Dossier on Preferential Trade Agreements

May 2010
(Vol. IV, No. 4)

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1. Canada Free Trade Agreement with Panama Signed

Even before the Free Trade Agreement was finalized today, Panamanian exports of gold, pineapples and frozen shrimps to Canada had skyrocketed.

Peter Van Loan, Canada's Minister of International Trade, formally signed the Canada-Panama Free Trade Agreement this morning. His Panamanian counterpart, Roberto Henríquez also signed the pact.

The agreement should boost trade between Canada and Panama. The 2 nations exchanged C$132.1 billion worth of exports and imports in 2009.

According to Foreign Affairs and International Trade Canada, Canada-Panama free trade will create new opportunities in 3 Canadian industries: agriculture, construction and manufacturing.

Another key benefit of the agreement is that Canadian businesses will now be able to bid on projects that the Panamanian government finances.

This includes the $5.4-billion expansion of the Panama Canal and other infrastructure projects.

Top Exports to Panama from Canada

During 2009, Canadian exports to Panama totaled $91.4 million. That amount represents a 28.6% drop from 2008 but is 51.9% higher than in 2005.

Below are Canada's top 10 exports to its Central American trade partner in 2009.

1. Drugs and medications … C$8.3 million (up 7.5% from 2008)
2. Frozen potatoes … $5.6 million (up 31.5%)
3. Coins, other than gold or legal tender … $5.4 million (down 2.6%)
4. Dried and shelled lentils … $5.3 million (down 20.1%)
5. Trucks with load capacity over 20 tons … $2.9 million (down 47.5%)
6. Elevators and belt-type conveyors … $2.52 million (down 14%)
7. Plywood excluding bamboo … $2.5 million (down 14.4%)
8. Vegetable fats or oils … $2.47 million (up 19.6%)
9. Cured pork meat … $2.3 million (up 15.8%)
10. Uncoated fine paper in rolls … $2.2 million (down 38.1%)

Overall, Canadian exports to Panama slowed by a further 20.1% to $23.9 million during the first 3 months of 2010. However, there were some notable exceptions.

Canadian lentil bean shipments to Panama spiked 176% to $2.8 million. Canada also exported $2.77 million worth of ferry boats to Panamanian waters, up from nil for the 3-month period ending March 2009.

Top Imports from Panama into Canada

The total value of Panamanian products imported into Canada was $40.7 million in 2009, up 91.7% from 2008. The 2009 amount is actually 8.9% less than Canada's imports from Panama in 2005.

Below are the top 10 Canadian imported products from Panama last year.

1. Unrefined non-monetary gold … C$32.8 million (up from nil in 2009)
2. Fresh or dried bananas including plantains … $2.2 million (up 9.7%)
3. Unroasted coffee other than decaffeinated … $843,820 (down 44.8%)
4. Glass containers for conveyance or packing … $502,766 (up 2.5%)
5. Frozen shrimps and prawns … $434,318 (up 343%)
6. Abrasive powder or grain … $414,862 (up from nil)
7. Frozen, dried or salted cuttle fish … $387,130 (down 37.8%)
8. Fresh or dried pineapples … $362,822 (up 375.7%)
9. Other fresh or chilled fish … $327,177 (down 6%)
10. Fresh melons excluding watermelons … $268,480 (down 30.4%)

For the 3 months ending March 2010, the total for all imports from Panama into Canada jumped 706% to $21.6 million. The corresponding statistic was $2.68 million in the year-earlier quarter.

Panama's frozen shrimps and prawns exported to Canada have accelerated by over 14,000% so far in 2010. Should the Gulf of Mexico oil spill do further harm to Louisiana's vast shrimp resources, Panama is well-positioned to increase sales of its shrimps and prawns even more.

Before the formal signing of the free trade agreement, Panama was making great strides in growing its export sales to Canada.

Canadians are now hoping that free trade will distribute some of that economic growth will spread to the North American side of the trade equation.

Source: http://news.suite101.com/article.cfm/canada-free-trade-agreement-with-panama-signed-a237298

CUTS Comments:

India's exports to Panama in 2008 totaled approximately US$93.9 million with the major exports being articles of apparel (both knitted and non-knitted); other made textiles articles, sets, worn clothing; articles of iron and steel; and vehicles other than railway and tramway. Canada's exports to Panama in 2009 totaled approximately US$91.4 million with the top five exports being pharmaceutical products; nuclear reactors and boilers; vehicles other than railway and tramway; edible vegetables, roots and tubers; and electrical and electronic equipment. There could be some possibility for trade diversion here with Panama preferring to import vehicles other than railway and tramway from Canada rather than India, resulting in some losses for India.

India's total trade volume with Canada in 2008 was US$3.7 billion with the main exports being apparel (both knitted and non-knitted); agricultural produce; organic chemicals; articles of iron and steel; and pearls and precious stones. Panama's exports to Canada in 2009 totaled US$40.7 million and consisted mainly of unrefined non monetary gold; fresh or dried bananas; unroasted coffee; glass containers; and frozen shrimps and prawns. There seems to be no possibility of any significant trade diversion as a result of the agreement signed by Canada and Panama.

Food for Thought:

The recent efforts by India and Canada to establish closer relations in the form a trade agreement are well timed. A forging of closer relations will not only help trade in goods between the two countries reach its potential, but will also provide employment opportunities for young and skilled Indians in Canada (which is experiencing a net reversal in workforce participation due to more workers retiring than joining the workforce). In addition, Canada's willingness to invest in infrastructure will hold India in good stead especially when taking into consideration its ever increasing infrastructural requirements.

2. EU, Central America Reach Accord Liberalizing Trade

The European Union and Central America reached an association agreement that will open up trade in beef, bananas, rice and cars and attract more investment from the EU to the region.

The 27-nation EU and Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and Panama completed discussions on the trade pillar of the accord today in Madrid, said John Clancy, the European Commission's spokesman for trade. Heads of state from the governments will formally conclude the negotiations at their summit tomorrow.

"The entire deal, all three pillars, are now concluded," Clancy said by telephone today.

The trade agreement, announced a day after the EU and the four-nation South American trading bloc Mercosur agreed to resume free-trade talks, is the first of its kind between Europe and Central America. The EU and the six Central American governments have been negotiating a deal to liberalize trade since 2007.

Under the agreement, cars made by EU producers such as Volkswagen AG, Renault SA and Fiat SpA will be given increasing free access to the Central American market over 10 years. The governments also agreed on quotas for EU imports of 7,000 tons of boneless cuts of beef and 20,000 tons of rice, growing 5 percent annually, that constitute new trade.

Banana Imports

In addition, import duties on bananas will be reduced to 75 euros over 10 years. That means savings of 50 million euros on current trade, taking into consideration the difference between a deal the EU already approved on banana tariffs and the newly agreed preferential levy, the commission said in a statement.

European countries led by France, the main beneficiary of EU farm subsidies, have criticized the EU's plan to negotiate a free-trade agreement with the Mercosur bloc, comprised of Argentina, Brazil, Paraguay and Uruguay. Talks began in 1999 and stalled five years later amid disagreements over tariffs and subsidies paid to European farmers.

European farm association Copa-Cogeca said last week that resuming the talks with Mercosur would have a "devastating impact on the EU agriculture and agri-food sector."

A deal "would cause a huge rise in beef, pork, poultry, wheat, citrus fruit/juice imports to the EU from these countries," said Padraig Walshe, president of Copa. This would lead to a substantial contraction in the EU agriculture sector, threatening 28 million jobs."

Ten EU nations — Austria, Cyprus, Finland, France, Greece, Hungary, Ireland, Luxembourg, Poland and Romania — issued a statement last week opposing the resumption of the talks with Mercosur, saying "the strategic agricultural interests of the European Union are clearly at stake." Spain, which holds the EU's rotating presidency, has promoted a free-trade agreement between the bloc and its former colonies in Latin America.

Source: http://www.bloomberg.com/apps/news?pid=newsarchive&sid=aj7YfT8ARpfg

CUTS Comments:

India's exports to Central America in 2008 amounted to US$280 million with the main exports being vehicles other than railway or tramway; electrical and electronic equipment; pharmaceutical products; rubber and articles thereof; and cotton. The European Union's exports to Central America amounted to US$3.5 billion in 2008 with the major exports being nuclear reactors and boilers; electrical and electronic equipment; aircraft, spacecraft and parts thereof; pharmaceutical products; and vehicles other than railway or tramway. Given the well established trade relations between the EU and Central America, there is possibility for significant trade diversion with Central America preferring to import vehicles other than railway and tramway; electrical and *electronic equipment; and pharmaceutical products from EU rather than India, thereby resulting in large losses for India.*

India's exports to EU amounted to US$39.2 billion in 2008 with the major exports being mineral fuels, oils and distillation products; pearls, precious stones, metals and coins; apparel (both knitted and non-knitted); iron and steel; and nuclear reactors and boilers. Central America's exports to EU during the same year totaled approximately US$3.5 billion with the top five exports being coffee, tea, mate, spices; edible fruits, nuts, citrus peel, melons; nuclear reactors and boilers; live trees, plants, cut flowers etc.; and vegetables, fruits and nuts. There could be some possibility for trade overlap here with EU preferring to import nuclear reactors, boilers and machinery from Central America rather than India, resulting in some losses for India.

Food for Thought:

India's trade with Central America is relatively low. Given the region's high demand for vehicles other than railway and tramway, nuclear reactors, pharmaceutical products and electrical and electronic equipment - which form part of India's major exports – India should make efforts to increase trade with the region by promoting such exports.

3. US, Libya sign trade and investment pact to improve ties

The U.S. and Libya signed a pact Thursday to facilitate trade and investment between the two nations, marking the latest step in the thaw of past hostilities.

A year and a half after restoring full normalization of ties, trade officials from the U.S. and Libya signed a trade and investment framework agreement in Tripoli.

"The TIFA is the latest step in a joint effort by the United States and Libya to broaden and deepen our bilateral relations," the U.S. Trade Representative's office said in a statement.

The U.S. has similar agreements with dozens of countries, which provide a forum for cooperation on issues like market access and labor standards.

But the deal with Libya is significant, coming less than six years after the U.S. lifted sanctions that had been in place since the early 1980s. Libyan leader Moammar Gadhafi began his reconciliation with the international community in 2003, when he renounced terrorism and agreed to compensate relatives of those who died on the 1988 bombing of a flight over Lockerbie, Scotland.

The U.S.-Libya Business Association, which is led by major oil companies like Chevron Corp. and BP PLC, called the pact a "milestone" in the relationship that would help strengthen economic and diplomatic ties.

"With more than $60 billion in Libyan infrastructure projects over the next three years, the signing of the TIFA is especially timely," the group said in a statement.

The Department of Commerce has also announced plans for a trade mission to the oil exporter, which accounted for $2.6 billion in U.S. trade flows last year.

Source: http://online.wsj.com/article/BT-CO-20100520-710972.html?mod=WSJ_World_MIDDLEHeadlinesEurope

CUTS Comments:

India's exports to Libya in 2008 amounted to approximately US$102.8 million with the major exports being nuclear reactors, boilers and machinery; electrical and electronic equipment; articles of iron and steel; coffee, tea, mate and spices; and vehicles other than railway or tramway. US's exports to Libya in 2009 totaled US$ 666 million with the top five exports being vehicles other than railway and tramway; nuclear reactors, boilers and machinery; electrical and electronic equipment; optical, photo, technical and medical apparatus; and articles of iron and steel. There is a possibility of significant trade overlap here with Libya preferring to import nuclear reactors, boilers and machinery; electrical and electronic equipment; articles of iron and steel; and vehicles other than railway and tramway from US rather than India, resulting in considerably large losses for India.

India's exports to US in 2008 amounted to approximately US$21.4 billion with the main exports being pearls, precious stones, metals and coins (accounting for almost 21% of total exports); apparel (both knitted and non knitted); other textiles articles, sets, worn clothing; articles of iron and steel; electrical and electronic equipment; and nuclear reactors, boilers and machinery. Libya's exports to US in 2009 totaled approximately US$1.98 billion with the major export being mineral fuels, oils and distillation products which accounted for almost 96% of total exports. Other exports included fertilisers, and organic and inorganic chemicals. There does not seem to be a possibility for any significant trade overlap here which will result in losses for India.

Food for Thought:

Libya's economy depends heavily on its oil resources and as a result they are looking to develop markets for industries such as pharmaceuticals and medical services among others. Could this provide India with a feasible opportunity to invest in these industries in the North African country?