Dossier on Preferential Trade Agreements

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

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1. Singapore, Costa Rica Conclude Free Trade Negotiations

Singapore and Costa Rica have concluded negotiations on a Free Trade Agreement (FTA), Singapore's Ministry of Trade and Industry said on Friday.

Under the agreement, Singaporean and Costa Rican companies will enjoy greater access to each other's markets.

Both Singapore and Costa Rica have committed to full product coverage for tariff elimination - Singapore will grant immediate duty free access for all imports from Costa Rica, while Costa Rica would eliminate tariffs for 90.6 percent of its tariff lines upon entry into force of the agreement.

The tariffs on the remaining products would be eliminated over a period of 10 years, with possibility of accelerated tariff elimination.

The services and investments chapters cover key areas of interest for Singaporean companies, including hotel and restaurant services, private education services, and construction services. In addition, under the Agreement, investors will be assured of protection for their investments.

Bilateral trade hit 413.7 million Singapore dollars (about 295 million U.S. dollars) in 2009, up 40 percent from 2004. Singapore' s imports from Costa Rica comprise mainly electronic valves and machine parts whilst Singapore exports mainly measuring instruments and rubber to Costa Rica.

Singapore and Costa Rica will sign the FTA once domestic processes that are completed.

Source: http://insidecostarica.com/dailynews/2010/january/29/costarica-10012904.htm

CUTS Comments:

India's exports to Singapore were estimated at US$8.8 billion in 2008 with the top five exports being mineral fuels, oils and distillation products; ships and boats; nuclear reactors and boilers; electrical and electronic equipment; and pearls and precious stones, metals, coins etc. Costa Rica's exports to Singapore in the same year amounted to a much lower US$ 25.2 million, with the top five exports being nuclear reactors and boilers; electrical and electronic equipment; coffee, tea, mate and spices; opticals, photo, technical and medical apparatus; and plastics and articles thereof. Sectoral overlap could occur in the case of nuclear reactors and boilers, but considering India has a CECA with Singapore and its export of these to Singapore is almost 24 times that of Costa Rica's export, this sectoral overlap may not be significantly troublesome for India.

India's exports to Costa Rica amounted to US$39.6 million in 2008 with the top five exports being miscellaneous chemical products; pharmaceutical products; vehicles other than railway and tramway; organic chemicals; and rubber and articles thereof. Singapore's exports to Costa Rica during the same year were estimated at US$ 26.9 million with the top five exports being optical, photo, technical and medical apparatus; nuclear reactors and boilers; rubber and articles thereof; electrical and electronic equipment; and vehicles other than railway and tramway. There could be a possibility of some trade diversion of vehicles other than railway and tramway, with Costa Rica preferring to import these from Singapore rather than India.

Food for Thought:

India's CECA with Singapore could open up opportunities for Indian companies in Singapore to invest in Costa Rica through the free trade agreement mentioned above. Could India use this as a stepping stone towards increasing its commercial presence in the Central and South American region?

2. China and ASEAN launch world's 3rd biggest trade zone

China and the 10-member Association of South East Asian Nations (ASEAN) are poised to launch a free trade agreement on Friday, forming an economic bloc of 1.9 billion people with trade worth around $200 billion.

China sees the agreement as a way of securing supplies of raw materials, while countries in ASEAN — an eclectic grouping ranging from highly advanced Singapore to Laos, a poor landlocked communist state — see opportunities in China's huge market.

Here is some background on the trade agreement:

HISTORY: China and ASEAN signed an initial FTA in November 2002. Some tariffs have been reduced since 2005 and agreements on goods and services, the first two stages, were concluded in 2007, while a deal on investment was completed in August this year.

TARIFFS: Tariffs on 90 percent of goods traded with China to be eliminated by 2010 for Indonesia, Brunei, Malaysia, the Philippines, Singapore and Thailand, and by 2015 for Laos, Vietnam, Cambodia and Myanmar.

The remaining 10 percent, including on textiles and some electronics, are deemed sensitive and will be lowered more slowly.

A Chinese official said when the FTA is fully implemented it will impose zero tariffs on about 7,000 categories of goods.

SERVICES: Preferential access will be given for companies from ASEAN into China's services market, and vice versa, in areas such as business services and tourism.

TRADE: China-ASEAN trade is targeted to hit $200 billion by 2010, up from $192.6 billion in 2008 and $113 billion in 2005. This will make it the third-largest free trade zone in trade volume after the European Economic Area and the North American Free Trade Area.

NUMBER OF PEOPLE: 560 million people in ASEAN and 1.3 billion in China.

WINNERS AND LOSERS

- ASEAN is expected to benefit from increased exports of raw materials to China, but Southeast Asian consumer goods and car parts makers could lose out to cheaper China imports.

- Food and beverages, and products such as jewellery and cosmetics in countries such as Thailand are expected to benefit from higher Chinese demand.

- Southeast Asian companies may also benefit from cheaper raw and intermediate goods from China — for example, clothing firms will now have access to cheaper material.

- Manufacturers of goods such as textiles, footwear and steel in countries such as Thailand, Vietnam, Cambodia and Indonesia appear vulnerable to cheap Chinese imports.

- Indonesia previously said it might seek to delay the deal, but media reports indicate Southeast Asia's biggest economy will instead instigate a review after proposals to postpone 228 tariff lines in sectors such as steel, electronics and petrochemicals.

ASEAN groups Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Vietnam.

Source: http://in.reuters.com/article/worldNews/idINIndia-45093620100101?sp=true

CUTS Comments:

India's exports to the South East Asian trading bloc in 2008 was estimated to be US$19.4 billion with mineral fuels, oils and distillation products accounting for 30% of total exports. The other prominent exports were ships and boats; residues, food industry wastes and animal fodder; organic chemicals; and nuclear reactors and boilers. China's exports to ASEAN during the same year were estimated to be US$ 112 billion with electrical and electronic equipment; and nuclear reactors and boilers accounting for approximately half of the total exports. Other prominent exports were iron and steel; articles of iron and steel; and mineral fuels, oils and distillation products. There could be some sectoral overlap with ASEAN member countries preferring to import mineral fuels and oils; and nuclear reactors and boilers from China rather than India, which could result in significant losses for India.

ASEAN's exports to China in 2008 were estimated to total US$ 88.3 billion with the top five exports being electrical/electronic equipment; nuclear reactors and boilers; mineral fuels, oils and distillation products; animal, vegetable fats and oils; and rubber and articles thereof. India's export to China during the same year totaled US$10 billion with the major exports being ores, slag and ash; cotton; organic chemicals; salt, sulphur, earth, stone, plaster, lime and cement; and commodities not elsewhere specified. There does not seem to be much scope for trade diversion here which would result in losses for India.

Food for Thought:

The free trade agreement between China and ASEAN will increase competition between India and China especially in terms of maintaining each one's prominent presence in the ASEAN markets. Will expediting negotiations on services in the India and ASEAN free trade agreement help in easing some of this competition between India and China?

3. UAE, S Korea sign economic cooperation pact

South Korea said on Sunday it had signed an enhanced economic cooperation agreement with the UAE as the two get set to mark their 30-year relationship anniversary next year.

The two countries also signed a memorandum of understanding (MOU) to cooperate in nuclear power and renewable energy sectors, a statement from the South Korean presidential Blue House said.

The agreements come as South Korean President Lee Myung-bak is currently visiting the UAE and a South Korean consortium won a $20bn deal from the UAE to build four nuclear reactors.

"To celebrating the 30-year relation anniversary, both countries have made efforts to expand the bilateral cooperation to overall economic areas and establish (a) long-term, companion cooperating relationship," the statement said.

"They both agreed to build cooperating systems to make actual tie-ups in (areas of co-interest), and made an agreement on nuclear power, renewable energies and other major cooperating areas."

The UAE, the world's third-largest oil exporter, plans to build a number of nuclear reactors to meet an expected need for an additional 40,000 megawatts of power, while the consortium from South Korea, the world's fifth-largest oil importer, will build four nuclear reactors in the UAE to be jointly run. (Reuters)

Source: http://www.arabianbusiness.com/577201-uae-s-korea-sign-economic-cooperation-pact

CUTS Comments:

The Republic of Korea's exports to UAE in 2007 were estimated at US$ 3.7 billion with the major exports being electrical/electronic equipment; vehicles other than railway, tramway; nuclear reactors and boilers; iron and steel; and mineral fuels, oils and distillation products. India's exports to the Middle Eastern country in 2008 totalled US$ 19 billion with the top exports being mineral fuels, oils and distillation products; pearls and precious stones; cereals; iron and steel; articles of iron and steel; and nuclear reactors and boilers. As a result of the pact UAE could prefer to import mineral fuels and oils, and iron and steel from Republic of Korea instead of India. This could result in significant losses for India with these two products making up 34% of India's exports to UAE.

UAE's exports to the Republic of Korea totaled US$239 million with the major exports being nuclear reactors and boilers; vehicles other than railway and tramway; electrical and electronic equipment; rubber and articles thereof; and pearls and precious stones. India's exports to the South East Asian country during the same year are estimated to total US$3.7 billion with the major exports being mineral fuels, oils and distillation products; iron and steel; residues, food industry wastes and animal fodder; organic chemicals; and articles of iron and steel. There does not seem to be any possibility of sectoral overlap here that would result in losses for India.

Food for Thought:

Republic of Korea's plan to build four nuclear reactors in UAE could drastically reduce India's sixth largest export to the Middle Eastern country, which could have a significant negative impact on India. Would this provide further impetus for India to expedite its free trade agreement negotiations with GCC in order to neutralise the negative impacts?