Dossier on Preferential Trade Agreements

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***http://www.cuts-citee.org/PTADossier.htm*)**

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1. EU and Philippines initial partnership, cooperation deal

The European Union (EU) and the Philippines initialed on Friday in Brussels the text of a new partnership and cooperation agreement (PCA), following the successful completion of the negotiations on June 3. The formal signature of the agreement will follow later this year, once the necessary procedures have been completed on both sides.

The text was initialed by the two chief negotiators, European Commission's Asia director James Moran and the Philippine ambassador to the EU, Enrique Manalo. EU Member States representatives in Brussels witnessed the ceremony.

EU High Representative for foreign affairs and security policy/ commission vice president Catherine Ashton welcomed the initialing of the agreement:

"This agreement is the first-ever bilateral comprehensive agreement between the two sides. The agreement will give us a framework which is fit-for-purpose for the 21st century. It will strengthen considerably the dialog, cooperation and action across the whole spectrum of our relations, specifically in the political domain, on trade and investment, justice and security, migration as well as on economic and development issues."

The Philippines is the second Asean country to complete negotiations for a PCA with the EU following the signature of a similar deal inked with Indonesia in November 2009. Negotiations are underway with Vietnam, Thailand and Singapore.

The PCA is not a free-trade agreement (FTA). While it enhances cooperation in various trade matters, it does not include specific trade concessions by either party. However, should the EU and Philippines decide to negotiate an FTA, the PCA would facilitate its conclusion.

Source:
http://businessmirror.com.ph/index.php?option=com_content&view=article&id=26961:eu-and-philippines-initial-partnership-cooperation-deal&catid=23:topnews&Itemid=58

CUTS Comments:

India's exports to the EU totaled approximately US$36.3bn in 2009 with the major exports being mineral fuels, oils and distillation products; articles of apparel (both knitted and non-knitted); pearls, precious stones, metals and coins; vehicles other than railway and tramway; and electrical and electronic equipment. Philippines exports to the EU during the same period totaled approximately US$7.96bn with the top five exports being electrical and electronic equipment; nuclear reactors and boilers; vehicles other than railway and tramway; optical, photo, technical and medical apparatus; and animal, vegetable fats and oils. The EU may prefer to import electrical and electronic equipment; and vehicles other than railway and tramway from the Philippines rather than India. However, since the above agreement is a PCA which does not entail trade concessions, there may be little scope for trade diversion as a result of it.

India's exports to the Philippines in 2009 totaled approximately US$697mn with the major exports being meat and edible meat offal; electrical and electronic equipment; iron and steel; vehicles other than railway and tramway; and pharmaceutical products. The EU's exports to the Southeast Asian country during the same period totaled approximately US$4bn with the top five exports being electrical and electronic equipment; nuclear reactors and boilers; pharmaceutical products; aircraft, spacecraft and parts thereof; and paper, paperboard and articles of pulp. The Philippines may prefer to import electrical and electronic equipment; and pharmaceutical products from the EU rather than India. However, since this is only a PCA, there may be little scope for trade diversion which will result in losses for India.

Food for Thought:

The Philippines is fast becoming a Business Processing Outsourcing (BPO) hub, giving the Indian BPO industry stiff competition. Indian BPO companies like Hunduja Global Solutions Ltd. have set up facilities in the Southeast Asian country - could there be some scope for more Indian BPO companies to set up their facilities there in order to capitalise on the industry that is one of the major drivers of the Philippines' economy?

2. Commons seals Colombia free-trade deal

Canada's free-trade agreement with Colombia passed Monday in the House of Commons with the backing of the Liberals, sealing a deal much criticized by human rights groups but which the federal government says will create jobs and boost exports.

MPs voted 188-79, with the NDP and Bloc Québécois opposing the deal.

A contentious aspect of the agreement will see the Colombian and Canadian governments each assess the impact of the deal on human rights in each other's country –

a clause rights groups say lacks independent scrutiny and fails to spell out consequences should abuses occur.

After more 150 hours of debate in the House and at an international trade committee, Canada should act decisively to bolster trade ties with Colombia, said Liberal MP Scott Brison, who proposed the side agreement on human rights in March.

“This has been studied more than almost any other legislation I can think of. Getting this ratified is going to give us a head start, and Canadian interests an advantage. It’s time to move this further along,” he said.

It’s the first time Canada has introduced this type of annual reporting on human rights, he said. Each country’s foreign affairs department would oversee the report, though the agreement doesn’t stipulate that NGOs or members of the public need to be consulted.

Colombia is Canada’s fourth-largest trading partner in South America and is seeing a wave in interest from foreign investors in the past year, particularly in the mining and oil-and-gas industries.

The Harper government says the deal will strengthen demand for Canadian exports such as grain, beef and pork, and comes as many indicators show Colombia has made improvements in its human-rights record.

Rights groups and unions, however, say respect for human rights has deteriorated, particularly for indigenous groups, trade unionists and afro-Colombians.

“It’s of extreme concern,” said Kathy Price, a Toronto-based campaigner at Amnesty International. “This was an opportunity to show leadership and set a meaningful precedent in terms of a human-rights approach to trade and investment and that’s why we called for an independent human-rights impact assessment. Without that, it’s a huge disappointment.”

The rights situation in Colombia is by no means perfect, but opening trade is the best way to improve living standards in the country, said Conservative MP Gerald Keddy.

“You have to take a realistic look at where Colombia was compared to 10, 15 years ago, and every indicator shows they’ve improved. So are you going to reward that forward momentum, or are you going to punish it?”

Source: http://www.theglobeandmail.com/news/national/commons-seals-colombia-free-trade-deal/article1604198/

CUTS Comments:

India’s exports to Canada totaled approximately US$1.17bn in 2009 with the main exports being organic chemicals; articles of apparel (both knitted and non-knitted); pearls, precious stones, metals and coins; articles of iron and steel; and other made textiles. Colombia’s exports to Canada during the same period totaled approximately US$386mn with the top five exports being mineral fuels, oils and distillation products; coffee, tea, mate and spices; sugars and sugar confectionary; live trees; and *miscellaneous chemical products. There does not seem to be much possibility of trade diversion here which will result in losses for India.*

India's exports to Colombia in 2009 totaled approximately US$361mn with the major exports being vehicles other than railway and tramway; miscellaneous chemicals; cotton; organic chemicals; and pharmaceutical products. Canada's exports to the Latin American country totaled approximately US$526mn during the same period with the main exports being cereals; nuclear reactors and boilers; edible vegetables and certain roots; paper, paperboard and articles of pulp; and vehicles other than railway and tramway. There could be some trade diversion here with Colombia preferring to import vehicles other than railway and tramway from Canada rather than India.

Food for Thought:

Miscellaneous chemical products are in the top five exports from India to Colombia, and from Colombia to Canada. Insecticides, fungicides, and herbicides packaged for retail sale form the bulk of these miscellaneous chemical products exports from both countries. Could Colombia be re-branding and exporting this product that it receives from India, to Canada? If so, should India look to export this product to Canada itself in order to increase its exports to the North American country and to prevent the re-branding from taking place?

3. China and Taiwan sign landmark deal

China and Taiwan on Tuesday signed a landmark trade deal that marks the most dramatic improvement in cross-Strait relations in more than half a century.

The Economic Co-operation Framework Agreement is the centrepiece of Taiwanese president Ma Ying-jeou's effort to mend relations with China, which suffered under eight years of Chen Shui-bian, the former pro-independence Taiwanese president.

Taiwan hopes the deal will also smooth the path to sign free trade agreements with other countries in a bid to ensure that its export-oriented economy is not marginalised as trade deals flourish across Asia.

The agreement that negotiators signed in the Chinese city of Chongqing represents the first phase in trade liberalisation rather than a comprehensive free trade agreement. It also has China doing most of the economic opening in the initial round.

China will cut import tariffs across 539 products and services worth $13.84bn in trade. The cuts on Taiwan's side will only account for $3bn worth of goods. China also agreed not to ask for the opening of agriculture sectors or for Chinese labourers to be allowed to work in Taiwan.

Bonnie Tu, chief financial officer at Taiwan's Giant Manufacturing, the world's biggest bicycle maker by revenues, welcomed the agreement which she said would help her company better manage production. Giant currently produces its high-end bicycles in Taiwan with factories in China making more mid-ranged models.

"If there is no tax issue, we can really integrate our factories and shuffle [production] as we like," she said. "China's economy of scale for high-end bicycles could be really big."

China currently imposes a 17 per cent tariff on bicycles and bicycle parts from Taiwan, which under the agreement would be cut to zero within three years. Ms Tu said the deal would likely allow Giant to export more high-end bicycles, such as carbon-fibre bikes, to China.

Kenichi Ohmae, the Japanese corporate strategist, said the agreement was a "very carefully crafted vitamin for Taiwan's continued success".

The semi-official Chung-hua Institute for Economic Research in Taipei estimates that the agreement could create 260,000 jobs and add 1.7 per cent to Taiwan's economy.

Over the long term, economists Dan Rosen and Wang Zhi of the Washington-based Peterson Institute for International Economics think the deal could add a net 5.3 per cent to Taiwan's economy by 2020.

"We can think of few (if any) other policy reforms available to Taipei that could deliver such gains," they said.

While the deal was hailed by business leaders and analysts, some Taiwanese have raised concerns about the political consequences of moving economically closer to China.

On Saturday, tens of thousands of people braved pouring rain and took to the streets of Taipei to make a last effort to protest against the deal, which is expected to be approved by the ruling party-dominated legislature within this year.

One banker in Taipei said China's main goal was to "draw Taiwan closer for eventual unification".

"It's easy to oppose moving closer to China now, but once people enjoy the economic benefits it would be very hard to reverse [the deal]," the banker said.

Chen Hsien-chiung, a businesswoman in her 40s, said she was concerned that the deal would produce an "unstable society" for Taiwan's children.

"Don't forget that they have not removed those missiles," she added, referring to the roughly 1,300 short-ranged missiles China has aimed at Taiwan.

Tsai Ing-wen, chairwoman of the opposition Democratic Progressive party, said that if the deal "was a vitamin, then it will only be eaten by big businesses and the rich-poor divide will be even greater in Taiwan".

However, as a sign of how popular opposition to the deal has waned in recent days, turnout at the weekend fell short of the 100,000 touted by the DPP. It was also far less than the 600,000 people who rallied in October 2008 to express disapproval of Mr Ma amid the financial crisis.

Source: http://www.ft.com/cms/s/0/f8bdaf22-831d-11df-8b15-00144feabdc0.html

CUTS Comments:

India's exports to China in 2009 totaled US$10.3bn with the major exports being ores, slag and ash; pearls, precious stones, metals and coins; cotton; organic chemicals; and iron and steel. Taiwan's exports to China during the same period totaled approximately US$53. 8bn with the top five exports being electrical and electronic equipment; optical, photo, technical and medical apparatus; plastics and articles thereof; organic chemicals; and nuclear reactors and boilers. China may prefer to import organic chemicals from Taiwan rather than India, resulting in large losses for India.

India's exports to Taiwan in 2009 totaled approximately US$1.3bn with the top five exports being mineral fuels, oils and distillation products; organic chemicals; iron and steel; zinc and articles thereof; and cotton. China's exports to Taiwan during the same period totaled approximately US$20.5bn with the major exports being electrical and electronic equipment; nuclear reactors and boilers; optical, photo, technical and medical apparatus; miscellaneous chemical products; and organic chemicals. Here again the major sectoral overlap seems to be in organic chemicals, with Taiwan possibly preferring to import these from China rather than India.

Food for Thought:

Some of China's biggest imports from Taiwan are electrical and electronic equipment; and nuclear reactors and boilers, accounting for almost 38% of total imports from Taiwan in 2009. These products feature in the top five exports from India to the world, and yet they do not feature as major exports from India to China. Should India look to expand its trade with China in these products, so as to decrease the trade deficit it has with the powerful East Asian nation?