

# Dossier on Preferential Trade Agreements

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### 1. Angola, United States sign Trade and Investment Framework Agreement

Today, United States Trade Representative Ronald Kirk and Angola Minister of External Affairs Assunção Afonso de Sousa dos Anjos signed a Trade and Investment Framework Agreement (TIFA) that will provide a forum to address trade issues and help enhance trade and investment relations between the United States and Angola.

“It is a testament to the people of Angola and to its leadership, that after a troubled history of war and unrest, Angola is taking the positive steps to realize its full potential as a nation. We applaud the Government of Angola’s efforts to promote reform that fosters transparency and accountability, diversifies the economy, and encourages an improved business environment,” said Ambassador Kirk. “We look forward to using this TIFA as an opportunity to enhance and diversify the U.S.-Angolan trade and investment relationship.”

A United States-Angolan Council on Trade and Investment will be formed under the TIFA to address a wide range of trade and investment issues that include, but are not limited to, trade capacity building, intellectual property, labour, environmental issues, and enhancing the participation of small- and medium-sized enterprises in trade and investment. The TIFA Council will establish an ongoing dialogue which will help increase commercial and investment opportunities by identifying and removing impediments to trade flows.

The United States has TIFAs with other important trading partners. Specifically, in sub-Saharan Africa, the United States has signed TIFAs with Ghana, Liberia, Mauritius, Mozambique, Nigeria, Rwanda, South Africa, the Common Market for Eastern and Southern Africa (COMESA), the East African Community (EAC), and the West African Economic Monetary Union (UEMOA). The United States has also signed a Trade, Investment, and

Development Cooperative Agreement (TIDCA) with the Southern African Customs Union (SACU).

Source: <http://allafrica.com/stories/200905190776.html>

### **CUTS Comments:**

*Around 90 percent of Angola's exports are dominated by crude oil, as it is the second largest oil producing country after Nigeria in the Sub-Saharan region. About 99 percent of India's imports from Angola consist of petroleum and petroleum products. India's top export to Angola is meat and edible meat products making up 30 percent of its total bilateral exports, followed by mineral fuels, oils and distillation products; pharmaceutical products; vehicles; and iron and steel. On the other hand, the US exports nuclear reactors, boilers, machinery, etc; aircraft; meat and edible meat products, articles of iron or steel and vehicles to Angola. Hence, there is some sectoral overlap in Indian and US exports to Angola which could potentially cause trade diversion in Indian goods like meat products.*

*The US is India's major trading partner with Indian merchandise exports to the US standing at \$ 20.7 billion and imports from the US at about \$ 21 billion for 2007-08. India's exports to the US are concentrated in pearls, precious stones, metals, jewellery; apparel and clothing; textiles; articles of iron or steel; nuclear reactors, boilers, machinery, etc. About 99.5 percent of Angola's exports to the US are concentrated in crude oil followed by pearls, precious stones and metals. Following this trade and investment framework agreement between the two countries, India could find its exports of pearls, precious stones etc being displaced from the US market. The jewellery sector which has already been hit hard to due to the global recession could further face adverse effects.*

*As India does not have any trade and investment agreements with both the US and Angola, there is a scope of trade diversion for Indian products in both the markets.*

### **Food for Thought:**

*The US is already Angola's top oil importer and the signing of this agreement will further facilitate its access to some of Angola's lucrative oil production blocks. Moreover, China is also a major investor in Angola's oil sector. In comparison, India has been a late entrant as an investor in the country, however, in addition to investments in the oil sector, Indian companies have also ventured into infrastructure and manufacturing. Could a bilateral investment treaty between Angola and India further strengthen investment relationships between the two nations?*

## 2. Colombia, Chile finalise free trade deal

Colombian and Chilean officials presented what they called Latin America's "most complete" free trade deal on Monday, promising to boost public investments and commerce between their countries.

The accord will ease bidding and hiring processes on ports, airports and other public works projects in both countries and increase bilateral trade that reached \$1.5 billion last year, Colombian Trade Minister Luis Guillermo Plata said.

The deal, which builds on a 1993 economic accord between the two nations, was signed in November 2006 and ratified by both legislatures before taking effect on May 8.

Chile aims to increase exports to Colombia to \$1 billion a year, Chilean Foreign Minister Mariano Fernandez said, giving no specific time frame. Chile sold \$659 million in goods to Colombia in 2008, up 5.8 percent from 2007, according to Colombia's Foreign Trade Ministry. Its top exports included copper wire and apples.

Colombia meanwhile sold Chile \$849 million in 2008, up 126 percent from 2007. Its top exports included coal, other oil derivatives and sugar cane.

"Chile doesn't mind having a trade deficit with Colombia. What matters to us is that trade expands," Fernandez said.

He also voiced support for Colombia's separate bid for a free trade deal with the U.S., which he said was in line with Chile's "own interests." Chile has had its own trade accord with the United States since 2004.

Source: <http://www.forbes.com/feeds/ap/2009/05/18/ap6437470.html>

### CUTS Comments:

*India is the 5<sup>th</sup> largest export market for Chile in Asia and the two countries already have a preferential trading agreement in place. In addition, there have been talks towards extending the PTA into a FTA via further tariff reductions. Exports from India to Chile stood at \$249 million in 2007-08 while exports from Chile to India were \$1.8 billion for the same year. Indian exports to Chile are dominated by vehicles; iron and steel; inorganic chemicals; rubber and articles; textile articles; leather products; organic chemicals and pharmaceuticals, while Colombian exports to Chile are concentrated in mineral fuels, oils and distillation products; plastics; sugar and sugar confectionery; pharmaceuticals; and paper products. Hence, there are no substantial sectoral overlaps between Indian and Colombian exports to Chile.*

*Although India does not have a PTA with Colombia, its trade volume with the country is much higher than its trade with Chile. For 2007-08, exports from India to Colombia were at \$ 757 million and the major exports were in mineral fuels, oils and distillation products; vehicles; cotton; organic chemicals; pharmaceutical products and iron and steel. Chile's exports to Colombia were in copper; edible fruit & nuts; paper products; pulp of wood and*

*plastics. Once again, there does not appear to be any trade overlap between Indian and Chilean exports to Colombia.*

*Therefore, this free trade deal between Chile and Colombia may not have any substantial trade diversion effects for Indian products in the two markets.*

### **Food for Thought:**

*In an effort to increase Indian investment in Colombia, the Colombia-India Chamber of Commerce has signed an agreement to protect investments of Indian traders in Colombia, while the Colombian government is keen on a bilateral free trade agreement with India. Should India build on this momentum and take an initiative to start background studies and negotiations for a FTA with Colombia?*

### **3. Najib, Emir witnesses Malaysia - Qatar bilateral trade agreement**

Bilateral trade between Malaysia and Qatar was given a boost with the signing of a trade agreement between the two countries.

Prime Minister Datuk Seri Najib Razak and the Emir of Qatar Sheikh Hamad Khalifa Al-Thani witnessed the signing today.

Minister of International Trade and Industry Datuk Mustapa Mohamed signed for Malaysia while Qatar's Minister of Trade for International Cooperation signed for his country.

Apart from promoting and diversifying trade between the two countries, the objective of the agreement is also to establish a joint trade committee to facilitate consultation and cooperation in trade and investment related matters.

Qatar was Malaysia's eight largest trading partner in West Asia last year, with total trade amounting to RM1.699 million or 3.1 per cent of Malaysia's total trade with the region.

Source: [http://www.bilaterals.org/article.php3?id\\_article=15107](http://www.bilaterals.org/article.php3?id_article=15107)

### **CUTS Comments:**

*During the first ever visit to Qatar by an Indian Prime Minister in November of 2008, a number of agreements on areas of defence and security were signed between the two countries. Indian exports to Qatar stood at \$538 million while imports amounted to about \$2.4 billion in 2007-08. Exports to Qatar were concentrated in electrical and electronic equipment; salt, sulphur, earth, stone, and cement; nuclear reactors, boilers, machinery; mineral fuels, oils, and distillation products; vehicles other than railway; and articles of iron or steel. Top Malaysian exports to Qatar consist of electrical and electronic equipment; optical, photo, technical and medical apparatus; nuclear reactors, boilers and machinery;*

*articles of iron or steel; furniture, lighting and prefabricated buildings; and wood and wood articles.*

*Electrical and electronic equipments are the top exports of both countries to Qatar, making up 17.5 percent of Indian exports and about 35 percent of Malaysian exports to Qatar. Hence, there could be trade diversion for Indian goods from this sector in addition to some adverse impacts on nuclear reactors, boilers and machinery exports.*

*Both India and Malaysia are each others' major trading partners in Asia. With the enforcement of India-ASEAN FTA towards the end of 2009, there would be a further boost in trade between them wherein India could also use Malaysia as a base country for exporting to the Asia Pacific region due to Malaysia's geo-strategic location in the region.*

*Indian exports to Malaysia was around \$2.5 billion in 2007-08 and mostly dominated by copper; cereals; mineral fuels, oils and distillation products; organic chemicals; nuclear reactors, boilers, machinery etc and coffee, tea, and spices. On the other hand, Qatar exports mineral fuels, oils, and distillation products; plastics and articles; organic chemicals; nuclear reactors, boilers, machinery; optical, photo, technical, medical equipment etc to Malaysia. Once again, there are trade overlaps in many of the top export sectors of both India and Malaysia in the Qatari market.*

*Therefore, due to substantial sectoral overlaps, the bilateral trade agreement between Malaysia and Qatar could adversely impact Indian exports creating trade diversions from both countries.*

### **Food for Thought:**

*Given that India and Malaysia are also in talks for a Comprehensive Economic Partnership Agreement (CECA) while India and Qatar are moving towards signing cooperation agreements in energy, fertilizers and investments; continued market access for Indian products will depend on how quickly these agreements can materialise. In addition, it should be noted that the above mentioned sectors where trade is dominant among India, Malaysia and Qatar are characterised by product differentiation. Hence, despite sectoral overlaps, can India specialise in certain niche products within these sectors and promote exports in the same such that trade diversion for Indian products is minimised in both the markets?*

#### 4. US Egypt aim to bolster trade and investment ties

U.S. and Egyptian officials signed agreements Wednesday aimed at strengthening trade and investment links between the two nations, a move that comes a week ahead of a trip to Egypt by U.S. President Barack Obama.

Obama plans to discuss U.S. relations with the Muslim world in a June 4 speech in Egypt, where Muslims account for about 95% of the population. In advance of Obama's visit, U.S. Trade Representative Ron Kirk and Egypt Minister of Trade and Industry Rachid Mohamed Rachid signed an agreement to develop a framework within 90 days for cooperating on trade and investment matters.

"We are essentially unleashing our staffs to work together very quickly over the next several months and bring us back a road map for how we go forward," Kirk said at a signing ceremony in Washington, D.C. For his part, Rachid said he's optimistic that the new strategic partnership agreement will encourage fresh, creative ideas on expanding U.S.-Egyptian trade and economic ties.

Egypt also signed a memorandum of understanding Wednesday with the Council on Competitiveness, a private U.S. organization, intended to foster partnerships in areas such as agriculture, consumer goods, shipping, and technology.

Council on Competitiveness President Deborah Wince-Smith suggested the alliance might look at ways to revamp economic statistics, saying that "we're not telling the whole story" about the value of premium products, including Egyptian cotton.

Source: <http://www.nasdaq.com/aspx/stock-market-news-story.aspx?storyid=200905271328dowjonesdjonline000777&title=usegypt-aim-to-bolster-trade-and-investment-ties>

#### **CUTS Comments:**

*As Egypt is trying to become a trade hub in the Middle East banking on its geo-strategic position and favourable economic condition, this recently signed trade and investment agreement with the US may improve its position in establishing itself as a commercial centre. India's exports to Egypt stood at \$1.2 billion during 2007-08, and consisted of the following major export items: frozen meat, cotton, rice, diesel, tobacco, automobiles, sugar, pharmaceuticals and tea. On the other hand, US exports to Egypt were concentrated in wheat, corn, soyabean, nuclear reactors, boilers, machinery etc; aircraft; automobiles; and electrical and electronic equipment. As India and US have competence in different sectors and products, their exports to Egypt do not overlap. However, there may be some diversion in investments as US firms may decide to increase FDI towards Egypt given this investment agreement between them.*

*While the US is India's major trading partner with exports from India to the US dominated by pearls, precious stones, jewellery; apparel and clothing; textiles and articles of iron and steel; Egyptian exports to the US are concentrated in petroleum, petroleum products, natural gas, textiles, floor coverings, apparel, steel, cement and cotton. As both India and Egypt have comparative advantages in textiles, apparel and clothing, there may be some trade diversion of Indian textiles and clothing products in the US market. Given that apparel and clothing items are time sensitive due to their seasonal nature and rapid fashion changes mean that fashion brands are working with short lead times, delayed consignments could result in order cancellation. In this case, with Egypt being closer to the US in terms of geographical distance may further disadvantage Indian textiles and clothing products.*

### **Food for Thought:**

*Despite India and the US not having any kind of preferential trade agreements, the US is already India's largest trading partner. In addition, bilateral investment flows between them are also substantial. Therefore, a bilateral investment treaty between the two nations may be more fruitful in terms of protecting and enhancing investments as well as further promoting trade in goods. Initiatives for a bilateral investment treaty between the two nations started last year, however, with government changes in both countries, will such a treaty come into force in the near future?*