# CUTS Dossier on Preferential Trade Agreements

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***(For all previous issues of PTA Dossiers, please visit: http://www.cuts-citee.org/PTADossier.htm)***

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### 1. Pakistan-Indonesia PTA to be operational from September 13

The Preferential Trade Agreement (PTA) will become operational from September 13, 2013, creating new opportunities for mutually beneficial exploitation of the huge trade potential that happily marks the historically friendly relations between Pakistan and Indonesia. The last hurdle in the actualisation of the PTA was affectively removed by the signing of Mutual Recognition Agreement (MRA) on Plant Quarantine and SPS Measures by Ambassador Sanaullah and Indonesian Agricultural Quarantine Agency (IAQA) Director General Ms Banun Harpini.

A special meeting was arranged by the Ministry of Agriculture to hold the signing ceremony. Officials from different Indonesian departments were invited to witness the event. It may be noted that Indonesia has signed MRA with only US, Australia, New Zealand, Thailand and Canada. From South Asia, Africa, Europe and Middle East, Pakistan has become the first and the only country which will be able to export its fruit to Indonesia without subjecting it to Indonesian Quarantine Rules and Regulations.

Addressing the gathering, Indonesian Ambassador to Pakistan Burhan Muhammad who specially flew to Jakarta to oversee finalisation of the PTA, said, "By signing MRA and awarding Pest Free Area Recognition Certificate for Pakistan kinnow, allowing entry through Tanjung Priok Port of Jakarta, Indonesia has removed all impediments in effective implementation of IP-PTA from September 01, 2013. This will enhance bilateral trade between the two countries. Although, this year has almost passed, he believed that the bilateral trade might reach US$2bn mark. Indonesia values her relationship with Pakistan. "From here, we are ready to start negotiations for IP-FTA covering not only goods but opening cooperation in investment, services, energy sector, tourism and Islamic banking too.

Ambassador Sanaullah expressed his gratitude to the Indonesian Minister for Trade Gita Wirjawan for his personal commitment to remove all Non-Tariff Barriers (NTBs), which blocked the operationalisation of IP-PTA already signed in February 2012. He also thanked the Indonesian Quarantine Agency for arranging speedy field verification of kinnow archids in Pakistan, which led to signing of MRA. The ambassador further said that the trade potential between the two countries is huge and is likely to increase further, keeping in view the swelling middle class in both countries. Also, the ambassador pointed out that for certain Indonesian products like palm oil, Pakistan could serve as an entry point to Central Asian Republics and western China. Indonesian would not only be catering to a market of 180 million people, but consumers from at least six other countries including Afghanistan, Tajikistan, Uzbekistan, Kyrgyz Republics, Kazakhstan and China.

The ambassador further said that Pakistan's need for palm oil, pulp and paper and rubber are strategic and is not likely to decline. Indonesian business should focus on our market from this angle as well. Mutually beneficial trade can multiply after it is made people centric and the business communities of the two countries are felicitated to meet each other frequently.

The IAQA Director General confirmed that Pakistani kinnow and other agricultural products would be allowed to enter the Indonesian market through Tanjung Priok Port, Jakarta. She said that the signing of MRA was part of the commitment made by the two countries during the visit of President Susilo Bambang Yudhoyono to Pakistan in 2005. She expects that because of MRA and PTA, the bilateral trade would have the capacity to reach US$5.5bn by end of 2014.

Earlier, Ministry of Trade Director General Imam Pambagyo held an exclusive meeting with the ambassadors from Pakistan and Indonesia and explained the priority of his government to do more trade and establish mutually beneficial joint ventures. The director general was assured that Pakistan attached priority to Indonesia and all efforts would be made to deepen and broaden cooperation in trade, development projects and promotion of investment.

As per the MRA, Pakistani kinnow would be able to land in Jakarta without undergoing Sanitary & Phyto Sanitary (SPS) standards and inspections. In simple words it means that Pakistan would be able to have a longer shelf life for its agricultural products and cheaper costs by avoiding entry through Surabaya. The export of kinnow, which ranges between US$4mn to US$5mn, is likely to get a boost with the Country Recognition and MRA. Other agricultural products, which can benefit from this agreement, include pears, apples, apricots and dry nuts.

*Source:*
http://www.dailytimes.com.pk/default.asp?page=2013%5C08%5C31%5Cstory_31-8-2013_pg5_9

***CUTS Comments***

*Trade statistics reveals that in 2012 the value of total exports from India to Pakistan was US$1633mn. In the same year, the value of total exports from Indonesia to Pakistan was US$1381mn, roughly about 15 percent lower compared to that of exports from India. In the wake of the new dynamics of Indonesia entering into an FTA with Pakistan, one can argue that the overall position might tilt in favour of Indonesia and might lead to more export from Indonesia to Pakistan.*

*A comparison of major export items from India and Indonesia to Pakistan demonstrates that the two countries compete with each other in at least four product segments in their top ten exported goods. These include organic chemicals; coffee, tea, mate and spices; manmade staple fibres; and miscellaneous chemical products. Out of the four products, while India is placed better in value terms in three product segments; Indonesia has relative advantage over India in case of manmade staple fibres (Table 1.1). It is also observed that export from India in two competing product segments is growing at a faster pace compared to export from Indonesia during the period 2008-12. To cope up with the emerging challenges in the light of recent trade agreement between Indonesia and Pakistan, India needs to diversify its export in other product segments in order to maintain its position in the Pakistani market. Overall, one can expect that the recently signed FTA might lead to some amount of trade diversion in competing product segments.*

*In non-competing product segments namely cotton; residues, wastes of food industry, animal fodder; manmade filaments; edible vegetables and certain roots and tubers; plastics and articles thereof; and oil seed, oleagic fruits, grain, seed, fruit, etc, nes, India may continue to remain a dominant player in the Pakistan's market that of Indonesia.*

*Overall, as indicated above, it appears that while the new agreement might adversely impact some product segments in which both India and Indonesia compete with each other, the impact might not be significant in other segments as India enjoys comparative advantages. Overall, the scope for trade diversion in non-competing product segments appears limited at least in the short run.*

| **Table 1.1** | | | | |
|---|---|---|---|---|
| **India's exports to Pakistan (Exports in 2012: US$1633mn)** | | | **Indonesia's exports to Pakistan (Exports in 2012: US$1381mn)** | |
| Export Value in 2012 (US$mn) | Annual growth (2008-2012, %, p.a.) | Sectors | Export Value in 2012 (US$mn) | Annual growth (2008-2012, %, p.a.) |
| 273.6 | -10 | Organic chemicals | 15.63 | 9 |
| 244.9 | 3 | Cotton | … | … |
| 176.9 | 20 | Residues, wastes of food industry, animal fodder | … | … |
| 104.0 | -18 | Manmade filaments | … | … |

| | | | | |
|---|---|---|---|---|
| 95.6 | 10 | Edible vegetables and certain roots and tubers | … | … |
| 87.2 | 18 | Coffee, tea, mate and spices | 24.7 | 0 |
| 74.9 | 9 | Plastics and articles thereof | … | … |
| 55.9 | 85 | Manmade staple fibres | 103.1 | 27 |
| 50.1 | 15 | Miscellaneous chemical products | 24.5 | 17 |
| 49.5 | 28 | Oil seed, oleagic fruits, grain, seed, fruit, etc., nes | … | … |
| | | Animal, vegetable fats and oils, cleavage products, etc | 745.4 | 22 |
| | | Mineral fuels, oils, distillation products, etc. | 156.2 | -6 |
| | | Paper and paperboard, articles of pulp, paper and board | 76.7 | 9 |
| | | Edible fruit, nuts, peel of citrus fruit, melons | 68.1 | 14 |
| | | Rubber and articles thereof | 30.8 | 20 |
| | | Vehicles other than railway, tramway | 15.4 | 5 |
| **1212.7 (74%)** | | **Top 10 Products (percentage of total exports)** | **1260.5 (91 %)** | |
| ***Source: ITC Database*** | | | | |

*Trade statistics reflects that India is better positioned in Indonesian market than that of Pakistan. In 2012, India's exports to the Indonesia were valued at approximately US$6021.9mn. This is nearly 25 times more than that of Pakistan's export of US$236.3mn. Considering the gap between exports of India and Pakistan to Indonesia, it appears that competition is not that intense between the two countries.*

*A comparison of top ten export segments shows that the two countries compete with each other in one product segment, namely cereals. Even in this product segment India is better positioned than Pakistan in terms of value of exports.*

*In non-competing segments like mineral fuels, oils, distillation products, etc; organic chemicals; ships, boats and other floating structures; machinery, nuclear reactors, boilers, etc; oil seed, oleagic fruits, grain, seed, fruit, etc, nes; vehicles other than railway, tramway; iron and steel; electrical, electronic equipment; and plastics and articles thereof, India may continue to remain a dominant player compared to Pakistan (Table 1.2).*

*It is also observed that in some product segments – cotton; copper and articles thereof; manmade staple fibres; raw hides and skins (other than furskins) and leather; fish, crustaceans, molluscs, aquatic invertebrates nes; edible fruit, nuts, peel of citrus fruit, melons; lead and articles thereof; beverages, spirits and vinegar; and milling products, malt, starches, inulin, wheat gluten – India does not export much to the Indonesia even if India enjoys moderate comparative advantage in these product segments. Given this, India could focus on these products to further increase its penetration in the Indonesian market.*

*Overall, it is expected that the agreement between Pakistan and Indonesia will not lead to much trade diversion, though India needs to have a close watch on the new developments.*

| Table 1.2 | | | | |
|---|---|---|---|---|
| **India's exports to Indonesia (Exports in 2012: US$6021.92mn)** | | | **Pakistan's exports to Indonesia (Exports in 2012: US$236.3mn)** | |
| Export Value in 2012 (US$mn) | Annual growth (2008-2012, %, p.a.) | Sectors | Export Value in 2012 (US$mn) | Annual growth (2008-2012, %, p.a.) |
| 1571.7 | 38 | Mineral fuels, oils, distillation products, etc. | … | … |
| 730.1 | 24 | Organic chemicals | … | … |
| 608.8 | 43 | Ships, boats and other floating structures | … | … |
| 580.4 | 176 | Cereals | 84.9 | 190 |
| 271.5 | 29 | Machinery, nuclear reactors, boilers, etc. | … | … |
| 228.1 | 25 | Oil seed, oleagic fruits, grain, seed, fruit, etc., nes | … | … |
| 221.7 | 36 | Vehicles other than railway, tramway | … | … |
| 210.1 | 5 | Iron and steel | … | … |
| 198.8 | 33 | Electrical, electronic equipment | … | … |
| 145.4 | 51 | Plastics and articles thereof | | |
| | | Cotton | 84.0 | 26 |
| | | Copper and articles thereof | 20.4 | |
| | | Manmade staple fibres | 10.0 | 47 |
| | | Raw hides and skins (other than furskins) and leather | 8.8 | 38 |
| | | Fish, crustaceans, molluscs, aquatic invertebrates nes | 6.5 | 7 |
| | | Edible fruit, nuts, peel of citrus fruit, melons | 4.1 | 113 |
| | | Lead and articles thereof | 4.0 | 142 |
| | | Beverages, spirits and vinegar | 2.5 | |
| | | Milling products, malt, starches, inulin, wheat gluten | 1.5 | 17 |
| **4766.6 (79%)** | | **Top 10 Products (percentage of total exports)** | **226.8 (96%)** | |
| ***Source: ITC Data base*** | | | | |

***Food for Thought***

*India does not have a PTA with Pakistan, but Pakistan is a member of South Asian Free Trade Area (SAFTA). A free trade agreement (FTA) is operational with Association of Southeast Asian Nations (ASEAN) in which Indonesia is a member state. In the wake of emerging dynamics, should India find out some ways to normalise trade relationship* *with Pakistan for greater good of the region? Would the status of Most Favoured Nation, which Pakistan is likely to give to India, neutralise adverse impact of such bilateral trade arrangement between Pakistan and other countries?*

## 2. New Zealand, Taiwan sign free trade deal

New Zealand signed an FTA with Taiwan in a deliberately low-key ceremony designed to demonstrate the South Pacific nation's fealty to its formal relations with mainland China. The location of the signing ceremony at a university and the absence of senior officials from either side underscored New Zealand's interest in maintaining its increasingly important ties with Beijing. Five years ago, New Zealand became the first developed nation to sign a free trade deal with China, which has since become its largest export market.

In contrast to New Zealand, the deal was widely trumpeted in Taiwan, which is eager to break out of its China-imposed diplomatic isolation. It was Taiwan's first free trade agreement with a developed country and, from its point of view, a victory that was more political than economic. Television crews were on hand to beam the signing ceremony live to Taiwan. Taiwan and China split amid civil war in 1949, and the Chinese government goes out of its way to pressure other countries to give short shrift to Taiwanese attempts to expand the democratic island's international profile.

But it also seeks to assist the Taiwanese government of President Ma Ying-jeou in solidifying the island's economy as a way of promoting the interests of Ma's China-friendly Nationalist Party among an increasingly disaffected Taiwanese electorate. China-Taiwan relations have been considerably less fractious since the election of Ma in 2008. Like most Western nations, New Zealand does not recognise Taiwan as an independent country. To complete the deal, New Zealand used the wording and status from the World Trade Organisation, which describes Taiwan as a ‘separate customs territory.’

The New Zealander who signed the deal was Stephen Payton, director of the Commerce and Industry Office which comes under the banner of the Wellington Employers' Chamber of Commerce. That meant he wasn't technically a government official, although he had been seconded into the role from his government job. "We have a no surprises relationship with China," Payton said. "So yes, they are comfortable with what we are doing."

Payton said the gradual removal of tariffs from the beef, fruit and other products it exports to Taiwan would result in savings of 40 million New Zealand dollars (US$31mn) in the first year and NZ$75mn after 12 years when all the tariffs expired. Taiwan will also win some small economic gains when New Zealand tariffs on machine tools, steel plates and bicycles are removed under the deal.

Elliott Charng, who signed the agreement for the Taipei Economic and Cultural Office in New Zealand, said the deal was a 'win-win.' "I do not want to talk about the political issue here," Charng said in response to a question. "I do not know anything about China's involvement." In Taipei, Taiwan's Foreign Minister David Lin shrugged off questions about the choice of venue, saying that Victoria University of Wellington was an 'ideal site' for the ceremony because the university assisted in the feasibility study of the deal when talks began in 2011.

The agreement "will enhance interests on both sides," Lin said. "The deal was signed under the WTO framework, and it had nothing to do with mainland China." Chinese Foreign Ministry spokeswoman Hua Chunying said China has no objections to trade and other types of exchanges between Taiwan and foreign countries as long as they stop short of "official relations." "The current China-New Zealand relationship is in good shape. New Zealand's adherence to the one-China policy and proper handling of relevant issues is conducive to the sound development of the China-New Zealand relationship," Hua told reporters at a regularly scheduled briefing.

Taiwan has previously signed trade deals with its diplomatic allies, which are mostly small, impoverished countries in Africa and Latin America. "It's a small step but has opened a window for Taiwan to raise its economic and diplomatic profiles globally," said Wu Fu-cheng, an economist with the Taiwan Institute for Economic Research. Taiwan is also negotiating free trade deals with India and Singapore.

*Source: http://bigstory.ap.org/article/new-zealand-taiwan-sign-free-trade-deal*

***CUTS Comments***

*Trade statistics reflects that in 2012 the value of total exports from India to New Zealand was US$305.2mn. In the same year, the value of total exports from Taiwan to New Zealand was US$523.7mn, 1.7 times higher than that of India. In the wake of the new dynamics of Taiwan entering into an FTA with New Zealand, the overall position can further tilt in favour of Taiwan.*

*A comparison of major export items from India and Taiwan to New Zealand demonstrates that the two countries compete with each other in at least four product segments. These include machinery, nuclear reactors, boilers, etc; vehicles other than railway, tramway; plastics and articles thereof; and iron and steel. Out of the four competing products, in terms of value, Taiwan has definitive edge over India in all product segments (Table 2.1). However, the growth trend over the last four years (2008-12) indicates that in all the competing items except machinery, nuclear reactors, boilers, etc, India is relatively better positioned. The situation might not remain same in the light of recently signed FTA deal. To cope up with this new dynamics, India needs to take necessary measures to maintain/increase its competiveness in these product segments and to capture increased export market in New Zealand. India does not have PTA with New Zealand and, therefore, one can expect that the impact on competing Indian exports could be significant as a result of this agreement.*

*It is also observed that in product segments namely mineral fuels, oils, distillation products, etc; electrical, electronic equipment; articles of iron or steel; manmade staple fibres; rubber and articles thereof; and tools, implements, cutlery, etc. of base metal, India does not export much to New Zealand even when India enjoys moderate advantage in some of the product segments. Improvement in India's competitiveness in these segments could improve India's overall position in the New Zealand's market.*

| **Table 2.1** | | | | |
|---|---|---|---|---|
| **India's exports to New Zealand (Exports in 2012: US$305.2mn)** | | | **Taiwan's exports to New Zealand (Exports in 2012: US$523.7mn)** | |
| Export Value in 2012 (US$mn) | Annual growth (2008-2012, %, p.a.) | Sectors | Export Value in 2012 (US$mn) | Annual growth (2008-2012, %, p.a.) |
| 35.4 | 26 | Pharmaceutical products | … | … |
| 27.9 | -13 | Aircraft, spacecraft, and parts thereof | … | … |
| 16.4 | 4 | Pearls, precious stones, metals, coins, etc. | … | … |
| 16.3 | 24 | Commodities not elsewhere specified | … | … |
| 14.5 | -20 | Machinery, nuclear reactors, boilers, etc. | 47.1 | 4 |
| 14.0 | 20 | Other made textile articles, sets, worn clothing etc. | … | … |
| 12.7 | 74 | Vehicles other than railway, tramway | 34.3 | 5 |
| 12.4 | 79 | Miscellaneous chemical products | … | … |
| 10.3 | 33 | Plastics and articles thereof | 41.8 | 3 |
| 8.9 | 20 | Iron and steel | 55.2 | -1 |
| | | Mineral fuels, oils, distillation products, etc. | 145.8 | -7 |
| | | Electrical, electronic equipment | 44.0 | 7 |
| | | Articles of iron or steel | 29.0 | 4 |
| | | Manmade staple fibres | 11.5 | 15 |
| | | Rubber and articles thereof | 10.5 | 3 |
| | | Tools, implements, cutlery, etc. of base metal | 10.1 | 6 |
| **168.9 (55%)** | | **Top 10 Products (percentage of total exports)** | **429.2 (82%)** | |
| ***Source: ITC Data base*** | | | | |

*Trade statistics reflects that India is better positioned in Taiwan market compared to that of New Zealand. In 2012, India's exports to the Taiwan were valued at US$2828.1mn, which is around four times higher than that of New Zealand's export to the Taiwan. In 2012, the New Zealand's export to Taiwan was valued at US$667.9mn. Considering the gap between exports of India and New Zealand to Taiwan, it seems impact of new agreement might not be too harsh on exports from India. The argument is further reinforced by the fact that the two countries do not have much competitive interests in the Taiwanese market.*

*A comparison of top ten export segments shows that the two countries compete with each other in one product segment, namely residues, wastes of food industry, animal fodder. Even in this product segment India is better positioned than New Zealand.*

*In non-competing segments – mineral fuels, oils, distillation products, etc; organic chemicals; iron and steel; cereals; machinery, nuclear reactors, boilers, etc; cotton; zinc and articles thereof; fish, crustaceans, molluscs, aquatic invertebrates nes; and salt, sulphur, earth, stone, plaster, lime and cement – India may continue to remain a dominant player compared to New Zealand (Table 2.2). However, in product segments namely dairy products, eggs, honey, edible animal product nes; meat and edible meat offal; edible fruit, nuts, peel of citrus fruit, melons; wood and articles of wood, wood charcoal; cereal, flour, starch, milk preparations and products; electrical, electronic equipment; pulp of wood, fibrous cellulosic material, waste etc; commodities not elsewhere specified; and paper and paperboard, articles of pulp, paper and board, India does not export much to the Taiwan's market even if India has moderate comparative advantage in some of the product segments. Overall, it is expected that the agreement between New Zealand and Taiwan will not lead to much trade diversion, given the geopolitical position India holds in the region.*

| **Table 2.2** | | | | |
|---|---|---|---|---|
| **India's exports to Taiwan (Exports in 2012: US$ 2828.1mn)** | | | **New Zealand's exports to Taiwan (Exports in 2012: US$667.9mn)** | |
| Export Value in 2012 (US$mn) | Annual growth (2008-2012, %, p.a.) | Sectors | Export Value in 2012 (US$mn) | Annual growth (2008-2012, %, p.a.) |
| 1605.2 | 31 | Mineral fuels, oils, distillation products, etc. | … | … |
| 225.5 | 16 | Organic chemicals | … | … |
| 208.8 | 33 | Iron and steel | … | … |
| 110.1 | -3 | Cereals | … | … |
| 73.0 | 36 | Machinery, nuclear reactors, boilers, etc. | … | … |
| 72.4 | 9 | Cotton | … | … |
| 67.5 | 13 | Residues, wastes of food industry, animal fodder | 10.7 | 27 |
| 66.4 | 52 | Zinc and articles thereof | … | … |
| 58.2 | 57 | Fish, crustaceans, molluscs, aquatic invertebrates nes | … | … |
| 34.8 | 6 | Salt, sulphur, earth, stone, plaster, lime and cement | … | … |
| | | Dairy products, eggs, honey, edible animal product nes | 200.1 | 15 |
| | | Meat and edible meat offal | 151.3 | 8 |
| | | Edible fruit, nuts, peel of citrus fruit, melons | 99.3 | 13 |
| | | Wood and articles of wood, wood charcoal | 40.2 | 14 |
| | | Cereal, flour, starch, milk preparations and products | 34.2 | -5 |
| | | Electrical, electronic equipment | 23.0 | 3 |

| | | | |
|---|---|---|---|
| | Pulp of wood, fibrous cellulosic material, waste etc. | 18.7 | -1 |
| | Commodities not elsewhere specified | 11.3 | 56 |
| | Paper and paperboard, articles of pulp, paper and board | 10.2 | 21 |
| **2522.0 (89%)** | **Top 10 Products (percentage of total exports)** | **599.0 (90%)** | |
| ***Source: ITC Data base*** | | | |

***Food for Thought***

*India does not have a PTA with Taiwan or New Zealand. A Comprehensive Economic Cooperation Agreement (CECA) is under negotiation with New Zealand. India is also in early phase of negotiation with Taiwan for an FTA. In the wake of emerging dynamics, should India expedite signing the FTA with Taiwan and CECA with New Zealand to counter challenges to India's export penetration in the two countries? Will such an agreement be able to protect India's export interests in both markets?*

## 3. FTA to bring more opportunities for Singapore, Costa Rica

The Singapore-Costa Rica Free Trade Agreement (SCRFTA) took effect on July 01. Under the agreement, companies from both nations will gain greater access to each other's markets. To mark the significance of the agreement for both countries, a conference was held in San Jose on July 18 to discuss Singapore's competitiveness, innovation and economic growth strategy. The conference also outlined what companies in both countries can expect with the SCRFTA in force. Under the agreement, companies from both nations will gain greater access to each other's markets. The agreement will also strengthen trade links between Singapore and Costa Rica.

Singapore's Minister for Trade and Industry, Lim Hng Kiang, said: With the agreement now in force, it will open up more business and investment opportunities that Singapore and Costa Rica companies should take advantage of. Companies can also leverage on the strategic locations of both countries to reach out to the wider markets in Latin America and Asia.

Olam International and APL, a subsidiary of NOL, are two Singapore companies which already have a presence in Costa Rica. Costa Rica was Singapore's 7$^{th}$ largest Latin American trading partner in 2012, with bilateral trade reaching S$973mn, a 13.8 percent increase from 2011. The SCRFTA is Singapore's third bilateral FTA with Latin American countries, after Panama and Peru.

During his trip, Lim also paid a courtesy call to Luis Liberman, Vice President of Costa Rica. He also met with a few ministers, which included the Minister for Foreign Affairs and Minister for Environment.

*Source:* http://www.channelnewsasia.com/news/business/singapore/fta-to-bring-more/750052.html

***CUTS Comments***

*Trade statistics reflects that India is better positioned in Singaporean market than that of Costa Rica. In 2012, India's exports to the Singapore were valued at US$13552mn, which is substantially high (around 219 times) that of Costa Rica's export to the Singapore. In 2012, the Costa Rica's export to Singapore was valued at US$61.7mn. Considering the gap between exports of India and Costa Rica to Singapore, it appears that competition is not at all intense between the two countries.*

*A comparison of top ten export segments shows that the two countries compete with each other in three product segments, namely machinery, nuclear reactors, boilers, etc; optical, photo, technical, medical, etc. apparatus; and electrical, electronic equipment. Even in these product segments India is better positioned than Costa Rica.*

*In non-competing segments like mineral fuels, oils, distillation products, etc; ships, boats and other floating structures; organic chemicals; pearls, precious stones, metals, coins, etc; vehicles other than railway, tramway; aircraft, spacecraft, and parts thereof; and nickel and articles thereof, India may continue to remain a dominant player compared to Costa Rica (Table 3.1). However, in product segments namely wood and articles of wood, wood charcoal; coffee, tea, mate and spices; articles of iron or steel; plastics and articles thereof; pulp of wood, fibrous cellulosic material, waste etc; rubber and articles thereof; and pharmaceutical products, India does not export much to the Mexican due to lack of comparative advantage in most of the segments. Overall, it is expected that the agreement between Costa Rica and Singapore will not lead to much trade diversion. The argument is further strengthened by the fact that India already has CECA with Singapore.*

| **Table 3.1** | | | | |
|---|---|---|---|---|
| **India's exports to Singapore (Exports in 2012: US$13552.7mn)** | | | **Costa Rica's exports to Singapore (Exports in 2012: US$61.7mn)** | |
| Export Value in 2012 (US$mn) | Annual growth (2008-2012, %, p.a.) | Sectors | Export Value in 2012 (US$mn) | Annual growth (2008-2012, %, p.a.) |
| 8168.7 | 30 | Mineral fuels, oils, distillation products, etc. | … | … |
| 1417.6 | 16 | Ships, boats and other floating structures | … | … |
| 628.0 | 41 | Organic chemicals | … | … |
| 590.7 | 12 | Pearls, precious stones, metals, coins, etc. | … | … |
| 369.9 | -3 | Machinery, nuclear reactors, boilers, etc. | 0.14 | -77 |
| 366.3 | 44 | Vehicles other than railway, tramway | … | … |
| 255.4 | 32 | Optical, photo, technical, medical, etc. apparatus | 1.82 | 52 |
| 220.6 | -5 | Electrical, electronic equipment | 40.13 | 87 |
| 134.5 | -7 | Aircraft, spacecraft, and parts thereof | … | … |
| 122.5 | 179 | Nickel and articles thereof | … | … |
| | | Wood and articles of wood, wood charcoal | 18.80 | 326 |

| | | | |
|---|---|---|---|
| | Coffee, tea, mate and spices | 0.45 | 10 |
| | Articles of iron or steel | 0.11 | 85 |
| | Plastics and articles thereof | 0.11 | 2 |
| | Pulp of wood, fibrous cellulosic material, waste etc. | 0.06 | 0 |
| | Rubber and articles thereof | 0.05 | 0 |
| | Pharmaceutical products | 0.03 | 47 |
| **12274.1 (91%)** | **Top 10 Products (percentage of total exports)** | **61.68 (100%)** | |
| ***Source: ITC Data base*** | | | |

*Trade statistics reflects that, in 2012, the value of total exports from India to Costa Rica was US$77.69mn. In the same year, the value of total exports from Singapore to Costa Rica was US$33.02mn; 2.35 times lower than that of India. In the wake of the new dynamics of Costa Rica entering into an FTA with Singapore, the overall position might not change much in favour of Singapore.*

*A comparison of major export items from India and the Singapore to Costa Rica demonstrates that the two countries compete with each other in at least five product segments. They include vehicles other than railway, tramway; miscellaneous chemical products; electrical, electronic equipment; organic chemicals; and plastics and articles thereof. Out of the five competing products, in terms of value India has definitive edge over Singapore in all product segments (Table 3.2). However, the growth trend over the last four years (2008-12) indicates that only in three out of five competing items, India is relatively better positioned. In the light of recently signed FTA deal, India needs to take necessary measures to maintain/increase its competiveness in these product segments and to capture increased export market in Costa Rica. India does not have PTA with Costa Rica and, therefore, one can expect that the impact on competing Indian exports could be significant as a result of this agreement.*

*It is also observed that in product segments namely machinery, nuclear reactors, boilers, etc; optical, photo, technical, medical, etc. apparatus; cereal, flour, starch, milk preparations and products; articles of iron or steel; and dairy products, eggs, honey, edible animal product, nes., India does not export much to Costa Rica even when India enjoys moderate advantage in some of the product segments. Improvement in India's competitiveness in these segments could improve India's overall position in the Costa Rican market.*

| **Table 3.2** | | | | |
|---|---|---|---|---|
| **India's exports to Costa Rica (Exports in 2012: US$77.7mn)** | | | **Singapore's exports to Costa Rica (Exports in 2012: US$33.02mn)** | |
| Export Value in 2012 (US$mn) | Annual growth (2008-2012, %, p.a.) | Sectors | Export Value in 2012 (US$mn) | Annual growth (2008-2012, %, p.a.) |
| 18.7 | 67 | Vehicles other than railway, tramway | 1.547 | 11 |
| 11.8 | 20 | Pharmaceutical products | … | … |

| | | | | |
|---|---|---|---|---|
| 9.4 | -1 | Miscellaneous chemical products | 0.226 | 41 |
| 5.6 | 68 | Electrical, electronic equipment | 1.665 | -18 |
| 4.4 | 3 | Organic chemicals | 3.943 | 52 |
| 3.7 | 50 | Iron and steel | … | … |
| 3.0 | 20 | Rubber and articles thereof | … | … |
| 2.4 | 67 | Plastics and articles thereof | 0.259 | -28 |
| 2.3 | 49 | Paper and paperboard, articles of pulp, paper and board | … | … |
| 2.1 | 179 | Aluminium and articles thereof | … | … |
| | | Machinery, nuclear reactors, boilers, etc. | 8.254 | 15 |
| | | Optical, photo, technical, medical, etc. apparatus | 6.811 | 2 |
| | | Cereal, flour, starch, milk preparations and products | 3.065 | 158 |
| | | Articles of iron or steel | 1.578 | 15 |
| | | Dairy products, eggs, honey, edible animal product nes | 0.956 | -1 |
| **63.3 (81%)** | | **Top 10 Products (percentage of total exports)** | **28.3 (86%)** | |
| ***Source: ITC Data base*** | | | | |

***Food for Thought***

*India does not have a PTA with Costa Rica. Considering that proliferation of PTAs is an emerging trend and is likely to continue, should India start a PTA negotiation with Costa Rica to protect its export interests? Would such a development be able to protect India's trade interests in Costa Rican market?*