

Dossier on Preferential Trade Agreements

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Table of Contents

- 1. KORUS FTA finalised after prolonged renegotiations**
- 2. Syria to sign the Framework Agreement on establishing Free Trade Zone with the Mercosur**
- 3. Jordanian-Canadian FTA in final stages of approval**

1. KORUS FTA finalised after prolonged renegotiations

South Korea and the US finally reached an agreement after their intense renegotiations of free trade deal (KORUS FTA).

“We have produced a substantial outcome on the autos and other limited areas during the ongoing talks,” South Korea Trade Minister Kim Jong-hoon and US Trade Representative Ron Kirk told reporters after four days of talks at a hotel in Columbia, Maryland.

South Korea had reportedly insisted on US concessions in agriculture in return for accepting most of US demands for wider access to the South Korean auto market. South Korea has reportedly agreed to maintain the 2.5 percent tariff on South Korean cars for five years. South Korea and US have to revise the text of current KORUS FTA which calls for the elimination of the tariff on cars with the displacement of 3,000cc or less immediately and on cars more than 3,000 within three years.

The talks were initially scheduled for two days but extended to a fourth straight day because of the last-minute efforts for a deal over tariffs on automobiles.

Both governments plan to sign on the revised KORUS FTA by this year and hope to finish the ratification of legislatures next year. South Korean President Lee Myung-bak called for early ratification of the revised KORUS FTA, according to the Cheong Wa Dae Saturday.

South Korea’s parliamentary ratification, however, appears to face a difficult battle ahead, as many say South Korea has given more concessions.

<http://www.bilaterals.org/spip.php?article18623>

CUTS Comments

India's exports to the US were valued at over US\$19,100mn in 2009 (for major export item see the table below). Korea's export to the US during the same period was almost double that of India and was valued at over US\$37,800mn (a list of Korea's top exports items to the US in a value terms is given in the table below. A comparison of major export items from India and Korea demonstrates that the two countries compete with each other in at least five product segments. More importantly, all the five competing products are in high value range. Except in organic chemicals, Korea appears to be better placed in four other product segments compared to India. Thus, implementation of KORUS FTA could have a serious impact on export of these items from India. Absence of any similar trade agreement between India and the US leaves a significant scope for trade diversion in both short and medium terms.

India's exports to US Year 2009 Total: US\$ 19,128.2mn		Korea's exports to US Year 2009 Total: US\$37,802.6mn	
Product	Value (US\$mn)	Product	Value (US\$mn)
Pearls, precious stones, metals, coins, etc	4576.1	--	--
Articles of apparel, accessories, not knit or crochet	1524.5	--	--
Electrical, electronic equipment	1417.6	Electrical, electronic equipment	12994.0
Pharmaceutical products	1170.1	--	--
Articles of apparel, accessories, knit or crochet	1164.7	--	--
Organic chemicals	998.3	Organic chemicals	497.4
Other made textile articles, sets, worn clothing etc	959.3	--	--
Machinery, nuclear reactors, boilers, etc	936.4	Machinery, nuclear reactors, boilers, etc	6278.1
Articles of iron or steel	811.9	Articles of iron or steel	1001.3
Vehicles other than railway, tramway	391.9	Vehicles other than railway, tramway	7601.4
		Mineral fuels, oils, distillation products, etc	1879.3
		Optical, photo, technical, medical, etc apparatus	1125.1
		Plastics and articles thereof	836.9
		Rubber and articles thereof	819.7
		Iron and steel	632.1

India's exports to Korea in 2009 in value terms totalled approximately US\$3,772.3mn. The export value of ten major export products varied in the range of US\$46.5mn to below US\$2100mn (for top ten export items, see the table below). Exports from the US to Korea during the same period were about seven times higher than that of India and were valued over US\$28,600mn (a list of its top ten export products in value terms is shown in the table below).

The products exported by both India and the US to Korea compete with each other in at least four products' segments. In terms of value, these four products could pose a serious challenge to prospects of exports from India. It could lead to significant trade diversion, and therefore India must take initiatives to reduce the impacts of this agreement on Indian exports. India-Korea Comprehensive Economic Partnership Agreement (CEPA) could be a useful tool to reduce adverse impacts arising out of KORUS FTA. The agreement has already come into force and is in the process of implementation.

India's exports to Korea Year 2009 Total: US\$ 3,772.3mn		U.S' exports to Korea Year 2009 Total: US\$ 28,639.7mn	
Product	Value (US\$mn)	Product	Value (US\$mn)
Mineral fuels, oils, distillation products, etc	2110.0	Mineral fuels, oils, distillation products, etc	1184.7
Organic chemicals	243.5	Organic chemicals	1438.4
Ores, slag and ash	173.4	--	--
Cotton	166.6	--	--
Iron and steel	160.7	Iron and steel	1041.2
Pearls, precious stones, metals, coins, etc	117.4	--	--
Machinery, nuclear reactors, boilers, etc	102.9	Machinery, nuclear reactors, boilers, etc	4426.7
Residues, wastes of food industry, animal fodder	100.0	--	--
Aluminium and articles thereof	61.6	--	--
Zinc and articles thereof	46.5	--	--
		Electrical, electronic equipment	4599.9
		Optical, photo, technical, medical, etc apparatus	1900.9
		Aircraft, spacecraft, and parts thereof	1843.5
		Cereals	1433.9
		Plastics and articles thereof	853.7
		Inorganic chemicals, precious metal compound, isotopes	631.3

Food for Thought

The US continues to be an important trading partner of India. Even though the US and India do not have a free trade agreement, these two nations have established some strong trading ties in recent years. Trade between the US and India is expanding. The growing technology sector in India has greatly contributed to this mutually beneficial trading relationship. Despite these positive developments, India-US trade relations are still governed by some US regulations. Should Government of India take focused initiatives to enter into a FTA with the US leveraging the existing cordial relation between the two countries?

2. Syria to sign the Framework Agreement on establishing Free Trade Zone with the Mercosur (Argentina, Brazil, Paraguay and Uruguay)

Syria will sign the Framework Agreement on establishing Free Trade Zone with the Mercosur Bloc during the Mercosur summit to be held later this week in the Brazilian city of Foz de Iguazu with the participation of a Syrian delegation headed by Minister of Economy and Trade Lamia Assi.

Signing the Agreement comes after discussing it through around of negotiations held last September in Damascus between the Syrian Ministry of Economy and a delegation of the Mercosur during Brazil's temporary presidency of the Bloc.

During the talks, the two sides underlined the importance of establishing a free trade zone between Syria and the Mercosur countries, provided that the two sides should start negotiations on preparing a trade agreement to establish the zone after initialing the Framework Agreement.

The Mercosur Bloc was established in 1991 as it includes Brazil, Argentina, Uruguay, Paraguay and Venezuela. Several countries have joined the bloc as partners with the aim of reaching a joint market such as Chile, Bolivia, Peru, Ecuador and Colombia.

<http://www.bilaterals.org/spip.php?article18717>

CUTS Comments

India's exports to Mercosur (consisting of Argentina, Brazil, Paraguay and Uruguay) totalled approximately US\$2107mn in 2009 (a list of top ten export products in the value terms is given in the table below). On the other hand, there were no exports from Syria to Mercosur during the same period. There is, thus, currently no competition for Indian products from Syria in the Mercosur countries, and no scope for trade diversion. The ongoing negotiation for signing the Framework Agreement between the two countries, however, might open up a window of opportunities for Syrian products in Mercosur region and create some problem for Indian products.

India's exports to Mercosur Year 2009 Total: US\$ 2107.1mn		Syria's exports to Mercosur Year 2009 Total: No export in 2009	
Product	Value (US\$mn)	Product	Value (US\$mn)
Mineral fuels, oils, distillation products, etc	523.9	--	--
Organic chemicals	246.0	--	--
Pharmaceutical products	130.9	--	--
Electrical, electronic equipment	115.6	--	--
Miscellaneous chemical products	139.5	--	--
Machinery, nuclear reactors, boilers, etc	97.2	--	--
Manmade filaments	75.2	--	--
Manmade staple fibres	89.6	--	--
Cotton	68.1	--	--
Iron and steel	64.0	--	--

India's exports to Syria in 2009 totalled approximately US\$342.7mn (a list of major export items in value terms is given in the table below). Mercosur's exports to Syria during the same period were more than double that of India and was valued at approximately US\$711mn (See the table below for a list of top ten export items in value terms).

A comparison of export items from India and Mercosur shows that there is competition in some of the segments. There are at least two products segments in which India's and Mercosur's export items compete with each other in Syrian market. This may be further aggravated in future as the proposed agreement would open up new opportunities for Mercosur's products in Syrian market in which it has a comparative advantage, and thus could lead to more competition for Indian products. Thus, the agreement could lead to trade diversion, though it might not be significant.

India's exports to Syria Year 2009 Total: US\$ 342.7mn		Mercosur's exports to Syria Year 2009 Total: US\$ 711.3mn	
Product	Value (US\$mn)	Product	Value (US\$mn)
Manmade staple fibres	47.5	--	--
Electrical, electronic equipment	36.9	--	--
Organic chemicals	36.7	--	--
Vehicles other than railway, tramway	25.3	Vehicles other than railway, tramway	5.5
Manmade filaments	21.2	--	--
Meat and edible meat offal	17.9	Meat and edible meat offal	5.6
Iron and steel	13.7	--	--
Plastics and articles thereof	10.5	--	--
Edible fruit, nuts, peel of citrus fruit, melons	09.9	--	--
Electrical, electronic equipment	36.9	--	--
		Residues, wastes of food industry, animal fodder	256.4
		Sugars and sugar confectionery	233.0
		Oil seed, oleaginous fruits, grain, seed, fruit, etc, nes	59.6
		Coffee, tea, mate and spices	78.4
		Live animals	18.2
		Articles of iron or steel	9.6
		Cereals	8.0
		Machinery, nuclear reactors, boilers, etc	3.0

Food for Thought

The region holds promise and potential for trade and investment from India. This has, in fact, already resulted in India-Mercosur PTA that came about in June 2009. There is also some discussion going on for deepening the PTA, as this might open up new markets

for India. Should India and Indian companies take fresh initiatives to explore and identify sectors in which they have comparative advantages, such as pharmaceutical, electronics, machinery, chemicals and textiles sectors?

3. Jordanian-Canadian FTA in final stages of approval

The implementing legislation for the Jordanian-Canadian Free Trade Agreement (FTA) - and the side agreements on environment and labour - is currently in the final stages of approval in the Canadian parliament, according to Canada's ambassador in Amman. At the launch of the FTA late Sunday, Canadian Ambassador to Jordan Mark Gwozdecky said that both political parties have indicated their support for the FTA, which the two countries signed in June 2009.

Under the FTA, Jordanian products will enter the Canadian market free of customs duties as of the date the agreement goes into effect, which is expected in 2011. Canadian products will benefit from a gradual decrease in tariffs over a span of three to four years. "In Canada's case, Jordan is the only country in the Arab world where we have decided to pursue free trade," the envoy said, stressing the importance of the deal in bolstering bilateral trade and cooperation.

The FTA secures Jordan preferential trade conditions, including full exemption from customs duties for Jordanian goods entering the market of the North American country. In return, Jordan will reduce customs duties on Canadian-made products over a transitional period of five years.

In his speech, the ambassador said that Jordan is already an important market for Canadian businesses, noting that many Canadian companies already have a solid presence in the Jordanian marketplace. According to the Canadian embassy, volume of bilateral trade stood at 81 million Canadian dollars in 2009, compared to 92 million in 2008.

From January to September 2010, Canadian exports to Jordan have increased by 24 percent while exports from Jordan to Canada have increased by 38 percent, said the ambassador, adding: "This is happening even before the FTA has entered into force." ...

<http://www.bilaterals.org/spip.php?article18604>

CUTS Comments

India's exports to Canada were valued at approximately US\$1172mn in 2009 (a list of top ten export items in value terms is given below). In the same year, Jordan's export to Canada was very low compared to India, and was valued at only US\$10.4mn. Notwithstanding this low figure, a comparison of top ten export items shows that India and Jordan compete with each other in five product categories. In terms of value, its impact on Indian exports appears to be significantly limited. There is no immediate scope for any significant competition for Indian exports from Jordan as their capacity appears to be limited compared to India. Besides, there is already an ongoing discussion between India and Canada for a Comprehensive Economic and Cooperation Agreement (CECA). If achieved, it would take care of any long term adverse impacts originating from Jordan.

India's exports to Canada Year 2009 Total: US\$1,172.3mn		Jordan's exports to Canada Year 2009 Total US\$10.4mn	
Product	Value (US\$mn)	Product	Value (US\$mn)
Organic chemicals	160.4	--	--
Articles of apparel, accessories, knit, or crochet	137.6	Articles of apparel, accessories, knit or crochet	5.9
Articles of apparel, accessories, not knit or crochet	116.2	Articles of apparel, accessories, not knit or crochet	1.4
Pearls, precious stones, metals, coins, etc	87.9	Pearls, precious stones, metals, coins, etc	0.8
Articles of iron or steel	60.3	--	--
Other made textile articles, sets, worn clothing etc	48.6	--	--
Machinery, nuclear reactors, boilers, etc	48.6	--	--
Fish, crustaceans, molluscs, aquatic invertebrates nes	41.3	--	--
Pharmaceutical products	35.5	Pharmaceutical products	0.2
Electrical, electronic equipment	34.8	Electrical, electronic equipment	0.1
		Edible vegetables and certain roots and tubers	0.8
		Optical, photo, technical, medical, etc apparatus	0.3
		Inorganic chemicals, precious metal compound, isotopes	0.1
		Essential oils, perfumes, cosmetics, toiletries	0.1
		Carpets and other textile floor coverings	0.1

India's exports to Jordan in 2009 totalled approximately US\$286.5mn (the table below presents a list of top ten export items in value terms). Canada's exports to Jordan during the same period were about 20 percent that of India and valued at US\$57.9mn. (See table below for major export items in value terms). A comparison of top ten export items of India and Canada shows that the two countries compete with each other in two product segments. In value terms, the competition appears to be quite limited. There is, thus, no immediate scope for any significant competition for Indian exports from Canada.

India's exports to Jordan Year 2009 Total: US\$286.5mn		Canada's exports to Jordan Year 2009 Total: US\$ 57.9mn	
Product	Value (US\$mn)	Product	Value (US\$mn)
Electrical, electronic equipment	58.5	Electrical, electronic equipment	3.1
Meat and edible meat offal	28.9	--	--
Organic chemicals	28.5	--	--
Articles of iron or steel	18.1	--	--

India's exports to Jordan Year 2009 Total: US\$286.5mn		Canada's exports to Jordan Year 2009 Total: US\$ 57.9mn	
Machinery, nuclear reactors, boilers, etc	15.0	Machinery, nuclear reactors, boilers, etc	6.9
Coffee, tea, mate and spices	12.8	--	--
Fertilisers	11.2	--	--
Edible fruit, nuts, peel of citrus fruit, melons	9.5	--	--
Cereals	9.1	--	--
Pharmaceutical products	7.4	--	--
		Vehicles other than railway, tramway	9.3
		Wood and articles of wood, wood charcoal	7.2
		Edible vegetables and certain roots and tubers	5.6
		Ships, boats and other floating structures	5.6
		Optical, photo, technical, medical, etc apparatus	2.5
		Paper & paperboard, articles of pulp, paper and board	2.4
		Plastics and articles thereof	3.3
		Miscellaneous edible preparations	1.3

Food for Thought

Trade relations between India and Jordan are governed by an agreement signed in 1976 under which a Trade and Economic Joint Committee promotes and monitors the progress. Both the countries enjoy cordial and friendly relationship with each other. For Jordan, India is one of the major destinations of its exports. In the light of such developments, should India take initiative to enhance its trade relationship with Jordan by leveraging its cordial ties? Should Indian companies invest in sectors in which India is a major importer?