Dossier on Preferential Trade Agreements

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1. Gulf states to sign free-trade agreement with NZ

Gulf states which collectively make up New Zealand's seventh largest trading partner have agreed to sign a free-trade agreement early next year.

The agreement with the Gulf Co-operation Council will build on the $1.3 billion of annual New Zealand exports to Bahrain, Oman, Kuwait, Saudi Arabia, the United Arab Emirates and Qatar. Total bilateral trade is worth $3.85 billion.

New Zealand's major exports to the region are dominated by primary sector products such as dairy, sheep meat, and wood, but there is strong interest in critical services areas such as ICT, education, environmental and professional services. The agreement needs to be translated into Arabic and ratified by the six members countries, and follows six rounds of negotiations which have been running since 2007.

"The agreement with the GCC offers valuable commercial advantages to New Zealand businesses leading to stronger and more diversified presence in both the GCC states and the wider Middle East," said Trade Minister Tim Groser. "While there has been a real focus on the Asia-Pacific region of late, this FTA will provide a strong platform for export growth into a region that is likely to emerge strongly from the global recession," he said

Exact details have not yet been confirmed, as officials still need to complete the verification process before they are made public. Saudi Arabia alone if New Zealand's 15th-largest export market, taking $550 million of product in the 2 months through September, down 25% from a year earlier, according to government figures.

Business NZ spokesman Bruce Goldsworthy said the deal comes at an opportune time for New Zealand's economic growth.

"Diversity is of great importance in aiding our emergence as a strong, export-led, free trading economy," Goldsworthy said.

Fonterra said with dairy exports of $686 million to the region in the May year, up from $498 million in 2006/07, the region's large population of young people represents an "exciting opportunity." For example, 41% of Saudi Arabia's population is aged 15 or under.

"Dairy products are very important in delivering protein and calcium," said Fonterra chairman Sir Henry van der Heyden. "The conclusion of the negotiations represented a significant opportunity for Fonterra in a high-demand region. While the details are yet to be released, dairy trade currently faces tariffs of 5% and we believe the agreement will allow us to become more competitive and to lift sales further."

Some 40% of Fonterra's exports now go to countries with which New Zealand has established a free-trade agreement.

Source: http://www.scoop.co.nz/stories/BU0911/S00069.htm

CUTS Comments

India's exports to New Zealand (NZ) totalled US$203 million in 2008 and mainly consisted of aircraft, spacecraft and parts thereof; nuclear reactors and boilers; pharmaceutical products; pearls and precious stones; and inorganic chemicals and precious metal. GCC's exports to NZ during the same year totalled almost US$2.1 billion with the main exports being mineral fuels, oils and distillation products; fertilisers; plastics and articles thereof; glass and glassware; and nuclear reactors and boilers.

GCC's imports from India in 2008 totalled US$26.8 billion and mainly consisted of mineral fuels, oils and distillation products; pearls and precious stones; cereals; articles of iron and steel; and nuclear reactors and boilers. As mentioned in the article above, NZ's exports to GCC states were mostly primary products such as dairy products and eggs; meat; wood and article of wood; and edible fruit, nuts and citrus fruit peels – and totalled US$936 million. Nuclear reactors and boilers were NZ's fourth biggest export to the GCC states, accounting for 2.36% of the total exports to the region. There does not seem to be significant sectoral overlap to India's as a result of an agreement signed between NZ and GCC states..

Food for Thought

India's biggest export to the world is non crude petroleum and this is also New Zealand's biggest import. So far this product does not feature in India's top exports to the Oceanic country and India could thus use it as an opportunity to boost its exports to NZ, as it negotiates a FTA with the country next year. NZ also has strong interests in high-tech sectors such as ICT in both India and GCC states. Should India be concerned about potential diversion of investment from NZ in this sector in favour of the GCC states?

2. Peru Signs Free Trade Deal With European Countries

Peru formally concluded a joint free trade agreement with Switzerland, Norway, Liechtenstein and Iceland, the trade and tourism minister, Martin Perez, said Friday. The four countries make up the European Free Trade Agreement trading bloc. Peruvian exports to the block were worth $3.4 billion last year, Mr. Perez said in a statement. Imports from the bloc totaled $1.3 billion. In the first nine months of the year, Peruvian exports to those countries rose by 18 percent, compared with the same period last year, Mr. Perez said. Sectors that will benefit the most from the new agreement are fishing and industry, Mr. Perez said.

Source: http://www.nytimes.com/2009/11/28/business/global/28bizbriefs-PERUSIGNSFRE_BRF.html

CUTS Comments

India's exports to Peru in 2008 totalled US$403 million and mainly consisted of articles of iron and steel; cotton; vehicles other than railway and tramway; iron and steel; and rubber and article thereof. The EFTA countries' main exports to Peru in 2008 were opticals, medical and surgical equipment; machinery and medical appliances; pharmaceutical products; electrical machinery; and clocks and watches – and totalled US$121 million. It is evident that there is no possibility of a sectoral overlap here.

EFTA countries' imports from India in 2008 were mainly organic chemicals; precious stones and metals; textiles and clothing (both knitted and woven); and machinery and mechanical appliances. EFTA imports from India totalled US$1.4 billion with more than 70% of Indian exports going to Switzerland alone. Peru exported US$265 million worth of goods – mostly fats and oils; fruit and nuts; waste from food industry; coffee, tea, mate and spices; and vegetables. Norway imported almost 80% of total Peruvian exports to the EFTA region. Again, it is clear that there little possibility of sectoral overlap resulting in losses for India.

Food for Thought

Peru's top five imports from the world are nuclear reactors and boilers; mineral fuels, oils and distillation products; vehicles other than railway and tramway; electrical and electronic equipment; and iron and steel. All of these products are also India's biggest export products. Peru also has increasingly open investment markets with high FDI inflows. India already has a PTA with Chile in place - should it look to negotiate a FTA with Peru (keeping in mind Peru's potential as an investment as an export destination), in order to provide more opportunities to expand its presence in the Latin American markets?

3. New Zealand - FTA with Hong Kong signed

New Zealand (NZ) and Hong Kong have signed a free trade agreement (FTA) on the back of recently concluded trade talks.

Although Hong Kong's status as an open port meant that zero tariffs applied to any imported goods – agricultural or otherwise, the benefit of the agreement is said to lie in the fact that it guarantees the security of access to the market for NZ. It also complements the NZ-China FTA concluded a year ago, and may help to speed up the process of tariff's being phased out in that market (Meat & Wool New Zealand).

In 2008, NZ exported 4,945 tonnes of lamb, 4,477 tonnes of beef and veal and 328 tonnes of mutton to Hong Kong. Over the same period, Australia exported 4,323 tonnes of lamb, 3,230 tonnes of beef & 1,122 tonnes of mutton respectively, with a combined value of A$53.2 million (Global Trade Atlas).

Source: http://www.bilaterals.org/article.php3?id_article=16351

CUTS Comments

India's main exports to Hong Kong (HK) in 2008 were pearls and precious stones; electrical and electronic equipment; raw hide and skins; silk; and copper and articles thereof – and amounted to US$6.7 billion. New Zealand's (NZ) exports to HK totalled US$499 million during the same year and was mostly made up of fish, crustaceans, molluscs; meat and edible meat; dairy products and eggs; raw hide and skins; and live animals. The free trade agreement between NZ and HK may encourage HK to import raw hide and skins from NZ instead of India, resulting in some losses for India.

NZ's imports from India during 2008 totalled US$203 million in 2008 and mainly consisted of aircraft, spacecraft and parts thereof; nuclear reactors and boilers; pharmaceutical products; pearls and precious stones; and inorganic chemicals and precious metal. The Oceanic country's main imports from HK during 2008 amounted to US$143 million and was mostly made up of electrical and electronic equipment; nuclear reactors and boilers; articles of apparel; printed books and newspapers; and toys and games. Again there is potential for some sectoral overlap here with NZ preferring to import nuclear reactors and boilers from HK instead of India.

Food for Thought

Given the resilience of economies in the Asia and Asia Pacific regions in light of the global financial crisis, should India look to strengthen its 'Look East Policy' by expediting negotiations on comprehensive FTAs with the likes of Indonesia, China, Australia and New Zealand?