Dossier on Preferential Trade Agreements

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1. Jordan, Turkey sign free trade deal

Turkish President Abdullah Gul and Jordan's King Abdullah II signed a long-awaited free trade deal on Tuesday before holding talks on further boosting economic ties, the palace said.

"The free trade agreement, which was signed today, is key to enhancing bilateral economic cooperation and boosting trade as well as investments between Jordan and Turkey," a palace statement quoted the king as telling Gul.

"The two sides discussed efforts to strengthen cooperation in the fields of transport and energy," the statement added.

Jordan and Turkey had been negotiating the free trade deal since 2005, and last month Prime Minister Nader Dahabi and his counterpart Recep Tayyip Erdogan agreed in Ankara to sign it before the end of the year.

Trade between the two countries in the first half of this year amounted to more than 150 million dollars, while Turkish investments in Jordan were estimated at 90 million dollars.

The two governments also agreed to scrap visa requirements for each other's nationals, the palace statement said.

On Wednesday, Gul is scheduled to inaugurate a 990-million-dollar plan to extract 100 million cubic metres (3.5 billion cubic feet) of water a year from the 300,000-year-old Disi aquifer in southern Jordan.

The four-year-project is being carried out by the Turkish company GAMA.

Source: http://www.bilaterals.org/article.php3?id_article=16425

CUTS Comments:

India's exports to Turkey amounted to approximately US$1.6 billion in 2008, with the main exports being organic chemicals; iron and steel; cotton; manmade staple fibres; and electrical and electronic equipment. Jordan's exports to Turkey during the same period were much smaller in comparison, totaling just US$25.3 million, with the major exports being inorganic chemical, precious metal compound, isotopes; wadding, felt, nonwovens, yarns; articles of apparel, accessories, knit or crochet; fertilizers; and aluminium and articles thereof. There seems to be no significant threat of sectoral overlap which could divert exports to Turkey from India to Jordan.

India's exports to Jordan amounted to almost US$512 million in 2008, with the top five exports being aircraft, spacecraft and parts; cereals; mineral fuels, oils and distillation products; residues, food industry wastes, animal fodder; and meat and edible offal meat. Turkey's exports to Jordan during the same period totaled approximately US$461 million, with the main exports being mineral fuels, oils and distillation products; nuclear reactors and boilers; articles of iron and steel; electrical and electronic equipment; and wood and articles of wood, wood charcoal. There could be a possibility of Jordan preferring to import mineral fuels, oils and distillation products from Turkey instead of India, especially since Turkey is geographically closer to Jordan.

Food for Thought:

Given that Turkey is situated in a strategically important location with easy access to both European and Middle Eastern markets. Should India look towards signing an agreement (which was discussed last year) with Turkey to increase its opportunities in both regions?

2. Pakistan, Germany sign new bilateral investment treaty

Pakistan and Germany inked a new bilateral investment treaty on Tuesday to "safeguard and promote" business interests and facilitate Islamabad's efforts to attract foreign investment.

The new agreement also marks the golden jubilee of the first such agreement signed between the two countries on November 25, 1959, after World War II.

Prime Minister Yousaf Raza Gilani and German Chancellor Angela Merkel described the signing of the new agreement as "a historical step".

"The agreement for encouragement and reciprocal protection of investments will boost economic cooperation and create favourable conditions for investors from the two countries," a senior official of the Ministry of Investment told APP. The agreement was signed by Waqar Ahmad, minister for investment; Rainer Brudesle, German federal minister of economics and technology; and Peter Ammon, state secretary in the federal Foreign Office.

Insurance guarantee: Under the bilateral treaty, the German government would provide insurance guarantees to investments by its companies in Pakistan and cover their political and security risks. The agreement is likely to attract investment in oil and gas, energy, agriculture, textile and industrial units.

Source: http://www.dailytimes.com.pk/default.asp?page=2009\12\02\story_2-12-2009_pg7_6

CUTS Comments:

Germany's total FDI equity flows into India in 2008-09 were almost US$573 million and it was 7th on the list of top investors in India during the same period. Total FDI inflows from Germany between 2000-01 and January 2009 stood at US$2147.5 million. The major sectors that Germany has invested in are auto components; electrical and electronic engineering; chemical; mechanical engineering; information technology; glass and ceramics; textiles; paper and metallurgical industries.

Under the bilateral treaty between Germany and Pakistan, Pakistan is likely to attract German investment in oil and gas, energy, agriculture, textile and industrial units. This might cause some diversion of German investment from India to Pakistan especially in the textiles sector, where India and Pakistan are competitive. This diversion could lead to losses for India.

Food for Thought:

Germany may prefer to focus on Pakistan (or even other countries) rather than India as an investment destination in South Asia, especially since it has been a prominent investor in India over the last decade. Should India look to sign a Bilateral Investment Protection Agreement (BIPA) with Germany to prevent this from happening?

3. Fiji joins EU-Pacific regional trade agreement

Fiji has today in Copenhagen signed on to the interim Economic Partnership Agreement (EPA) between the EU and the countries of the Pacific. The EU and Fiji's Pacific neighbour, Papua New Guinea, signed the agreement in July 2009 but at that stage Fiji still needed more time to complete its internal procedures.

Fiji and Papua New Guinea are two of the fourteen Pacific countries that belong to the ACP-group of states (Africa, Caribbean, Pacific) but together they represent more than 80% of the Pacific region's exports to the EU.

The agreement focuses on trade in goods and includes important provisions on rules of origin for the fisheries sector and thanks to this agreement, Fiji will continue to enjoy duty-free and quota-free access to the European market. It is expected that the agreement will contribute to increased trade with the EU and within the region and thus to the creation of growth, jobs and development in Fiji.

The agreement was signed by Fiji's Minister for Foreign Affairs, International Cooperation H.E Ratu Inoke Kubuabola in the margins of the ongoing Copenhagen Climate Conference, and in the presence of representatives of the Swedish EU Presidency and the European Commission.

Source: http://www.se2009.eu/en/meetings_news/2009/12/11/fiji_joins_eu-pacific_regional_trade_agreement

CUTS Comments:

India's exports to Fiji in 2008 totalled US$101.8 million, with the major exports being sugars and sugar confectionary; nuclear reactors, boilers and machinery; articles of apparel, accessories, not knit or crochet; pharmaceutical products; and commodities not elsewhere specified. EU's exports to Fiji in 2007 (data not available for bilateral trade between Fiji and EU in 2008) totalled almost US$45.8 million, with the main exports being aircraft, spacecraft and parts; electrical and electronic equipment; nuclear reactors and boilers; essential oils, perfumes, cosmetics and toiletries; and plastics and articles thereof. As a result of the EPA, Fiji may prefer to import nuclear reactors and boilers from the EU rather than India, resulting in some losses for India.

India's exports to the EU in 2008 totalled US$39.2 billion with the major exports being mineral fuels, oils and distillation products; pearls, precious stones, metals, coins; articles of apparel, accessories, not knit or crochet; iron and steel; articles of apparel, knit or crochet. Fiji exports to the EU in 2007 totalled US$115 million with the top five exports being sugars and sugars confectionary; fish, crustaceans, molluscs, aqua invertebrates; coffee, tea, mate and spices; animal and vegetable fats and oils; and meat, fish and seafood food preparation. There seems to be no possibility of sectoral overlap with exports to the EU being diverted from India to Fiji.

Food for Thought:

Exports of fish, crustaceans and molluscs from India to EU are valued at US$535 million with substantial non tariff barriers and tariff peaks impeding India's marine product exports. The new rules of origin provisions for Fiji's fisheries sector allowing them duty and quota free access to the EU markets could increase the island nation's marine exports to the EU thereby affecting India's 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?

4. EU: Haiti Signs The CARIFORUM–EU Economic Partnership Agreement

Haiti today signed the Economic Partnership Agreement (EPA) and joins the fourteen Caribbean States that signed the EPA in October 2008.

This will strengthen Haiti's ties both with the EU, and with other Caribbean countries. The Cariforum-EU EPA is North-South trade and development agreement of new generation. It aims to promote sustainable development, boost trade, investment and innovation, help build a regional market among Caribbean countries, and tackle poverty in the region.

European Trade Commissioner Benita Ferrero-Waldner said: "The CARIFORUM – EU Agreement marks a new era in the economic relations between the two regions. I am very happy that Haiti's specific needs could be accommodated, enabling it to join the other 14 Caribbean countries and the EU in their endeavour of creating a prosperous future for the region through increased trade and investment."

Commissioner for Development De Gucht added: "Haiti's decision to join all its CARIFORUM partners in this agreement is truly significant as it offers a real opportunity to boost the nation's trade at this critical time of global economic downturn."

Previous preferential trade arrangements with the EU had failed to boost Caribbean countries' development. Other developing countries had also criticised those arrangements as discriminating against them, and had challenged them at the World Trade Organisation (WTO).

So the EU and the CARIFORUM group of Caribbean countries negotiated a new trade and development agreement, the EPA, between 2004 and 2007. The EPA was signed in October 2008, by 14 out of fifteen CARIFORUM member states.

The only Least Developed Country (LDC) in the Western hemisphere, Haiti has recently been grappling with a range of pressing problems. These include hurricane damage, security issues, and a food crisis. So it did not join signing the EPA last year.

However, the EU pledged to work with the Haitian government and other Caribbean partners to enable Haiti sign up at a later date. Haiti proposed adjusting some of its commitments on tariffs and the EU accepted such request, in the light of its specific needs as LDC.

Source: http://www.bilaterals.org/article.php3?id_article=16501

CUTS Comments:

India's exports to Haiti in 2008 totalled almost US$45 million with the main exports being flour, starch, milk preparation and products; pharmaceutical products; cereals; essential oils, perfumes, cosmetics, toiletries; and rubber and articles thereof. The EU's exports to Haiti in 2007 (data is not available on bilateral trade between EU and Haiti in 2008) amounted to US$134 million with the major exports being electrical and electronic equipment; nuclear reactors and boilers; dairy products, eggs, honey, edible animal products; milling products, malt, starches and wheat gluten; and pharmaceutical products. Haiti may prefer to import pharmaceutical products from the EU rather than India, resulting in losses for India.

India's exports to the EU in 2008 totalled US$39.2 billion with the major exports being mineral fuels, oils and distillation products; pearls, precious stones, metals, coins; articles of apparel, accessories, not knit or crochet; iron and steel; articles of apparel, knit or crochet. Haiti's exports to the EU in 2007 amounted to US$ 40 million with articles of apparel, accessories, knit or crochet; and essential oils, perfumes, cosmetics, toiletries comprising almost 85% of its total exports to the EU. The other major exports are coffee, tea, mate and spices; and edible fruit, nuts and citrus fruit peels. There could be some sectoral overlap with the EU preferring to import articles of apparel, knit or crochet from Haiti rather than India, but since

India's volume of this export to the European trading partner is almost 100 times that of Haiti's volume, this trade diversion may not result in major losses for India.

Food for Thought:

EU's expanded commercial presence in the Caribbean region is expected to enhance economic growth in the region providing more opportunities for investment in services. Should India look to explore such investment opportunities in the Caribbean region?