	10 Oct. 1994	Start	Belgium, Denmark, France, Germany, Greece, Ireland, Italy, Netherlands, Portugal, Spain, United Kingdom	EU and South Africa signed a co-operation agreement [...] laying the groundwork for the negotiation of a formal trade agreement.	---
EC – Egypt	3 Nov. 1994	Start	Belgium, Denmark, Egypt, France, Germany, Greece, Ireland, Italy, Netherlands, Portugal, Spain, United Kingdom	European Commission stepped forward with a recommendation for a Council Decision authorizing the EU's executive agency to negotiate a Euro-Mediterranean Association Agreement with Egypt.	---
Canada – Israel	23 Nov. 1994	Start	Canada, Israel	Canada and Israel are to negotiate a FTA, leaders of the two countries announced Wednesday.	---
EC – Turkey	6 March 1995	Deal	Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Netherlands, Portugal, Spain, Sweden, Turkey, United Kingdom	EU concludes long-awaited customs union with Turkey [...] a move the EU hopes will strengthen Turkey's ties to the West.	6 March 1995
EC – Jordan	12 June 1995	Start	Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Jordan, Netherlands, Portugal, Spain, Sweden, United Kingdom	EU Foreign Ministers approved a negotiating mandate authorizing the EC to begin talks on an Association Agreement with Jordan.	---
EC – Israel	18 July 1995	Deal	Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Israel, Italy, Netherlands, Portugal, Spain, Sweden, United Kingdom	EU and Israel have reached a new trade agreement eliminating most remaining tariffs [...] the Foreign Ministry announced Tuesday.	20 Nov. 1995
EC – Morocco	15 Nov. 1995	Deal	Austria, Belgium, Denmark, Finland, France, Germany,	The EU and Morocco initialed an Association Agreement on November 15 [...] replaces the	26 Feb. 1996

			Greece, Ireland, Italy, Morocco, Netherlands, Portugal, Spain, Sweden, United Kingdom	Cooperation Agreement of 1976.	
EC – Lebanon	28 Nov. 1995	Start	Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Lebanon, Luxembourg, Netherlands, Portugal, Spain, Sweden, United Kingdom	The European Union and its neighbors from the Mideast and North Africa pledged Tuesday to lift trade barriers and foster private investment across the Mediterranean in pursuit of a free-trade area by 2010.	---
EFTA – Egypt / EFTA – Morocco / EFTA – Tunisia	8 Dec. 1995	Start	Iceland, Norway, Switzerland; Egypt, Morocco, Tunisia.	EFTA Ministers during their meeting in Zermatt on December 8 [...] Ministers from Egypt, Morocco and Tunisia signed Declarations on cooperation with the EFTA states, which may eventually lead to full Agreements.	---
Canada – Chile	29 Dec. 1995	Start	Canada, Chile	Work will begin by mid-January on what is being called an interim bilateral trade agreement with Chile, Canadian Trade Minister Roy said.	---
Turkey – Israel	12 March 1996	Deal	Israel, Turkey	Turkish President Demirel is in Israel to sign bilateral trade agreement with Israel.	14 March 1996
EC – Mexico	13 May 1996	Start	Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Mexico, Netherlands, Portugal, Spain, Sweden, United Kingdom	European Union foreign ministers on Monday cleared up a dispute that has long delayed the start of free-trade negotiations with Mexico.	---
Canada – Israel	22 July 1996	Deal	Canada, Israel	Israel and Canada are to sign a free-trade agreement in Canada on July 31, a spokesman for Israel's Ministry of Industry and Trade said yesterday in Jerusalem.	31 July 1996
Canada – Chile	14 Nov. 1996	Deal	Canada, Chile	Canada and Chile have reached a FTA, Canada's Minister for international trade, Mr. Eggleton, announced today.	5 Dec. 1996
Israel – Mexico	18 Feb. 1997	Start	Israel, Mexico	Israel and Mexico have agreed to negotiate a FTA [...] spokesman of Israeli Trade Minister said yesterday.	---
Pan-Arab Free Trade Area (PAFTA)	19 Feb. 1997	Start	Egypt, Jordan, Lebanon, Morocco, Oman, Saudi Arabia, Tunisia	Economy and finance ministers from the 22 member Arab League began talks in Cairo which will focus on long-awaited plans to create an Arab common market and a joint free-trade zone.	---

EC – Jordan	16 April 1997	Deal	Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Jordan, Netherlands, Portugal, Spain, Sweden, United Kingdom	EU and Jordanian officials got together in the Maltese capital of Valetta on April 16, to put their initials to an Association Agreement aimed at creating free trade in non-agricultural products.	24 Nov. 1997
EFTA – Morocco	11 June 1997	Deal	Iceland, Morocco, Norway, Switzerland	A Moroccan [Ministry of] Foreign Affairs statement says the agreement with EFTA will be officially signed in Geneva on June 19 th .	19 June 1997
EC (25) Enlargement	16 July 1997	Start	Austria, Belgium, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Luxembourg, Netherlands, Poland, Portugal, Slovenia, Spain, Sweden, United Kingdom	EU Commission confirmed on Wednesday that it would recommend [...] the Czech Republic, Estonia, Hungary, Poland and Slovenia plus Cyprus [...] to begin accession negotiations.	---
EFTA – Canada	4 Dec. 1997	Start	Canada, Iceland, Norway, Switzerland	An initial meeting between EFTA and Canada, to pave the way for a full FTA, will take place next year [...] Swiss Economy minister Mr. Delamurax said Thursday.	---
Pan-Arab Free Trade Area (PAFTA)	31 Dec. 1997	Deal	Egypt, Jordan, Lebanon, Morocco, Oman, Saudi Arabia	Arab League launched a regional free trade program on Wednesday, a step that could lead to the creation of an Arab common market.	19 Feb. 1997
EC – Chile	22 July 1998	Start	Austria, Belgium, Chile, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain, Sweden, United Kingdom	European Commission yesterday took the first step toward negotiating a free-trade arrangement with Chile.	---
South Korea – Chile	16 Nov. 1998	Start	Chile, South Korea	Korean President Dae-jung and Chilean President Frei agreed here Tuesday to start negotiations on a FTA between their two countries.	---
Egypt – Turkey	7 Dec. 1998	Start	Egypt, Turkey	On Sunday, Egyptian President Mubarak urged closer economic cooperation in the region [...] Turkey and Egypt are aiming for a FTA.	---
India – Sri Lanka	28 Dec. 1998	Deal	India, Sri Lanka	India and Sri Lanka signed a free-trade agreement Monday that will eliminate customs tariffs between the countries over several years.	28 Dec. 1998

EC – South Africa	24 March 1999	Deal	Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, South Africa, Spain, Sweden, United Kingdom	EU wrapped up four years of arduous negotiations by agreeing the terms of a wide-ranging free-trade deal with South Africa, German Foreign Minister Fischer said Wednesday.	11 Oct. 1999
EFTA – Mexico	7 June 1999	Start	Iceland, Mexico, Norway, Switzerland	EFTA held its Spring Ministerial meeting in Lillehammer, Norway [...] agreed to propose to Mexico to start exploring the basis for a FTA.	---
New Zealand – Singapore	13 Sept. 1999	Start	New Zealand, Singapore	Singapore and New Zealand took the lead in opening up their economies when their two leaders agreed to start negotiations on a FTA.	---
EC (25) Enlargement / EC (27) Enlargement	13 Oct. 1999	Start	Austria, Belgium, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovenia, Slovak Republic, Spain, Sweden, United Kingdom	European Commission President Prodi recommended today that negotiations begin with Bulgaria, Latvia, Lithuania, Malta, Romania and Slovakia [...] should be added to the list of next year's enlargement.	---
EC – Mexico	24 Nov. 1999	Deal	Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Mexico, Netherlands, Portugal, Spain, Sweden, United Kingdom	European Union and Mexico wrapped up 16 months of negotiations with an accord Wednesday on establishing a free-trade pact, the EU's trade commissioner said.	8 Dec. 1997
Canada – Costa Rica	31 Jan. 2000	Start	Canada, Costa Rica	Canada and Costa Rica have agreed to start negotiations for a bilateral free trade agreement, the leaders of the two countries announced Monday.	---
Israel – Mexico	15 Feb. 2000	Deal	Israel, Mexico	Mexico and Israel have completed negotiations for a free trade agreement, the Commerce Ministry said on Monday.	10 April 2000
Asian Pacific Trade Agreement (APTA) – Accession of China	7 April 2000	Deal	Bangladesh, China, India, South Korea, Sri Lanka	China has joined the United Nations' "Bangkok Agreement" on trade, bringing the total membership of the Asian preferential trading framework to six, the UN said Friday.	21 April 2001
EC – Croatia	24 May 2000	Start	Austria, Belgium, Croatia, Denmark, Finland, France, Germany, Greece, Ireland,	European Commission recommended closer ties with Croatia as recognition for reforms underway there [...] proposal authorizing the start of negotiations for a	---

			Italy, Luxembourg, Netherlands, Portugal, Spain, Sweden, United Kingdom	Stabilization and Association Agreement between the EU and Croatia.	
US – Jordan	6 June 2000	Start	Jordan, United States	U.S. and Jordan decided to open bilateral negotiations on a FTA, White House spokesman Mr. Crowley announced Tuesday.	---
EFTA – Croatia	20 June 2000	Start	Croatia, Iceland, Norway, Switzerland	EFTA and Croatia signed a declaration on cooperation in Zurich on Monday [19th June], the Croatian Economy Ministry said in a statement on Tuesday.	---
Pakistan – Sri Lanka	31 July 2000	Start	Pakistan, Sri Lanka	Sri Lanka and Pakistan have initiated a dialogue to work-out a FTA between the two countries, said Pakistan's High Commissioner.	---
New Zealand – Singapore	18 Aug. 2000	Deal	New Zealand, Singapore	Singapore and New Zealand have concluded negotiations for a bilateral FTA expected to be signed next month, the Singapore government said Friday.	24 Nov. 2000
US – Jordan	19 Oct. 2000	Deal	Jordan, United States	Jordanian Prime Minister announced Thursday that Jordan and the U.S. will sign on October, 24, 2000.	24 Oct. 2000
Japan – Singapore	23 Oct. 2000	Start	Japan, Singapore	Japanese and Singapore Prime Ministers announced that their countries would launch negotiations on a bilateral free trade agreement.	---
EFTA – Mexico	6 Nov. 2000	Deal	Iceland, Mexico, Norway, Switzerland	Mexico and EFTA have concluded their talks on a FTA that will come into force next July, the Swiss government said Monday.	27 Nov. 2000
Singapore – Australia	15 Nov. 2000	Start	Australia, Singapore	Singapore's and Australia's Prime Minister announced Wednesday to start negotiations for a bilateral FTA with the aim of concluding the pact within a year.	---
US – Singapore	16 Nov. 2000	Start	Singapore, US	Singapore's Prime Minister and the U.S. President have agreed to start negotiations on a FTA said a statement published here Thursday by the Singapore government.	---
EFTA – Chile	20 Nov. 2000	Start	Chile, Iceland, Norway, Switzerland	Chilean Foreign Minister Alvear told reporters that Chile and EFTA had discussed the country's interest in reaching an agreement.	---
ASEAN – China	23 Nov. 2000	Start	China, Indonesia, Malaysia, Philippines, Singapore, Thailand	Ministers from the 10-member ASEAN backed in principle a Chinese proposal to set up a common free trade zone but acknowledged the idea was still at an early stage.	---

US – Chile	30 Nov. 2000	Start	Chile, United States	United States and Chile have agreed to start negotiations on a comprehensive bilateral FTA [...] released today by the White House.	---
EC – Egypt	26 Jan. 2001	Deal	Austria, Belgium, Denmark, Egypt, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain, Sweden, United Kingdom	Egypt and the European Commission initialed Friday an association agreement that has been under negotiation for more than five years.	25 June 2001
EFTA – Singapore	9 Feb. 2001	Start	Iceland, Norway, Singapore, Switzerland	Switzerland's Economics Minister and Singapore's top trade official were on Friday to announce the start of talks toward a possible FTA.	---
EFTA – Croatia	23 Feb. 2001	Deal	Croatia, Iceland, Norway, Switzerland	Croatia and EFTA have wrapped up negotiations which began in Zagreb last October and initialed a FTA the Croatian Economy Ministry said in a statement on Friday.	21 June 2001
Thailand – Australia	6 April 2001	Start	Australia, Thailand	Australia is pursuing a two-way FTA with Thailand and will push for similar pacts with countries across eastern Asia, Trade Minister Vaile said Friday.	---
Canada – Costa Rica	23 April 2001	Deal	Canada, Costa Rica	Canada and Costa Rica signed a free-trade treaty on Monday that could prove a model for a planned Americas-wide pact.	23 April 2001
EC – Croatia	14 May 2001	Deal	Austria, Belgium, Croatia, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain, Sweden, United Kingdom	EU External Relations Commissioner Patten and Croatian Foreign Minister Picula signed the pact at the end of a six- month negotiation process.	29 Oct. 2001
EFTA – Jordan	24 May 2001	Deal	Iceland, Jordan, Norway, Switzerland	A FTA will reportedly be signed between the EFTA and Jordan next month [...] Officials from Jordan and the four EFTA countries.	21 June 2001
Japan – Mexico	5 June 2001	Start	Japan, Mexico	Mexican President Fox and Japanese Prime Minister Koizumi agreed Tuesday to consider a bilateral free trade agreement.	---
European Free Trade Association (EFTA - Services)	21 June 2001	Deal	Iceland, Norway, Switzerland	The four EFTA countries have signed an updated version of its founding convention, which EFTA officials said would bring them into line with the 1994 accord with the EU that established the European Economic Area (EEA).	21 June 2001

Japan – Singapore	12 Oct. 2001	Deal	Japan, Singapore	Singapore and Japan have reached basic agreement to launch a bilateral FTA which they expect to sign by the end of the year, a joint statement said Friday.	13 Jan. 2002
Southern African Customs Union (SACU)	26 Oct. 2001	Deal	Namibia, South Africa	The agreement between South Africa, Botswana, Lesotho, Namibia and Swaziland was finalized on Friday.	21 Oct. 2002
EC – Lebanon	19 Nov. 2001	Deal	Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Lebanon, Luxembourg, Netherlands, Portugal, Spain, Sweden, United Kingdom	European Commission President Prodi said here Monday that Lebanon and the European Union (EU) will sign a partnership agreement within two weeks in Brussels.	17 June 2002
EFTA – Singapore	27 Nov. 2001	Deal	Iceland, Norway, Singapore, Switzerland	Singapore has completed a FTA with EFTA, an official said Tuesday [...] likely be signed next year after some legalities are finalized.	26 June 2002
Turkey – Croatia	30 Nov. 2001	Deal	Croatia, Turkey	Croatia and Turkey initialed a FTA in Ankara, the Croatian Economy Ministry said in a statement.	13 March 2002
China – Hong Kong	19 Dec. 2001	Start	China, Hong Kong	China has pledged support for a proposed FTA with Hong Kong, the territory's leader said on Wednesday.	---
Gulf Cooperation Council (GCC)	31 Dec. 2001	Deal	Bahrain, Kuwait, Oman, Saudi Arabia	Leaders of the six-nation Gulf Cooperation Council signed an agreement paving the way for economic union with goals of joint customs tariffs in 2003.	31 Dec. 2001
US – Morocco	23 April 2002	Start	Morocco, United States	President Bush yesterday proposed that the U.S. and Morocco enter into a FTA [...] following a meeting in Washington with Morocco's King Mohammed.	---
EC – Chile	26 April 2002	Deal	Austria, Belgium, Chile, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain, Sweden, United Kingdom	EU and Chile reached a landmark free trade agreement on Friday after more than two years of talks.	28 Nov. 2002
Panama – Taiwan	9 Aug. 2002	Start	Panama, Taiwan	Taiwan's Premier Yu [...] an official visit to Panama Friday, set to sign a statement of intent to forge a deal for free trade with this Central American country by late 2003.	---

Central European Free Trade Agreement (CEFTA) – Accession of Croatia	16 Sept. 2002	Deal	Bulgaria, Czech Republic, Croatia, Hungary, Poland, Romania, Slovak Republic, Slovenia	Prime Ministers of CEFTA countries at a summit in Bratislava expressed the wish that Croatia be admitted to this organization by the end of the year.	5 Dec. 2002
EC (25) Enlargement	10 Oct. 2002	Deal	Austria, Belgium, Czech Republic, Cyprus, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Slovak Republic, Slovenia, Spain, Sweden, United Kingdom	The European Commission gave its green light Wednesday for 10 countries to join the EU in 2004, in a historic enlargement [...] recommended that Malta, Cyprus, Estonia, Hungary, Poland, the Czech Republic, Slovenia, Latvia, Lithuania and Slovakia be invited to join in 2004.	16 April 2003
South Korea – Chile	24 Oct. 2002	Deal	Chile, South Korea	South Korea and Chile concluded a FTA Thursday to boost trade in South Korean industrial goods and Chilean farm products, officials said.	1 Feb. 2003
Trans-Pacific Strategic Economic Partnership	28 Oct. 2002	Start	Chile, New Zealand, Singapore	Singapore, Chile and New Zealand have agreed to begin negotiations on a trilateral trade agreement on Saturday.	---
Singapore – Australia	4 Nov. 2002	Deal	Australia, Singapore	Australia and Singapore have sealed a free trade pact that will remove all tariffs on goods and services by early 2003 [...] Australian Trade Minister Vaile announced Sunday.	17 Feb. 2003
US – Australia	14 Nov. 2002	Start	Australia, United States	U.S. and Australia will begin negotiations toward a free-trade agreement [...] U.S. Trade Representative Zoellick said Thursday.	---
US – Singapore	20 Nov. 2002	Deal	Singapore, United States	Historic free-trade pact [...] - in the wee hours of yesterday - will lead to the signing of a free-trade agreement (FTA) between the United States and Singapore next year.	6 May 2003
US – Chile	11 Dec. 2002	Deal	Chile, United States	U.S. Trade Representative announced today the completion of a trade agreement between the United States and Chile.	6 June 2003
EFTA – Lebanon	12 Dec. 2002	Start	Iceland, Lebanon, Norway, Switzerland	EFTA signed a Joint Declaration of Co-operation with Lebanon, which could lead to negotiations on a FTA.	---
Dominican Republic - Central America – United States Free Trade Agreement (CAFTA-DR)	8 Jan. 2003	Start	Costa Rica, United States	U.S. Trade Representative Zoellick and ministers from Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua announced the launch of negotiations to conclude a U.S.-Central American Free Trade	---

				Agreement (CAFTA).	
EFTA – GCC	12 Jan. 2003	Start	Bahrain, Iceland, Kuwait, Norway, Oman, Saudi Arabia, Switzerland	Gulf Cooperation Council (GCC) hosts a joint committee meeting here on Tuesday with EFTA [...] with the aim of striking a free trade agreement, the statement said.	---
India – Singapore	4 Feb. 2003	Start	India, Singapore	Singapore and India have agreed to launch negotiations for a bilateral FTA by April 2003, the press secretary for Singapore Prime Minister announced Tuesday.	---
Common Economic Zone (CEZ)	24 Feb. 2003	Start	Ukraine, Russian Federation	Presidents of Russia, Ukraine, Belarus and Kazakhstan have agreed to form a free-trade zone [...] in a statement signed Sunday.	---
EFTA – Chile	25 March 2003	Deal	Chile, Iceland, Norway, Switzerland	The government has reached an agreement with EFTA states to establish a free-trade zone, Chilean President Lagos said.	26 June 2003
Turkey – Tunisia	19 May 2003	Start	Tunisia, Turkey	President Sezer said that this was his first official visit to Tunisia and that he had proposed establishing a FTA.	---
US – Bahrain	21 May 2003	Start	Bahrain, United States	The White House said Wednesday it will begin pursuing a FTA with Persian Gulf ally Bahrain, the first such effort announced since President Bush this month proposed a free trade zone in the Middle East.	---
EFTA – SACU	22 May 2003	Start	Botswana, Iceland, Namibia, Norway, South Africa, Swaziland, Switzerland	It was announced yesterday that SACU and EFTA were planning to conclude an extensive FTA.	---
China – Hong Kong	13 June 2003	Deal	China, Hong Kong	Hong Kong and China will complete bilateral FTA by the end of this month, Secretary for Commerce, Industry and Trade, Tangian official in the territory confirmed Friday.	29 June 2003
Jordan – Singapore	25 June 2003	Start	Jordan, Singapore	Jordan and Singapore agreed to begin negotiations in the "near future" [...] A joint statement released this week on the sidelines of the World Economic Forum (WEF).	---
Panama – Taiwan	8 Aug. 2003	Deal	Panama, Taiwan	Taiwan and Panama are due to sign a formal FTA later this month after concluding the final round of talks, Taiwan's economics minister Lin Yi-fu said Friday	21 Aug. 2003
Common Economic Zone (CEZ)	19 Sept. 2003	Deal	Ukraine, Russian Federation	Ukraine, Russia, Belarus, and Kazakhstan reached a consensus on practically all problems, Ukrainian President Kuchma noted.	19 Sept. 2003

Turkey – Morocco	8 Oct. 2003	Deal	Morocco, Turkey	Morocco and Turkey have initialed a FTA [...] According to a Foreign Trade Ministry press release.	7 April 2004
ASEAN – Japan	8 Oct. 2003	Start	Indonesia, Japan, Malaysia, Philippines, Singapore, Thailand, Vietnam	Leaders of Japan and the ASEAN decided Wednesday to kick off formal negotiations in early 2004 to establish a regional free trade area.	---
Thailand – Australia	20 Oct. 2003	Deal	Australia, Thailand	Australia reached a free trade and investment deal with Thailand on Sunday [...] said Prime Minister Howard.	5 July 2004
Thailand – New Zealand	20 Oct. 2003	Start	New Zealand, Thailand	Thai Prime Minister Shinawatra and his New Zealand counterpart Ms. Clark agreed to initiate a FTA on Monday.	---
South Korea – Singapore	23 Oct. 2003	Start	South Korea, Singapore	Singapore and South Korea agreed to launch formal negotiations for a bilateral FTA early next year, the leaders of the two countries announced on Thursday.	---
US – Colombia / US – Panama / US – Peru	18 Nov. 2003	Start	Colombia, United States; Panama; Peru	U.S. Trade Representative Zoellick said Tuesday it was opening free-trade negotiations Colombia, Peru, Ecuador, Bolivia and Panama.	---
Japan – Malaysia / Japan – Philippines / Japan – Thailand	11 Dec. 2003	Start	Japan, Malaysia; Philippines; Thailand	Japan stepped up its efforts for regional trade liberalization, saying it would start bilateral trade talks with Malaysia, Thailand and the Philippines.	---
South Asian Free Trade Agreement (SAFTA)	5 Jan. 2004	Deal	Bangladesh, India, Nepal, Pakistan, Sri Lanka	A South Asian free trade agreement reached ahead of a major regional summit will let countries protect highly sensitive industries, Pakistan's foreign minister said.	6 Jan. 2004
Dominican Republic - Central America – United States Free Trade Agreement (CAFTA-DR)	26 Jan. 2004	Deal	Costa Rica, United States	Costa Rica reached a FTA Sunday in Washington with the United States [...] Foreign Trade Minister Trejos told reporters.	5 Aug. 2004
US – Australia	9 Feb. 2004	Deal	Australia, United States	United States and Australia reached a free-trade agreement [...] was struck after a telephone call between President Bush and Australia's Prime Minister Howard.	18 May 2004
Panama – Singapore	17 Feb. 2004	Start	Panama, Singapore	Singapore and Panama announced they had decided to start negotiations on a bilateral FTA with the aim of completing talks within a year [...] joint statement released Tuesday.	---
US – Morocco	2 March 2004	Deal	Morocco, United States	United States concluded a FTA with Morocco, officials said Tuesday, following delays to settle issues over key sectors including agriculture and textiles.	15 June 2004

Japan – Mexico	15 March 2004	Deal	Japan, Mexico	Japan and Mexico reached a final agreement [...] said Japanese Trade Minister late Friday [...] after concessions over sensitive agricultural items.	17 Sept. 2004
Jordan – Singapore	10 May 2004	Deal	Jordan, Singapore	Singapore and Jordan have successfully concluded negotiations on a FTA and a separate bilateral investment treaty [...] Singapore's Ministry of Trade and Industry (MTI) said in a statement late Friday.	16 May 2004
US – Bahrain	27 May 2004	Deal	Bahrain, United States	United States has successfully concluded negotiations for a FTA with Bahrain, wrapping up the negotiations in just four months, both countries announced Thursday.	14 Sept. 2005
EFTA – Lebanon	24 June 2004	Deal	Iceland, Lebanon, Norway, Switzerland	The four-nation European Free Trade Association and Lebanon signed a FTA on Thursday, EFTA said.	17 June 2002
Dominican Republic - Central America – United States Free Trade Agreement (CAFTA-DR)	23 July 2004	Deal	Costa Rica, United States	The Dominican Republic will join a proposed free-trade pact with the United States and five countries of Central America known as CAFTA, US officials said Friday.	5 Aug. 2004
Turkey – Tunisia	28 Sept. 2004	Deal	Tunisia, Turkey	Tunisia and Turkey have concluded a free-trade agreement [...] under which Tunisia will be able to export to Europe products made with Turkish textiles.	25 Nov. 2004
EC (27) Enlargement	6 Oct. 2004	Deal	Austria, Belgium, Bulgaria, Czech Republic, Cyprus, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovak Republic, Slovenia, Spain, Sweden, United Kingdom	The European Union's (EU) executive recommended Wednesday that the bloc sign accession treaties with Romania and Bulgaria as early as 2005.	25 April 2005
ASEAN – China	26 Oct. 2004	Deal	China, Indonesia, Malaysia, Philippines, Singapore, Thailand, Vietnam	China and ASEAN will sign a FTA in November to cut tariffs on commodities from 2005 and eliminate them by 2010, the Ministry of Commerce said Tuesday.	29 Nov. 2004
ASEAN – China (Services)	4 Nov. 2004	Start	China, Indonesia, Malaysia, Philippines, Singapore, Thailand, Vietnam	China and ASEAN will start free trade talks on services and investment after signing a trade agreement later this month, ASEAN official said.	---
US – Oman	15 Nov. 2004	Start	Oman, United States	U.S. Trade Representative Zoellick announced plans Monday to negotiate free trade agreements with Oman.	---

Chile – China	18 Nov. 2004	Start	Chile, China	Chinese President Jintao and Chilean President Lagos said Thursday they have agreed to commence negotiations for a bilateral FTA.	---
Japan – Philippines	19 Nov. 2004	Deal	Japan, Philippines	Japan and the Philippines on Thursday reached a basic agreement to conclude a bilateral free trade pact, Japan's Economy, Trade and Industry Minister Nakagawa said.	9 Sept. 2006
China – New Zealand	19 Nov. 2004	Start	China, New Zealand	China and New Zealand will move toward signing a FTA [...] a senior Chinese official said.	---
Singapore – Peru	19 Nov. 2004	Start	Peru, Singapore	Peruvian President Toledo and Singaporean Prime Minister Loong agreed Friday to start negotiations for a bilateral FTA [...] announced on the sidelines of the Apec summit.	---
Pakistan – Sri Lanka	22 Nov. 2004	Deal	Pakistan, Sri Lanka	Sri Lanka and Pakistan will launch a FTA by January when President Kumaratunga visits Islamabad, Pakistan Prime Minister Aziz said Monday.	1 Aug. 2002
South Korea – Singapore	29 Nov. 2004	Deal	Singapore, South Korea	Asian economies South Korea and Singapore concluded a FTA during a regional summit in Laos, the South Korean government announced Monday.	4 Aug. 2005
Thailand – New Zealand	1 Dec. 2004	Deal	New Zealand, Thailand	Prime Ministers of New Zealand and Thailand announced in Vientiane, Laos, Wednesday that negotiations on FTA had been substantively concluded.	19 April 2005
EFTA – South Korea	10 Dec. 2004	Start	Iceland, Norway, South Korea, Switzerland	South Korea will start talks on a free trade agreement with the EFTA in late January, the Ministry of Foreign Affairs and Trade said Friday.	---
EFTA – Tunisia	16 Dec. 2004	Deal	Iceland, Norway, Switzerland, Tunisia	Tunisia and the European Free Trade Association (EFTA), sign a FTA [...] it was announced Thursday.	17 Dec. 2004
Chile – India	20 Jan. 2005	Start	Chile, India	The Indian government has approved bilateral economic framework agreement with Chile [...] paving the way for full free-trade talks.	---
Pakistan – Malaysia	16 Feb. 2005	Start	Malaysia, Pakistan	Pakistan and Malaysia have agreed to start discussions on a PTA leading to a FTA, Pakistani Prime Minister Aziz said.	---
Egypt – Turkey	31 March 2005	Deal	Egypt, Turkey	Turkish State Minister Tuzmen said on Thursday said that he and Egyptian Foreign Trade and Industry Minister Rashid would sign a free trade agreement in June.	27 Dec. 2005
Pakistan – China	6 April 2005	Start	China, Pakistan	Minister for Commerce Khan Wednesday said that Pakistan and China have started negotiations for a	---

				FTA.	
Panama – Singapore	8 April 2005	Deal	Panama, Singapore	Singapore and Panama have concluded a free trade agreement, the two sides announced Friday.	1 March 2006
Japan – Malaysia	23 May 2005	Deal	Japan, Malaysia	"We have now finalized everything," International Trade and Industry Minister Aziz told reporters after talks with visiting Japanese Trade Minister Nakagawa.	13 Dec. 2005
Japan – Indonesia	1 June 2005	Start	Indonesia, Japan	Japan and Indonesia agreed on Wednesday to begin negotiations over a FTA as early as next month [...] said the official at the Ministry of Economy, Trade and Industry.	---
Trans-Pacific Strategic Economic Partnership	3 June 2005	Deal	Chile, New Zealand, Singapore	Brunei, Chile, New Zealand and Singapore have agreed to create the first trans-Pacific free-trade agreement, officials said Friday.	18 July 2005
India – Singapore	20 June 2005	Deal	India, Singapore	The cabinet today gave its approval to a comprehensive trade agreement between India and Singapore, told Information and Broadcasting Minister Reddy reporters.	29 June 2005
EFTA – South Korea	12 July 2005	Deal	Iceland, Norway, South Korea, Switzerland	Korea and EFTA agreed to a FTA [...] the Ministry of Foreign Affairs and Trade said [...] reached during a small WTO ministerial meeting.	15 Dec. 2005
Japan – Thailand	1 Aug. 2005	Deal	Japan, Thailand	Japanese Minister of Economy, Trade and Industry Nakagawa reached the basic accord with Thai Deputy Prime Minister Chatusiphithak.	3 April 2007
US – Oman	3 Oct. 2005	Deal	Oman, United States	United States and Oman announced on Monday they have successfully completed negotiations on a FTA.	19 Jan. 2006
Chile – China	28 Oct. 2005	Deal	Chile, China	Chilean President Lagos confirmed his Foreign Minister's announcement that negotiations on the Chile-China FTA had come to a successful end today.	18 Nov. 2005
Chile – Japan	18 Nov. 2005	Start	Chile, Japan	Japan and Chile agreed Friday to officially launch negotiations aimed at producing a bilateral free trade agreement, a Japanese official said.	---
Chile – India	24 Nov. 2005	Deal	India, Chile	The agreement will benefit 91 percent of Indian exports and 98 percent of imports from Chile, the Embassy of Chile said in a statement here on Thursday.	8 March 2006
US – Peru	7 Dec. 2005	Deal	Peru, United States	United States and Peru have wrapped up negotiations on a FTA, officials from both countries said Wednesday.	12 April 2006

Japan – Viet Nam	12 Dec. 2005	Start	Japan, Viet Nam	Japanese Prime Minister Koizumi and his Vietnamese counterpart agreed Monday to launch formal negotiations.	---
South Korea – US	2 Feb. 2006	Start	South Korea, United States	South Korea and the United States are to start formal talks on establishing a FTA and hope to complete negotiations within a year, officials said Thursday.	---
Panama – Chile	6 Feb. 2006	Deal	Chile, Panama	Panama and Chile signed a free trade deal here on Saturday, ending their 15th round of FTA talks [...] the two sides excluded some sensitive issues [...] said Panama's Minister of Commerce and Industry Ferrer.	27 June 2006
US – Colombia	27 Feb. 2006	Deal	Colombia, United States	United States and Colombia have concluded a trade agreement [...] announced Monday by USTR Portman and Colombia's minister for trade, industry and tourism.	22 Nov. 2006
EFTA – SACU	26 June 2006	Deal	Botswana, Iceland, Namibia, Norway, South Africa, Switzerland	Conclusion of FTA with SACU (South Africa, Botswana, Lesotho, Namibia and Swaziland) will open new doors, said Swiss Economics Minister Deiss.	26 June 2006
Chile – Colombia	27 July 2006	Start	Chile, Colombia	Chile and Colombia announced they have agreed to start negotiations toward a FTA on Thursday [...] after a meeting between Foreign Minister Foxley and visiting Colombian Trade Minister Botero.	---
China – Singapore	25 Aug. 2006	Start	China, Singapore	China and Singapore have agreed to launch negotiations for a bilateral free trade agreement, Singapore's Trade and Industry Ministry said Friday.	---
Chile – Japan	22 Sept. 2006	Deal	Chile, Japan	Japan announced Friday a framework free trade deal with Chile [...] sealed after just seven months of negotiations [...] said Prime Minister Koizumi.	27 March 2007
EFTA – Colombia	5 Oct. 2006	Start	Colombia, Iceland, Norway, Switzerland	Colombia and EFTA began talks Thursday aimed at drafting a trade agreement [...] said Colombian Trade Minister Botero following the meeting in Bogota.	---
EFTA – Egypt	1 Nov. 2006	Deal	Egypt, Iceland, Norway, Switzerland	Egypt and EFTA have agreed to establish a free trade zone between the two sides, Egypt's news agency MENA reported on Wednesday.	27 Jan. 2007
Australia – Chile	10 Nov. 2006	Start	Australia, Chile	Chile and Australia agreed on Friday to start bilateral free trade talks, according to a statement issued by Chile's Foreign Ministry.	---
Pakistan – China	13 Nov. 2006	Deal	China, Pakistan	China and Pakistan have wrapped up negotiations [...] announcement ahead of a state visit by Chinese President Jintao to Pakistan.	24 Nov. 2006

Chile – Colombia	27 Nov. 2006	Deal	Chile, Colombia	Presidents of Chile and Colombia signed a FTA during a visit to Bogota.	27 Nov. 2006
Japan – Indonesia	28 Nov. 2006	Deal	Indonesia, Japan	Japan and Indonesia said Tuesday they have in principle reached a bilateral FTA [...] said in a joint statement.	20 Aug. 2007
US – Panama	19 Dec. 2006	Deal	Panama, United States	The office of U.S. Trade Representative Schwab said Tuesday it had virtually wrapped up a FTA with Panama [...] the pact complete save for further talks on labor issues.	28 June 2007
ASEAN – China (Services)	15 Jan. 2007	Deal	China, Indonesia, Malaysia, Philippines, Singapore, Thailand, Vietnam	China and the ASEAN signed on Sunday an agreement on Trade in Services of the China-ASEAN Free Trade Area.	14 Jan. 2007
Japan – Switzerland	19 Jan. 2007	Start	Japan, Switzerland	Japan and Switzerland agreed Friday to begin negotiations for a bilateral FTA [...] after a telephone conversation between Japanese Prime Minister and Swiss President.	---
Canada – Peru	23 Jan. 2007	Start	Canada, Peru	Peru and Canada will start talks over a FTA in the next two or three weeks, said Peru's Foreign Trade Deputy Minister Garcia.	---
South Korea – US	2 April 2007	Deal	South Korea, United States	United States and South Korea concluded a landmark FTA Monday, officials said, culminating 10 months of negotiations in a final week of intense haggling that just beat a key U.S. legislative deadline.	30 July 2007
EFTA – Canada	7 June 2007	Deal	Canada, Iceland, Norway, Switzerland	Canada and EFTA have concluded talks on a FTA Canadian Trade Minister Emerson announced Thursday.	26 Jan. 2008
Canada – Colombia	7 June 2007	Start	Canada, Colombia	Canadian Trade Minister Emerson announced Thursday that Canada is launching free trade talks with Colombia.	---
Pakistan – Malaysia	11 June 2007	Deal	Malaysia, Pakistan	Pakistan, Malaysia to sign FTA [...] mutual consent was expressed during a telephonic conversation between the two prime ministers this afternoon.	8 Nov. 2007
Canada – Jordan	13 July 2007	Start	Canada, Jordan	Prime Minister Harper and visiting King Abdullah II bin Al-Hussein of Jordan [...] announced plans to begin talks next year on a possible Canada-Jordan FTA.	---
Peru – Singapore	4 Sept. 2007	Deal	Peru, Singapore	Singapore and Peru have concluded negotiations for a FTA and the bilateral accord will be signed in the next few months, the two nations said Tuesday.	29 May 2008

ASEAN – Japan	12 Nov. 2007	Deal	Indonesia, Japan, Malaysia, Philippines, Singapore, Thailand, Vietnam	Japan and ASEAN on Wednesday welcomed and effectively endorsed the conclusion of a comprehensive FTA aimed at stimulating further trade and investment between the two sides.	26 March 2008
EC – Cote d'Ivoire	7 Dec. 2007	Start	Austria, Belgium, Bulgaria, Czech Republic, Cote d'Ivoire, Cyprus, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovak Republic, Slovenia, Spain, Sweden, United Kingdom	Cote d'Ivoire Friday initialed an interim trade deal with the European Commission ahead new agreements to replace preferential accords between the EU and African, Caribbean and Pacific (ACP) nations.	---
EC – CARIFORUM States EPA	17 Dec. 2007	Deal	Austria, Barbados, Belgium, Bulgaria, Czech Republic, Cyprus, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Jamaica, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovak Republic, Slovenia, Spain, Sweden, Trinidad and Tobago, United Kingdom	Caricom and Dominican Republic - countries have reached agreement with the EU on a new Economic Partnership Agreement (EPA), just days before the current Cotonou Agreement expires at yearend [...] inked the deal in Bridgetown on Sunday.	15 Oct. 2008
China – New Zealand	24 Jan. 2008	Deal	China, New Zealand	China and New Zealand will sign the FTA in April, the Chinese Ministry of Commerce announced here Thursday.	7 April 2008
Canada – Peru	28 Jan. 2008	Deal	Canada, Peru	Peru has signed a FTA with Canada, Peruvian President Garcia announced at the World Economic Forum on Saturday.	29 May 2008
EFTA – GCC	29 April 2008	Deal	Bahrain, Iceland, Norway, Oman, Saudi Arabia, Switzerland, United Arab Emirates.	Negotiations for a FTA between the states of the Gulf Cooperation Council (GCC) and the European Free Trade Association (EFTA) have been finalized, said Secretary General of the GCC Mr. Al-Atiyya.	22 June 2009
Australia – Chile	27 May 2008	Deal	Australia, Chile	Australia and Chile have sealed negotiations for a FTA and the deal should be in place by 2009,	30 July 2008

Canada – Colombia	9 June 2008	Deal	Canada, Colombia	Australian Trade Minister Crean said Tuesday. Colombia has concluded negotiations for a free trade deal with Canada [...] Canada's Foreign Affairs and International Trade Ministry said Saturday.	N/A
EFTA – Colombia	1 July 2008	Deal	Colombia, Iceland, Norway, Switzerland	Colombia and EFTA have agreed on a FTA, according to a press release by the Colombian government on Tuesday.	25 Nov. 2008
Canada – Jordan	26 Aug. 2008	Deal	Canada, Jordan	Department of Foreign Affairs and International Trade said Tuesday that it has reached a free trade agreement with Jordan.	28 June 2009
China – Singapore	4 Sept. 2008	Deal	China, Singapore	Singapore's Deputy Prime Minister Seng and Chinese Vice-Premier Qishan yesterday announced the successful end to two years of FTA negotiations.	23 Oct. 2008
Japan – Switzerland / Japan – Viet Nam	29 Sept. 2008	Deal	Japan, Switzerland; Vietnam	Japan has struck separate basic deals with Vietnam and Switzerland to conclude [...] government officials said Monday.	19 Feb. 2009 / 25 Dec. 2008
EC – Cote d'Ivoire	26 Nov. 2008	Deal	Austria, Belgium, Bulgaria, Czech Republic, Cote d'Ivoire, Cyprus, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovak Republic, Slovenia, Spain, Sweden, United Kingdom	Cote d'Ivoire became the first country in Africa to sign an economic partnership agreement (EPA) with the European Union [...] formally copper-fastened in Abidjan.	26 Nov. 2008

Note: All information except for the event date and event type drawn from the RTA-database of the World Trade Organization (see <http://rtais.wto.org>). The “List of all RTAs in force” and the “List of early announcements” were downloaded from this database on 21 October, 2009, and 27 February, 2010, respectively. RTAs reported in chronological order. Following three selection criteria have to be met in order to be included in our data set: i) RTA reported to and part of WTO's RTA-database ii) daily stock market data available and iii) this daily financial market data available for both RTA-members in the case of a bilateral trade agreement or for at least one RTA-member country if the signatory constitutes a RTA itself. *Event date* based on full-text research via LexisNexis, where we mainly focus on international newswires, press releases and well-established newspapers published in English. Event date refers to official announcement of at least one of the involved governments that i) negotiations on a regional trade agreement will be started soon (*start*) or ii) that a general agreement on such an agreement has been reached (*deal*). The reported dates refer to the first trading day, when such an announcement can be priced in. Announcements of deals usually proceed the official *signature date* as reported by the WTO by several weeks or months. *Name of RTA* is name of Regional Trade Agreement as reported by WTO. *Description of Announcement* gives some details on news.

Table OA2: Raw Stock Market Returns of MSCI-World

Type of stock market return	(t-1, t+1)	(t-1, t+3)	(t-1, t+5)	(t-1, t+7)	(t-1, t+10)
<i>Raw Returns of MSCI-World</i>	-0.095	-0.108	-0.088	0.058	0.146
	(0.09)	(0.18)	(0.23)	(0.30)	(0.32)

Note: We report here the average raw returns for the market (MSCI-World) over the 199 event dates considered in this study. Event date defined as announcement of the start of negotiations of RTA or announcement of a successful conclusion of such an agreement. Standard errors in brackets are computed using the cross-section standard deviation of the returns and account for variance inflation and clustering at the announcement day. Returns significantly different from zero at [0.10] 0.05 (0.01) marked with [one circle] one (two) asterisk(s).

Table OA3: Evidence for Anticipation Effects?

Model	Default (t-1, t+5)	(t-3, t-1)	(t-5, t-1)	(t-7, t-1)	(t-10, t-1)
<i>Log real GDP p/c</i>	-0.248*	0.017	0.027	0.056	0.105
	(0.12)	(0.12)	(0.17)	(0.18)	(0.20)
<i>Log real GDP</i>	0.042	-0.043	-0.039	-0.039	-0.044
	(0.08)	(0.07)	(0.10)	(0.11)	(0.13)
<i>Log Trade/GDP</i>	-0.099	-0.024	-0.024	-0.003	-0.132
	(0.16)	(0.11)	(0.16)	(0.17)	(0.23)
<i>Log National Stocks/GDP</i>	0.043	-0.020	-0.025	-0.049	-0.008
	(0.08)	(0.05)	(0.08)	(0.11)	(0.13)
<i>Exports to RTA partners/GDP</i>	2.620**	-0.721	-0.702	0.287	0.687
	(0.79)	(0.65)	(0.66)	(1.04)	(1.11)
<i>RTA-partner's log real GDP</i>	-0.153**	0.033	-0.010	-0.080	-0.001
	(0.06)	(0.04)	(0.05)	(0.07)	(0.08)
Number of Observations	1001	1001	1001	1001	1001

Note: Each column is estimated via OLS. Estimates in Column (1) show the baseline results from Table 1 for comparability, covering 82 developing and developed countries and 122 RTAs from 1988 to 2009. In Column (2) to (5), we report the results for different event windows prior to the announcement date. Event date defined as announcement of the start of negotiations of RTA or announcement of a successful conclusion of such an agreement. Coefficients with standard errors clustered at the country-level in parentheses. Coefficients significantly different from zero at [0.10] 0.05 (0.01) marked with [one circle] one (two) asterisk(s). Regressand: National Stock Market return in local currency, adjusted for MSCI movement. Time-fixed effects, intercepts and Goods/Goods&Services dummy included but not reported.

Table OA4: Financial Market Expectations and Conditional Export Effects

Event window	(t-1, t+1)	(t-1, t+5)	(t-1, t+7)	(t-1, t+10)	(t-1, t+15)
<i>Gravity effect (fe)</i>	0.146	0.319*	0.452**	0.529**	0.477°
	(0.12)	(0.14)	(0.16)	(0.19)	(0.24)

Note: Each column is estimated via OLS. Estimates based on 970 observations, covering 80 developing and developed countries and 100 RTAs from 1988 to 2009. Event date defined as announcement of the start of negotiations of RTA or announcement of a successful conclusion of such an agreement. Coefficients with standard errors clustered at country-level in parentheses. Coefficients significantly different from zero at [0.10] 0.05 (0.01) marked with [one circle] one (two) asterisk(s). Regressand: National Stock Market return in local currency, beta-adjusted for MSCI movement. The variable Gravity effect (fe) captures estimated RTA-specific coefficients from a bilateral trade model from 1988 to 2009 for all countries and all RTAs notified to WTO being in force (with time-varying importer and exporter fixed effects (2-years) and time-fixed effects).

Table OA5: Changes in National Exchange Rate relative to U.S. Dollar

Event window	(t-1, t+1)	(t-1, t+3)	(t-1, t+5)	(t-1, t+7)	(t-1, t+10)
<i>Log real GDP p/c</i>	-0.013	0.000	-0.008	-0.055	-0.109
	(0.03)	(0.04)	(0.04)	(0.04)	(0.06)
<i>Log real GDP</i>	0.054*	0.031	0.060*	0.053	0.061
	(0.02)	(0.03)	(0.03)	(0.04)	(0.03)
<i>Log Trade/GDP</i>	0.090	0.153	0.203*	0.187	0.075
	(0.05)	(0.08)	(0.09)	(0.11)	(0.16)
<i>Log National Stocks/GDP</i>	-0.059**	-0.073*	-0.105**	-0.073	-0.066
	(0.02)	(0.03)	(0.04)	(0.04)	(0.04)
<i>Exports to RTA partners/GDP</i>	-0.170	-0.461	-0.045	-0.990**	-1.511**
	(0.28)	(0.36)	(0.39)	(0.30)	(0.36)
<i>RTA-partner's log real GDP</i>	-0.008	0.017	-0.002	-0.027	-0.017
	(0.02)	(0.03)	(0.03)	(0.03)	(0.04)

Note: Each column is estimated via OLS. For comparability, sample restricted to sample of Appendix 3. Estimates based on 928 observations, covering 80 developing and developed countries and 122 RTAs from 1988 to 2009. Event date defined as announcement of the start of negotiations of RTA or announcement of a successful conclusion of such an agreement. Coefficients with standard errors clustered at country-level in parentheses. Coefficients significantly different from zero at [0.10] 0.05 (0.01) marked with [one circle] one (two) asterisk(s). Regressand: Change in National Exchange Rate relative to U.S. dollar. Positive (negative) sign equivalent to depreciation (appreciation) of exchange rate relative to U.S. dollar. Time-fixed effects, intercepts and Goods/Services dummy included but not reported.

Appendix Graph 1: Second stage of Event Study (Coefficient on log real GDP p.c. for Different CARs)

Appendix Graph 2: Second stage of Event Study (Coefficient on Exports to RTA-partners for Different CARs)

Appendix Graph 3: Second stage of Event Study (Coefficient on RTA-partner(s) log real GDP for Different CARs)

Endnotes

¹ By “regional trade agreements” (RTAs), we include customs unions (CUs), free trade agreements (FTAs) and preferential trade agreements (PTAs). We do not distinguish between these forms; it is not easy to do so in practice, and all are allowed within the GATT/WTO framework.

² Among others, Magee (2003, 2008), Baier and Bergstrand (2004, 2007, 2009), Carrère (2006), Eicher et al. (2012) and Egger et al. (2011) document the endogenous nature of regional trade agreements and their heterogeneous effects. Egger and Larch (2008) and Baldwin and Jaimovich (2012) emphasize the “spatial dimension” of trade agreements; if geographically close countries or important trading partners strike a deal with another country, the incentives for non-members to pursue a regional trade agreement increase.

³ For evidence of limited capital mobility across sectors for the United States, Canada and (partly) Mexico see Grossman and Levinsohn (1989), Thompson (1994) and Rodriguez (2003). In Appendix Table A5, we proxy relative factor endowment by differences in real GDP per capita between RTA-partners (see Egger et al., 2011), but cannot find any significant effects.

⁴ For instance, Singapore’s share prices initially dropped following the announcement of a RTA with the United States due to concerns about increased competition in the financial sector.

⁵ Joseph Stiglitz raises this concern for instance in the following newspaper articles: “New Trade Pacts Betray the Poorest Partners,” Wall Street Journal, July 10, 2004; “Nobel Laureate Criticizes FTA, U.S. Unilateralism,” The Korea Herald, Nov. 16, 2007.

⁶ These are listed in the RTA-IS under “List of all RTAs in force” as well as those that have been signed but are not yet in force (listed in the RTA-IS under “List of early announcements”).

⁷ If the countries officially decide to conduct some sort of “pilot study” together, this announcement is defined as the official start of negotiations, so long as *de facto* negotiations are not conditional on the success of the pilot study.

⁸ In the case of entry into the European Community/European Union, we define a “deal” as the European Commission’s announcement to officially recommend the accession of a new member. While the European Council technically decides to accept this recommendation, the Council has never yet rejected a positive recommendation.

⁹ The full-text research via LexisNexis (LexisNexis Academic) was performed between October and December 2009, at the Haas Business School and between December 2009 and March 2010 at ETH Zurich. The full-text research typically starts with the key-words “free trade” or “trade agreement” and the two respective country names. We restrict ourselves to dates before the respective RTA went into force.

¹⁰ One of the reasons for a gap between the official announcement and the signature ceremony is “legal scrubbing” since it usually takes some time to transform the political will of a general agreement into a contract. (We are not aware of any cases where an agreement has not been followed by the formal signing of a RTA.) A number of RTAs have been signed but not yet ratified at the time of gathering this data set; these RTAs had not yet been in force (prominent examples were the US–Korea and US–Colombia RTAs, which are ratified in the meanwhile).

¹¹ In the interest of parsimony, we combine together RTA start and deal dates into a single data set, rather than modeling them separately. The hypothesis that the stock market responds equally to both types of news can neither be rejected for the first stage nor the second stage of the event study at any reasonable significance level (see Appendix Table A1 and A2).

¹² Obviously, our results relate only to those firms actually listed in the stock market. Large firms are more likely to be publicly traded; they are also more likely to be exporters (e.g., Pagano et al, 1998; Bernard et al., 2007). Hence, the firms captured in our study are likely those most relevant for overall trade flows.

¹³ Typically when we collect the same series from different sources (e.g., the EAFE index or the \$/C\$ exchange rate), the series coincide closely.

¹⁴ We exclude two extreme events from our analyses due to confounding factors. Argentina experience cumulative abnormal returns of nearly 40 percent around the announcement of a RTA with Brazil in 1991. But at the same time the Argentine Minister of Finance, Domingo Cavallo, also announced far-reaching economic policy reforms including the formation of a currency board. Furthermore, Vietnam suffered from heavy losses amidst the Subprime Crisis in autumn 2008 (up to -42 percent around the announcement of a RTA with Japan). Results are not sensitive to the inclusion of these two observations.

¹⁵ We have supplemented the sources below with national sources, if all but one control variable was missing for a country in an event-year. Our results are insensitive to the exclusion of these observations.

¹⁶ This is “a standard part of almost every event study [...] relevant even when the mean stock price effect of an event is zero” (Kothari and Warner, 2007).

¹⁷ Our empirical strategy might entail measurement error in abnormal returns. To the extent that important news about RTAs is anticipated, our measured abnormal returns are biased towards zero. Prabhala (1997) demonstrates that standard event-study techniques remain valid. Our coefficients of interest $\{\gamma, \delta\}$ and their t-statistics then constitute a lower bound of the true value without any anticipation. Note that this potential downward bias could affect the first and the second stage of the event study. But anticipation effects do not seem to be a major issue here. To foresee some results: We neither find any strong movements in average abnormal returns before the RTA events (see Graph 1) nor can we explain the abnormal returns just prior to the RTA events with the set of variables employed in our main specification (see Online Appendix Table 3).

¹⁸ Note that the variable “stocks traded relative to GDP” is only available from 1988. We also note in passing that we have experimented briefly (but unsuccessfully) with other regressors. For instance, in Appendix Table A5 a proxy for similarity between RTA-members is added (Baier and Bergstrand, 2004). Furthermore, another important variable from the trade gravity literature, namely distance, does not offer any additional insights (see also Appendix A6, Column 2).

¹⁹ The sibling of this variable, *Imports from RTA partners/GDP*, cannot be included separately due to multicollinearity.

²⁰ In the case of RTA-enlargements, the features of the RTA only refer to the new RTA partner(s).

²¹ This effect is driven neither by differences in the number of listed firms between poor and rich countries nor corruption, as reported in Appendix A6, Columns 3 and 4.

²² In Appendix A6, Column 5, we replace exports to RTA partners by exports to and imports from RTA partners (still scaled by domestic GDP), yielding very similar results. Note that this alternative measure obviously has a higher mean and hence yields a smaller coefficient.

²³ These positive stock market reactions for natural trading partners seem to be positively correlated with later on realized exports flows. We offer the following approach: We estimated a standard bilateral gravity model with RTA-specific effects (and time-varying exporter- and importer-effects, time-fixed effects and the usual suspects as control variables) for all countries from 1988 to 2009. We then correlate these RTA-specific coefficients (capturing the conditional export creating effect due to the RTA) with abnormal returns. Online Appendix 4 shows that they are positively and (starting from the event window t-1, t+5) significantly associated with each other.

²⁴ All these results are robust to the exact choice of window size for cumulative abnormal returns.

²⁵ Scaled abnormal returns are a preferred signal detection device, because noisier observations receive less weight than more reliable ones (Kolari and Pynnönen, 2010).

²⁶ Appendix Table A3 shows that our results are also insensitive to the exact sample of data; neither financial crisis periods nor outlier observations seem to drive our main results. The following time periods are defined as financial crises: Tequila Crisis (12/1994 and 1/1995), Asian Crisis (7/1997 to 12/1997), Russian Crisis and LTCM crisis (8/1998 to 12/1998), Argentine sovereign default (12/2001 and 1/2002) and onset of Subprime Crisis (8/2008 and 9/2008).

²⁷ Appendix Tables A4 and Online Appendix 5 repeat the analysis of Table 1 for returns measured in US\$ and the LC/US\$ exchange rate respectively. Note that a negative coefficient on the variable Exports to RTA partners/GDP in Online Appendix 5 implies that the domestic currency tends to appreciate vis-à-vis the US dollar if existing export links are already strong (for the longer event windows).

²⁸ Note that *Exports to RTA partners/GDP* here refers to exports from country *i* to the Top *x* export destination(s) relative to GDP in year *t*.