

Dossier on Preferential Trade Agreements

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1. Lebanon and Turkey sign free trade agreement

Lebanon and Turkey signed a free trade agreement (FTA) to increase bilateral trade and expand private sector cooperation, as well as to pave the way for the establishment of a free trade zone between Lebanon, Turkey, Syria and Jordan. The agreement was signed following six years of negotiations. The aggregate value of bilateral trade between Lebanon and Turkey totaled US\$791.3mn in 2009. Lebanese imports from Turkey increased by 3.2 percent year-on-year to US\$686.4mn, while Lebanese exports to Turkey decreased by 49 percent to US\$104.9mn in 2009. Imports from Turkey account for 4.3 percent of total Lebanese imports and exports represent 3 percent of aggregate exports.

In June 2009, Lebanon, Turkey, Syria and Jordan signed an agreement to set up a free trade zone and complete a visa-free travel regime for their nationals. The four countries agreed to establish a Cooperation Council to develop a long-term strategic partnership and create a zone of free movement of goods and persons among their economies.

<http://www.bilaterals.org/spip.php?article18588>

CUTS Comments

India's exports to Turkey were approximately US\$1,278.6mn in 2009. A list of top ten export items in value terms over US\$44mn is given in the table. Compared to India's exports, there were no exports originating from Lebanon in 2009, despite the fact that during 2008 the country exported goods worth about 207mn. India and Lebanon thus did not have any competition as far as export in 2009 is concerned. Further, there is no immediate scope for any significant competition for Indian exports from Lebanon as their capacity appears to be limited compared to India. Besides, there is already an ongoing discussion between India and Turkey for a FTA. If achieved, it would take care of any long term adverse impacts originating from Lebanon.

India's exports to Turkey Year 2009 Total: US\$1,278.6mn		Lebanon's exports to Turkey Year 2008 Total US\$206.9mn; No exports in 2009	
Product	Value (US\$mn)	Product	Value (US\$mn)
Organic chemicals	157.4	--	--
Manmade staple fibres	123.7	--	--
Cotton	109.5	--	--
Vehicles other than railway, tramway	86.8	--	--
Tanning, dyeing extracts, tannins, derivs, pigments etc	63.8	--	--
Mineral fuels, oils, distillation products, etc	63.8	--	--
Plastics and articles thereof	58.9	--	--
Machinery, nuclear reactors, boilers, etc	53.5	--	--
Iron and steel	52.9	--	--
Manmade filaments	44.3	--	--

India's exports to Lebanon in 2009 totalled approximately US\$136mn with major exports in value terms ranging between US\$7mn-US\$18.6mn given in the table below. Turkey's exports to Lebanon during the same period were over four times more than that of India and were valued at over US\$686mn. (See table below for major export items in the range of US\$13.9mn-US\$213.3mn). The products exported by both India and Turkey to Lebanon compete with each other in at least four areas. In terms of value, the prospects in machinery, nuclear reactors, boilers, etc and plastics and articles thereof could be hit hardest compared to other two products' segments as a result of implementation of this agreement. It could lead to trade diversion.

India's exports to Lebanon Year 2009 Total: US\$136.4mn		Turkey's exports to Lebanon Year 2009 Total: US\$ 686.5mn	
Product	Value (US\$mn)	Product	Value (US\$mn)
Meat and edible meat offal	18.6	--	--
Stone, plaster, cement, asbestos, mica, etc articles	9.1	--	--
Machinery, nuclear reactors, boilers, etc	9.0	Machinery, nuclear reactors, boilers, etc	24.1
Electrical, electronic equipment	8.7	Electrical, electronic equipment	14.1
Pearls, precious stones, metals, coins, etc	8.7	--	--
Vehicles other than railway, tramway	7.6	Vehicles other than railway, tramway	13.9
Plastics and articles thereof	7.0	Plastics and articles thereof	21.7
Pharmaceutical products	6.0	--	--
Silk	5.2	--	--

India's exports to Lebanon Year 2009 Total: US\$136.4mn		Turkey's exports to Lebanon Year 2009 Total: US\$ 686.5mn	
Edible fruit, nuts, peel of citrus fruit, melons	4.7	--	--
		Mineral fuels, oils, distillation products, etc	231.3
		Iron and steel	101.8
		Articles of apparel, accessories, not knit or crochet	30.2
		Articles of iron or steel	16.4
		Articles of apparel, accessories, knit or crochet	16.2
		Fish, crustaceans, molluscs, aquatic invertebrates nes	14.3

Food for Thought

India and Lebanon enjoy cordial and friendly relations based on a number of complementarities such as parliamentary democracy, non-alignment, human rights, commitment to a just world order, regional and global peace, a conflict-free relationship, free market economy and a vibrant entrepreneurial spirit. In the light of such commonalities, should India take fresh initiative to enhance its trade relationship with Lebanon by leveraging its cordial ties?

2. Korea, Peru sign free trade pact

South Korea and Peru signed a bilateral preliminary/provisional FTA, in November 2010, which is expected to be implemented midway through the next year after being approved by the parliaments of both countries.

The top trade negotiators from Korea and Peru, Kim Jong-hoon and Martin Perez, signed the pact at Cheong Wa Dae with President Lee Myung-bak and his Peruvian counterpart Alan Garcia.

Lee and Garcia agreed to deepen bilateral ties in the development of energy and infrastructure in the South American country.

“Lee expressed hope that the FTA will improve the welfare of people in both nations as well as bolster economic and trade relations between the two countries”, Cheong Wa Dae said.

In response, the Peruvian President said he believes Korea-Peru relations will take a huge leap forward if the agreement goes into effect.

Lee asked the Peruvian government to support local companies seeking to participate in energy, natural resources development and infrastructure construction projects.

The two countries concluded negotiations in late August to abolish almost all tariffs within 10 years, paving the way for Seoul to secure a stable supply of natural resources from Peru and export more products such as automobiles and electronics.

Two-way trade volume totalled US\$1.56bn in 2009.

Under the agreement, Korea and Peru are required to scrap tariffs on most items except for 107 agricultural and fisheries products such as rice, beef, onions and garlic.

Peru's nine percent tariffs on imported vehicles and electronics will be removed over the next decade. The nine percent tariff on color televisions will be jettisoned as soon as the FTA takes effect.

Peru is the second South American country with which Korea has sealed a free trade pact. In April 2003, Korea signed its first free trade agreement with Chile.

On the sidelines of the summit, the two countries also signed memorandums of understanding on stepping up cooperation in the fields of science and technology, and environmental protection, according to the presidential office.

<http://www.bilaterals.org/spip.php?article18484>

CUTS Comments

India's exports to Peru totalled over US\$217.5mn in 2009 and its top ten products had a value range of US\$7.6mn to over US\$51.8mn (for major export item see the table below). Korea's export to Peru during the same period was almost three times bigger than that of India. A list of Korea's top exports items to Peru (in a value range of US\$10.7mn to US\$198mn) is given in the table below.

A comparison of major export items from India and Korea demonstrate that the two countries compete with each other in at least seven product segments. There is thus a significant scope for trade diversion if the trade agreement between Korea and Peru is implemented and this could adversely impact India's exports to the Peruvian market.

India's exports to Peru Year 2009 Total: US\$ 217.5mn		Korea's exports to Peru Year 2009 Total: US\$641.4mn	
Product	Value (US\$mn)	Product	Value (US\$mn)
Cotton	51.8	--	--
Iron and steel	30.4	Iron and steel	43.9
Vehicles other than railway, tramway	26.9	Vehicles other than railway, tramway	198.0
Pharmaceutical products	16.6	--	--
Rubber and articles thereof	12.9	Rubber and articles thereof	21.3
Plastics and articles thereof	9.5	Plastics and articles thereof	38.2
Manmade staple fibres	8.9	--	--
Electrical, electronic equipment	8.2	Electrical, electronic equipment	49.9
Organic chemicals	8.1	Organic chemicals	18.7

India's exports to Peru		Korea's exports to Peru	
Year 2009 Total: US\$ 217.5mn		Year 2009 Total: US\$641.4mn	
Machinery, nuclear reactors, boilers, etc	7.6	Machinery, nuclear reactors, boilers, etc	54.7
		Mineral fuels, oils, distillation products, etc	120.7
		Aircraft, spacecraft, and parts thereof	12.5
		Inorganic chemicals, precious metal compound, isotopes	10.7

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. Peru's exports to Korea during the same period were much lower than India and totalled over US\$749.6mn. In terms of value, its top ten export products in value terms ranged between US\$1.8mn to below US\$630mn.

The products exported by both India and Peru to Korea compete with each other in at least three products' segments. But in terms of value, these three 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's exports to Korea		Peru's exports to Korea	
Year 2009 Total: US\$ 3,772.3mn		Year 2009 Total: US\$ 749.6mn	
Product	Value (US\$mn)	Product	Value (US\$mn)
Mineral fuels, oils, distillation products, etc	2110.0	Mineral fuels, oils, distillation products, etc	32.3
Organic chemicals	243.5	--	--
Ores, slag and ash	173.4	Ores, slag and ash	630.9
Cotton	166.6	--	--
Iron and steel	160.7	--	--
Pearls, precious stones, metals, coins, etc	117.4	--	--
Machinery, nuclear reactors, boilers, etc	102.9	--	--
Residues, wastes of food industry, animal fodder	100.0	--	--
Aluminum and articles thereof	61.6	--	--
Zinc and articles thereof	46.5	Zinc and articles thereof	2.2
		Copper and articles thereof	24.5
		Coffee, tea, mate and spices	19.1
		Fish, crustaceans, molluscs, aquatic invertebrates nes	16.5
		Meat, fish and seafood food preparations nes	10.9

India's exports to Korea Year 2009 Total: US\$ 3,772.3mn		Peru's exports to Korea Year 2009 Total: US\$ 749.6mn	
		Wool, animal hair, horsehair yarn and fabrics thereof	3.3
		Articles of apparel, accessories, knit or crochet	1.8
		Animal, vegetable fats and oils, cleavage products, etc	1.6

Food for Thought

Given the complementarities in the growing economies of Peru and India, there is considerable scope for improving trade and investment between the two countries. India has already shown interest in investing in Peru's hydrocarbon, mineral, pharmaceutical and agriculture sectors through joint ventures and deepen the economic engagement with the South American country. There is also a good scope for investing in sectors such as food processing, textiles, fertilizers, chemicals and information technology. Should government of India facilitate investments by Indian companies in Peru? Should Indian companies explore opportunities for entering into joint ventures with Peruvian companies in some of the identified sectors?

3. Japan, Peru agree on free trade pact

Japan and Peru announced that they have concluded negotiations on a free trade pact, aiming to further bolster trading that has steadily blossomed in the last six years.

Japanese Prime Minister Naoto Kan and Peruvian President Alan Garcia signed a statement declaring the conclusion of more than a year of talks on an Economic Partnership Agreement. To come into effect, it needs to be approved by both countries' legislatures.

The ceremony took place on the sidelines of a summit of Pacific Rim countries in the Japanese port city of Yokohama.

Since 2004, trade between Peru and Japan has grown 235 percent, hitting US\$2.2bn in 2007. 85 percent of Peru's exports to Japan are minerals, including small amounts of rare earth metals. It also exports asparagus, corn, mangoes, grapes and squid.

Japanese exports to Peru include automobiles and electronics products.

Under the free trade pact, Japan and Peru will eliminate tariffs on up to 99 percent of imports over the next 10 years, Japanese officials said.

Kan welcomed the conclusion of the trade negotiations, calling it "a major step for the two countries to develop closer ties."

The deal is significant for Japan because Peru already has reached a free trade deal with South Korea, which has become Japan's biggest rival in electronics and other advanced manufacturing, a Japanese official said.

"Now we can compete against South Korea on equal footing," said the official, who spoke on condition of anonymity, citing policy.

Peru, Japan's 13th free trade partner, has actively sought free trade deals with major countries, including several in Asia.

<http://www.bilaterals.org/spip.php?article18485>

CUTS Comments

India's exports to Peru totalled approximately US\$217mn in 2009. A list of top ten export products in the value range of US\$7.6mn to US\$51.8mn is given in the table below. Japan's exports to Peru during the same period were more than double that of India and were valued at over US\$575mn. A list of major products carrying a value range of US\$2.8mn to US\$364.9mn is provided in the table below. A comparison of exports items from India and Japan to Peru shows that the two countries compete with each other in at least six products segments. In terms of value, export of vehicles other than railway, tramway, which is already low, could get a big hit as a result of the new FTA between Peru and Japan.

India's exports to Peru Year 2009 Total: US\$ 217.5mn		Japan's exports to Peru Year 2009 Total: US\$ 575.7mn	
Product	Value (US\$mn)	Product	Value (US\$mn)
Cotton	51.8	--	--
Iron and steel	30.4	Iron and steel	42.9
Vehicles other than railway, tramway	26.9	Vehicles other than railway, tramway	364.9
Pharmaceutical products	16.6	--	--
Rubber and articles thereof	12.9	Rubber and articles thereof	45.8
Plastics and articles thereof	9.5	Plastics and articles thereof	2.8
Manmade staple fibres	8.9	--	--
Electrical, electronic equipment	8.2	Electrical, electronic equipment	16.3
Organic chemicals	8.1	--	--
Machinery, nuclear reactors, boilers, etc	7.6	Machinery, nuclear reactors, boilers, etc	51.7
		Optical, photo, technical, medical, etc apparatus	14.4
		Fish, crustaceans, molluscs, aquatic invertebrates nes	9.2
		Commodities not elsewhere specified	7.5
		Miscellaneous manufactured articles	4.5

India's exports to Japan in 2009 totalled approximately US\$3,215.7mn. A list of major export items in value terms in the range of US\$78mn-US\$871mn is given in the table below. Peru's exports to Japan during the same period totalled approximately US\$1,376.5mn. (See the table below for a list of top ten export items in value terms in the

range of US\$7.4mn to US\$1047mn). A comparison of export items from India and Peru shows that even though India's exports are more by two and half time than that of Peru to Japanese market, there is a considerable competition in some important segments. There are at least four products segments in which India's and Peru's export items compete with each other.

The new agreement would make the Japanese market more competitive for Indian exports as it will open a window of opportunities for Peru to export more products, in which it has a comparative advantage. Thus, the agreement could lead to significant trade diversion. The success of the proposed FTA between India and Japan could probably help India to reduce the adverse impacts significantly.

India's exports to Japan Year 2009 Total: US\$ 3,215.7mn		Peru's exports to Japan Year 2009 Total: US\$ 1,376.5mn	
Product	Value (US\$mn)	Product	Value (US\$mn)
Mineral fuels, oils, distillation products, etc	870.9	Mineral fuels, oils, distillation products, etc	67.4
Ores, slag and ash	313.2	Ores, slag and ash	1,046.8
Pearls, precious stones, metals, coins, etc	280.4	--	--
Residues, wastes of food industry, animal fodder	212.3	Residues, wastes of food industry, animal fodder	112.8
Fish, crustaceans, molluscs, aquatic invertebrates nes	187.8	Fish, crustaceans, molluscs, aquatic invertebrates nes	17.6
Organic chemicals	145.4	--	--
Articles of apparel, accessories, not knit or crochet	125.8	--	--
Iron and steel	110.7	--	--
Machinery, nuclear reactors, boilers, etc	85.9	--	--
Commodities not elsewhere specified	78.7	--	--
		Copper and articles thereof	58.3
		Zinc and articles thereof	14.3
		Coffee, tea, mate and spices	8.1
		Articles of apparel, accessories, knit or crochet	7.5
		Edible vegetables and certain roots and tubers	7.5
		Edible fruit, nuts, peel of citrus fruit, melons	7.4

Food for Thought

Over the years, Japan has sealed bilateral free trade agreements with Brunei, Chile, Indonesia, Malaysia, Mexico, Singapore, the Philippines, Thailand, Vietnam, Switzerland, Association of Southeast Asian Nations, and Peru. Is it right time for India

to enter into a comprehensive economic and trade agreement with Japan? Will India and Indian companies be in a position to take advantage of Japan's FTAs with other countries?

4. Malaysia signs FTA with Chile, its first with Latin America

Malaysia and Chile signed the Malaysia-Chile Free Trade Agreement (MCFTA), marking Malaysia's first bilateral FTA with a Latin American country.

It was also Malaysia's fourth bilateral FTA after the Malaysia-Japan tie in 2005, Malaysia-Pakistan in 2007 and Malaysia-New Zealand in 2009.

Deputy Minister of Foreign Affairs, Datuk Richard Riot Jaem, signed on behalf of the Malaysian government while Minister of Foreign Affairs of Chile Alfredo Moreno Charme signed for Chile.

The signing was witnessed by Deputy Prime Minister Tan Sri Muhyiddin Yassin and Chilean President Sebastian Pinera.

In his address, Muhyiddin said although the FTA was confined to trade in goods and economic cooperation, both countries were committed to working towards a comprehensive agreement which would include services and investment within two years after this agreement comes into force by the first half of 2011.

"With this agreement, trade between both countries is expected to further increase and this would also be a vehicle for Malaysia's expansion into the Latin American market," said Muhyiddin who is in Japan for the APEC Economic Leaders Meeting (AELM).

The FTA which would eliminate duties for almost all products within five years would also give plenty of scope for both countries to diversify their range of exports.

Meanwhile, a jubilant Pinera said this was Chile's first FTA signed with a member of ASEAN and was indeed a historic day for both countries.

"In 2010, our trade accounted for US\$350mn and we hope to double this within next year."

With the agreement, he said Chilean products, in particular its agricultural produce, would have significant access into the Malaysian market.

Meanwhile, a statement released by the Ministry of International Trade and Industry said the agreement followed the conclusion of negotiations between Malaysia and Chile in May 2010 in Santiago after several rounds of negotiations which began in June 2007.

MCFTA encompasses liberalisation in trade in goods as well as enhancement of bilateral economic cooperation.

Bilateral trade between both countries grew from RM898 million in 2007 to RM1.05 billion in 2008, before slowing to RM788.8 million in 2009.

However, it made a remarkable recovery this year, with trade amounting to RM853.7 million for the first nine months of this year, with exports accounting for RM199.8 million and imports RM653.9 million.

Malaysia's major exports included electrical and electronic products, rubber products, wood products and chemical and chemical products while imports were manufactures of metal, metalliferous ores and metal scrap, chemicals and chemical products, paper and pulp products and fruits.

Meanwhile, areas of cooperation which Malaysia and Chile have agreed to undertake include research and development and innovation, science and technology, trade and investment, mining and mining-related industry, SMEs, intellectual property, tourism, education and human capital development, culture and promotion of tourism.

The FTA will benefit Malaysian exporters as Chile will undertake full elimination of import duties for 6,960 tariff lines (90.2 percent of total tariff lines) upon entry into force of the agreement while Malaysia will take full elimination of import duties for products comprising 9,311 tariff lines (89.5 percent).

<http://www.bilaterals.org/spip.php?article18473>

CUTS Comments

India's exports to Chile totalled approximately US\$261.5mn in 2009. Top ten export items from India had a value range of US\$9.6mn-US\$46.5mn. A list of major export items in value terms is given in the table. Malaysia's exports to Chile during the same period totalled a little over US\$64.6mn. A list of major products carrying a value range of US\$0.9mn-US\$20.4mn is provided in the table below. A comparison of exports items from India and Malaysia to Chile shows that the two countries compete with each other in at least four products segments. In terms of value, export of rubber and articles thereof could be worst affected and could lead to trade diversion.

However, India's FTA with ASEAN, and proposed FTA with Malaysia, which is expected to be signed in 2011, could guard India's interests and reduce the adverse impacts.

India's exports to Chile Year 2009 Total: US\$ 261.5mn		Malaysia's exports to Chile Year 2009 Total: US\$ 64.6mn	
Product	Value (US\$mn)	Product	Value (US\$mn)
Articles of iron or steel	46.5	Articles of iron or steel	1.1
Vehicles other than railway, tramway	26.9	--	--
Organic chemicals	17.4	--	--
Pharmaceutical products	16.1	--	--
Iron and steel	14.9	--	--
Rubber and articles thereof	13.3	Rubber and articles thereof	12.5
Inorganic chemicals, precious metal compound, isotopes	12.1	Inorganic chemicals, precious metal compound, isotopes	0.9
Articles of leather, animal gut, harness, travel goods	12.1	--	--

India's exports to Chile Year 2009 Total: US\$ 261.5mn		Malaysia's exports to Chile Year 2009 Total: US\$ 64.6mn	
Manmade staple fibres	11.6	--	--
Articles of apparel, accessories, not knit or crochet	9.6	Articles of apparel, accessories, not knit or crochet	1.1
		Electrical, electronic equipment	20.4
		Furniture, lighting, signs, prefabricated buildings	8.4
		Animal, vegetable fats and oils, cleavage products, etc	4.9
		Machinery, nuclear reactors, boilers, etc	3.7
		Miscellaneous manufactured articles	1.2
		Miscellaneous chemical products	1.1

India's exports to Malaysia in 2009 totalled approximately US\$3,524.7mn. A list of major export items in value terms in the range of US\$88mn to US\$1131mn is given in the table below. Chile's exports to Malaysia during the same period totalled approximately US\$101.2mn. (See the table below for a list of major export items in value terms in the range of US\$0.9mn-US\$44.7mn). A comparison of export items from India and Chile shows that there is almost negligible competition between products originating from these two countries to the Malaysian market. The only exception is copper and articles thereof. Besides, the existing India's FTA with ASEAN could act as a protection for Indian exports to Malaysia against exports from Chile in the long term. Thus, the agreement could lead to significant trade diversion.

India's exports to Malaysia Year 2009 Total: US\$ 3,524.7mn		Chile's exports to Malaysia Year 2009 Total: US\$ 101.2mn	
Product	Value (US\$mn)	Product	Value (US\$mn)
Ships, boats and other floating structures	1,131.2	--	--
Mineral fuels, oils, distillation products, etc	346.3	--	--
Organic chemicals	192.3	--	--
Electrical, electronic equipment	159.5	--	--
Machinery, nuclear reactors, boilers, etc	149.2	--	--
Meat and edible meat offal	131.3	--	--
Cereals	129.5	--	--
Articles of iron or steel	99.6	--	--
Coffee, tea, mate and spices	93.4	--	--
Copper and articles thereof	88.7	Copper and articles thereof	44.7

India's exports to Malaysia Year 2009 Total: US\$ 3,524.7mn		Chile's exports to Malaysia Year 2009 Total: US\$ 101.2mn	
	Ores, slag and ash	24.7	
	Fertilizers	7.7	
	Edible fruit, nuts, peel of citrus fruit, melons	5.4	
	Meat, fish and seafood food preparations nes	4.9	
	Pulp of wood, fibrous cellulosic material, waste etc	3.2	
	Beverages, spirits and vinegar	2.4	
	Fish, crustaceans, molluscs, aquatic invertebrates nes	1.5	
	Vehicles other than railway, tramway	1.1	
	Paper & paperboard, articles of pulp, paper and board	0.9	

Food for Thought

India and Malaysia agreed to the setting up of a Joint Study Group (JSG) to explore the feasibility of Comprehensive Economic Cooperation Agreement (CECA) between the two countries in December 2004. In accordance with the mandate, the Joint Study Group was duly constituted in March 2005. As per the recommendations of the JSG submitted in 2007, negotiations towards India-Malaysia CECA commenced and two meetings have taken place so far. Negotiations are being carried out on trade in goods, trade in services, investment and other areas of economic cooperation. The negotiations, which were targeted to be concluded by December 2010, are ongoing. Since Malaysia is an important member of the ASEAN group, should India not expedite the conclusion of the agreement to gain greater access to the regional market?