Dossier on Preferential Trade Agreements

July 2009
(Vol. III, No. 7)

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

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1. EU and Papua New Guinea sign agreement

The EU and Papua New Guinea are today formally signing the Interim Economic Partnership Agreement.

Present at the ceremony in London are Director-General for Trade Anders Ahnlid, as representative of the Swedish EU Presidency, EU Trade Commissioner Catherine Ashton and The Hon. Samuel Abal, Minister for Foreign Affairs, Trade and Immigration, Papua New Guinea.

"It is gratifying that the Interim Economic Partnership Agreement with Papua New Guinea is being signed today, as trade makes an important contribution to growth and development," says Director-General Anders Ahnlid. "Duty-free quota-free access to the European market is now ensured."

The EU is now signing the Agreement with Papua New Guinea. Fiji has decided to sign formally at a later stage.

Background

EU agreements on development assistance and trade benefits with African, Caribbean and Pacific (ACP) States have historically been formalised unilaterally. The World Trade Organisation set 31 December 2007 as a deadline for the EU and the ACP States to enter into a trade agreement compatible with international trade regulations.

The EU and the ACP States are therefore negotiating Economic Partnership Agreements (EPA). The Pacific ACP Region is a regional negotiation group in these negotiations. To avoid a deterioration in the tariff situation after the end of 2007, the EU and the Pacific Group (Papua New Guinea and Fiji) agreed in November 2007 on an interim agreement covering trade in goods.

Other countries in the regional group decided not to be included in the interim agreement, either because the individual country was a Least Developed Country and already covered by the EU tariff system of duty-free quota-free imports to the EU or because the country's trade with the EU was insignificant.

Source:
http://www.se2009.eu/en/meetings_news/2009/7/30/eu_and_papua_new_guinea_sign_agreement

CUTS Comments:

India's exports to Papua New Guinea stood at $ 14.7 million while imports were at $ 194.2 million in 2007-08. India primarily exports pharmaceutical products, sugar and sugar confectionary, footwear, electrical machinery and equipment to Papua New Guinea while its imports from the country are dominated in two sectors- ores, slag and ash; and wood and articles of wood.

On the other hand, EU exports electrical, electronic equipment; mechanical machinery; aircraft, spacecraft and parts; oil and articles of iron and steel to Papua New Guinea. There is some sectoral overlap in Indian and EU exports going towards Papua New Guinea, particularly in the electrical machinery and equipment sector, however, the products could be differentiated along quality lines.

In addition, there has been a rise in investment flows from the EU into the fisheries sector of Papua New Guinea. The new FTA also contains important provisions on rules of origin for this sector. Fish and seafood items along with other primary products like animal, vegetable fats and oils; ores, slag and ash; and tea, coffee and spices are some major exports of Papua New Guinea to EU countries.

The EU is India's major trading partner and the top exports to the same are concentrated in petroleum oils; diamonds; cars; footwear; clothing and apparel. There appears to be no major overlaps in Indian and Papua New Guinea exports to the EU market.

While India has been negotiating an FTA with the EU, Papua New Guinea has invited India to develop its hydrocarbon industry and the entire hydrocarbon value chain. This is a good opportunity for India to invest and support the development of this industry in Papua New Guinea while securing India's future energy needs.

Food for Thought:

Exports of fish, crustaceans and molluscs from India to the EU are valued at $ 535 million with substantial non-tariff barriers and tariff peaks impeding India's marine product exports. As EU has increased investments in the fisheries sector of Papua New Guinea, this could further increase marine product exports to the EU under the newly inked FTA, thereby affecting the Indian fisheries sector. Could issues related to tariff peaks and other trade *impediments be negotiated in the India-EU FTA for improved market access of Indian marine products to the EU?*

2. Peru-Singapore free trade pact to take effect Aug

A free trade agreement between Peru and Singapore will take effect on Aug. 1, the first pact between the resource-rich Latin American nation and Asia, Peruvian Trade & Tourism Minister Martin Perez said on Wednesday.

As talks on a global trade pact has stalled, Perez said Peru would move on with bilateral discussions, hoping to integrate those bilateral free trade pacts in the future.

"Pluralateral conversation takes a long time and very generic so we think bilateral agreements can go forward easier and faster," Perez told Reuters on the sidelines of the Asia Pacific Economic Cooperation ministerial meeting in Singapore.

Singapore's trade ministry confirmed the expected start date and said trade with Peru in 2008 was valued at S$75.2 million ($52.11 million).

Peru has completed trade pacts with Chile and United States and it is seeking deals with China, South Korea, Thailand, Australia and New Zealand.

Thailand hopes to sign a free trade deal with Peru in November, at the APEC summit in Singapore.

Source: http://www.nanyang100.com/business/7545.html

CUTS Comments:

India-Singapore Comprehensive Economic Cooperation Agreement (CECA) has been one of the successful PTAs that India has been a party of, wherein large amounts of Foreign Direct Investment (FDI) have entered India, with Singapore being the seventh largest investor in the country.

India's total trade with Singapore was valued at about $ 15.4 billion in 2007-08. India exports petroleum oils; organic chemicals; diamonds; aluminium and ships, boats and floating structures to Singapore. Peru's exports to Singapore are in meat, fish and seafood; apparel and clothing; copper and articles; fish, crustaceans, molluscs and edible fruit and nuts. The two countries appear to have specialised in different export baskets in the Singaporean market, hence, there is limited scope for trade diversion of Indian products. In addition, Singapore already has 0 percent MFN tariffs in almost all products.

Merchandise trade between India and Peru was valued at $444.2 million in 2007-08. India exports cotton; fabrics; cars and other vehicle parts; iron and steel; and pharmaceutical products to Peru while Singaporean exports to Peru are concentrated in nuclear reactors, boilers, machinery; cars; electronic products and parts; iron and steel; rubber and plastics articles. There is some sectoral overlap between Singaporean and Indian exports in the Peruvian market.

As India does not have an FTA with Peru, this newly inked FTA between Singapore and Peru could potentially displace certain Indian goods- vehicles, and iron and steel products, resulting in a trade diversion for India.

Food for Thought:

This newly inked FTA between Singapore and Peru also includes an investment chapter with modern provisions which replaces the earlier bilateral investment treaty between them. Hence, there is scope for increased FDI flows from Singapore to Peru, not only in services but also in Peru's large mining industry. Should India be concerned about potential diversion of Singaporean FDI from India to Peru in this context?

3. Chilean president signs free trade agreement with Turkey

Chilean President Michele Bachelet signed on Tuesday a free trade agreement (FTA) with Turkey, which will allow 98 percent of their bilateral trade to be duty free.

This is the first FTA between Turkey and a Latin American country. The agreement promises a potential market of more than 70 million customers for Chile.

"This trade agreement signed by Chile can be an entrance to an economic zone of great potential, which is practically unexplored for us," Bachelet said.

Many sectors in Chile, including mining, agriculture, fishing and forestry, will benefit from the agreement. The FTA have to be ratified by both nations' legislatives to become effective.

Source: http://news.xinhuanet.com/english/2009-07/15/content_11710750.htm

CUTS Comments:

Total trade between India and Chile was valued at about $ 2.09 billion in 2007-08, facilitated by the PTA that already exists between the two nations. Both India and Turkey's top two export sectors to Chile are vehicles and iron and steel. About 62 percent of Turkish exports and 23 percent of Indian exports to Chile are concentrated in the above mentioned two sectors. Hence, Indian products from these sectors may face some competition and trade diversion in the Chilean market.

Although India does not have a PTA with Turkey, the trade volume between them is at about $3.5 billion, which is much larger than India-Chile trade. India exports cotton; manmade staple fibres; organic chemicals; plastics; petroleum oils and iron and steel to Turkey. On the other hand, Chile exports copper and articles (which accounts for 92% of its exports to Turkey); pulp of wood; inorganic chemicals; edible fruits and nuts and zinc articles to Turkey. Hence, there is no sectoral overlap in Indian and Chilean exports to the Turkish market.

Food for Thought:

There have been talks regarding extending the India-Chile PTA into an FTA with further tariff reductions. With India taking the position of a 'priority country' in Chile's Asia policy, Chile has shown more interest in inking this FTA. Should India build on this momentum and explore the possibility of extending the PTA into an FTA?

4. Canada opens free trade agreement with European Free Trade Association

Canada announced this week the opening of a free trade agreement with the European Free Trade Association, marking the country's first new free trade agreement in six years and its first free trade agreement with European countries.

The agreement now allows Canadian producers and exporters duty-free access to Iceland, Liechtenstein, Norway and Switzerland.

Under the FTA, tariffs on all non-agricultural exports to these countries have been eliminated, and tariffs on some agricultural exports have been reduced or eliminated.

For Canadian small businesses, this could mean a cost reduction of $5 million per year on agricultural products.

"By engaging more and more European partners, we can provide Canadian exporters with greater access to a growing list of the wealthiest and most sophisticated economies in the world," said Stockwell Day, minister of international trade.

Free trade negotiations have been successfully completed with Peru, Columbia and Jordan, and are ongoing with Panama, India, South Korea, El Salvador, Guatemala, Honduras, Nicaragua, the Caribbean community, Singapore and the Dominican Republic. Free trade agreements are already in place with the United States, Mexico, Israel, Costa Rica and Chile.

The global recession has made trade agreements an even more pressing issue, one that is high on the agenda of the upcoming G-8 summit in L'Aquila, Italy, the Washington Post reported.

Source: http://www.nebsmarketingstore.ca/news/business-intelligence/canada_opens_free_trade_agreement_with_european_free_trade_association$297.html

CUTS Comments:

India's total merchandise trade with the EFTA countries reached about $4.1 billion in 2008. India's exports to the region are dominated by apparel and clothing; textile floor coverings; organic chemicals; precious stones and metals; electrical machinery and mechanical appliances.

Canada's merchandise trade with EFTA stands at $13.2 billion with Canadian exports concentrated in nickel; precious stones and metals; pharmaceuticals; base metal and mechanical machinery. Hence, there is some scope for trade diversion, particularly for Indian precious stones and metals in the EFTA market. This could adversely impact India's struggling gems and jewellery sector.

In 2007-08, total merchandise trade between India and Canada stood at $3.2 billion. Major exports from India to Canada are in organic chemicals, apparel and clothing; iron and steel; textile articles; nuclear reactors, boilers, machinery; pearls, precious stones and metals. On the other hand, EFTA countries export mineral fuels and oils; pharmaceuticals; organic chemicals; mechanical machinery and scientific and precision instruments to Canada. Hence there is limited sectoral overlap in Indian and EFTA countries' exports to Canada.

According to the India- EFTA joint study group report, there is significant scope for increased investment flows into India from the EFTA countries. FDI from Norway and Switzerland to Canada reached $18.4 billion in 2008, while Switzerland is ranked as the tenth largest investor in India. With the inking of this FTA, there may be possible investment diversion from India towards Canada.

Food for Thought:

While negotiations are ongoing for India-EFTA FTA, various stakeholders in EFTA countries, particularly in Norway are concerned about human rights and related issues; thereby pushing for such issues to be addressed in the FTA. Will non-trade issues be as much of an obstacle to the timely conclusion of India-EFTA FTA negotiations as it has been for the India-EU FTA?