Dossier on Preferential Trade Agreements

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1. Jordan, Iraq sign free-trade agreement

Jordanian Prime Minister Nader Dahabi made a whirlwind visit Thursday to Baghdad, signing a free-trade agreement that Jordan hoped would serve as a catalyst for boosting trade with neighbouring Iraq, the official Petra news agency reported. Dahabi, who met with Iraqi Prime Minister Nuri al-Maliki, expressed Jordan's desire to establish "strategic ties" with Iraq, Jordan's top trade partner for almost two decades.

Dahabi pointed out that exports between Jordan and Iraq almost doubled in the first six months of 2009 to 489 million dollars, from 262 million dollars in the first half of 2008.
"We aspire to see this figure doubled again when obstacles to the flow of goods and movement of people are removed," he said.

Dahabi pressed the Iraqi side to double its crude oil exports to Jordan from 10,000 to 20,000 barrels per day, saying the quantity could be increased in future when the oil pipeline between Kirkuk and Banias is repaired, replacing the current use of tanker trucks.

Jordan and Iraq signed an agreement in 2006 under which Baghdad pledged to supply the Hashemite kingdom with crude oil at preferential prices, but security problems so far prevented a systematic implementation of the accord.

Dahabi appeared to have failed to gain the release of 50 Jordanians currently held in Iraqi jails.

"We all know that the law should take its due course," he was quoted as saying at a joint press conference with al-Maliki.

He said Jordanian prisoners in Iraq were classified into three categories: terrorists, those who committed administrative violations and suspects.

"We have agreed that the files of suspects and those accused of committing administrative violations will be addressed as soon as possible," Dahabi said.

He said that he relayed to al-Maliki Jordan's condemnation of all forms of terrorism in Iraq and any foreign intervention in Iraqi domestic affairs.

Dahabi reiterated Amman's backing for national reconciliation in war-torn Iraq but said that all components of the Iraqi people should be involved in the political process.

Source:http://www.earthtimes.org/articles/show/284161,jordan-iraq-sign-free-trade-agreement.html

CUTS Comments:

India's exports to Jordan amounted to US $ 511 million in 2008. Major Indian exports to Jordan are aircraft and spacecraft; cereals; mineral fuels, oils and distillation products; residues, wastes of food industry and animal fodder; and meat and edible meat offal. The two countries signed four MoUs in 2006 that included promotion and protection of investment, cooperation in the field of agriculture, tourism and cultural exchange. The Bilateral Investment Promotion and Protection Agreement (BIPPA) between India and Jordan came into force early this year, indicating further strengthening ties between them.

India's exports to Iraq amounted to US$ 380 million in 2008, with articles of iron and steel accounting for 48 percent of the exports. Other major exports are nuclear reactors and boilers; salt, sulphur, earth, stone; electrical and electronic equipment; and pharmaceutical products. There is possibility of some trade diversion because both India and Jordan export electrical and electronic equipment to Iraq. Iraq may prefer to import these products from Jordan rather than India.

In addition, both India and Iraq export mineral fuels, oils and distillation products to Jordan, with these products making up almost 88 percent of Iraq's exports to Jordan. There is a large possibility for Jordan to import these products from Iraq instead of India, especially when taking into consideration the geographical proximity between Jordan and Iraq.

Food for Thought:

Tourism is a major sector for the Jordanian economy, accounting for 10 percent of its GDP, with much potential for growth. With the BIPPA in place and rise in the number of Indian tourists visiting Jordan facilitated by direct weekly flights and easy visa procedures, should India look towards increasing investments in Jordan's growing tourism industry?

2. Pakistan- China FTA to become effective in October

The free trade agreement between China and Pakistan will come into effect on October 10, the ministry of commerce in Beijing has said. The move is expected to give further momentum in bilateral trade between the two countries.

This is good news for China because some of its FTA partners are having second thoughts about the accord because of large-scale influx of Chinese goods in their respective markets. Indonesian industry ministry Fahmi Idris has said the FTA between China and ASEAN, which takes effect in 2010, should be delayed.

Fahmi recently said the FTA will do more harm than good to Indonesia because it will open up different market segments and result in gradual reduction of import duty tariffs giving China a much greater advantage than it has now.

Under its agreement with China, Pakistan has offered to open up 11 different service sectors for Chinese companies to free compete. Beijing is opening up six service segments as per the agreement drafted on the lines of the World Trade Organisation's mechanism for encouraging free trade.

The China-Pakistan trade hit $6.8 billion in 2008. Though much smaller than the $40 billion India-China trade, it is apparent Beijing will go out of its way to accommodate Islamabad in the trade area. Besides, the road link between the two countries is being broadened and ways are being explored to make greater use of the Gadwar port in Pakistan, which has been built by China.

Pakistan is trying to lure Chinese investments with buy-back agreements so that manufactured goods find easy markets in China.

Source: http://timesofindia.indiatimes.com/news/business/international-business/Pakistan-China-FTA-to-become-effective-in-October/articleshow/5003786.cms

CUTS Comments:

Although India is China's second largest trading partner after U.S.A, it may be in danger of losing some of its export business to Pakistan as a result of the trade agreement. For example, India's biggest export to China is in the form of Ores, Slag and Ash, accounting for half of its exports to the country. Pakistan's export of the same products accounts for a significant 42 percent of its exports to China. This could result in China wanting to import more of the same product from Pakistan instead of India, resulting in a trade diversion.

The same applies to India's third biggest export to China - organic chemicals – accounting for 6 percent of its exports to China. Likewise, organic chemicals account for 9 percent of total exports to China from Pakistan. Again, China may look to import this from Pakistan instead of India.

The comprehensive FTA between China and Pakistan relating to trade in goods and services as well as investment may have some implications for India. Chinese *investments in India for the year 2007 totaled $16 million. With the easier facilitation of investment that the aforementioned agreement could entail, China may look to shift some of its investment into Pakistan, resulting in a significant loss for India.*

Food for Thought:

Given the existence of a large share of informal trade between India and Pakistan wherein goods enter India from third countries, should India be concerned about a further rise in such informal trade flows wherein most goods could be of Chinese origin?

3. Canada and Jordan sign Trade and Investment deal

The Honourable Stockwell Day, Minister of International Trade and Minister for the Asia-Pacific Gateway, today tabled in Parliament the texts of the recent trade and investment agreements signed between Canada and Jordan.

These comprise a free trade agreement (FTA), an agreement on labour cooperation, an agreement on the environment and a foreign investment promotion and protection agreement.

"In less than four years, this government has concluded five free trade agreements with strategic trading partners," said Minister Day. "These agreements with Jordan are another example of how our government is opening new doors for Canadian business, creating jobs for Canadians and stimulating new investment during this global economic downturn."

Upon implementation, the FTA will eliminate tariffs on over 99 percent (by value) of recent Canadian exports to Jordan, directly benefiting Canadian exporters. Key sectors in Canada that will benefit from this immediate duty-free access include forestry, manufacturing, and agriculture and agri-food. Canadian companies are global leaders in these sectors.

The parallel labour and environment agreements will help to ensure progress on labour rights and environmental protection. The agreement on labour cooperation commits both countries to respect the core labour standards of the International Labour Organization, such as the elimination of child labour, forced labour and workplace discrimination, as well as respect for freedom of association and the right to bargain collectively.

The agreement on the environment commits the parties to pursue high levels of environmental protection, enforce their domestic environmental laws effectively and ensure that they do not relax these laws to encourage trade or investment.

The foreign investment promotion and protection agreement (FIPA) will help create a predictable investment environment in Jordan, allowing Canadians to invest with confidence.

The agreements have been tabled in the House of Commons for 21 sitting days for review under the Treaties in Parliament policy. Following this period, the government plans to introduce legislation necessary to implement the FTA and the related agreements on labour cooperation and the environment. The government will also take steps to ratify the FIPA, which does not require implementing legislation.

Two-way merchandise trade between Canada and Jordan totalled $92 million in 2008.

Source: http://thegovmonitor.com/economy/canada-and-jordan-sign-trade-and-investment-deal-5166.html

CUTS Comments:

India's exports to Jordan amounted to US $ 511 million in 2008. Major Indian exports to Jordan are aircraft and spacecraft; cereals; mineral fuels, oils and distillation products; residues, wastes of food industry and animal fodder; and meat and edible meat offal. The two countries signed four MoUs in 2006 that included promotion and protection of investment, cooperation in the field of agriculture, tourism and cultural exchange. The Bilateral Investment Promotion and Protection Agreement (BIPPA) between India and Jordan came into force early this year, indicating further strengthening ties between them.

Canadian exports to Jordan are mainly in sectors such as paper and paperboard; edible vegetables, roots and tubers; nuclear reactors, boilers, and machinery; electrical and electronic equipment and cotton. Hence, there appears to be no significant sectoral overlap of Indian and Canadian exports to Jordan.

Trade between India and Canada reached US $ 3.7 billion in 2008 with India exporting organic chemicals; articles of apparel; articles of iron and steel and pearls and precious stones to Canada. Major exports from Jordon to Canada are concentrated in articles of apparel; edible vegetables; inorganic chemicals; precious metal compound; pharmaceutical products and optical, medical equipments. Since garment products are among the top exports of both countries to Canada, this free trade agreement between Jordan and Canada could further displace Indian garment products from the Canadian market.

Food for Thought:

Due to the Foreign Investment Protection and Promotion Agreement (FIPA) signed between Jordan and Canada, there is a possibility of displacement of Canadian investments from India towards Jordan. Despite the presence of a FIPA between India and Canada, FDI from Canada to India has been rather modest compared to investment flows from other G8 countries. The most prominent Canadian investment in India is in the petroleum sector but India should look to utilize the FIPA with Canada to attract investment towards the infrastructure sectors in India.

4. UAE Ratifies Singapore-GCC Free Trade Agreement

The UAE, along with Oman and Qatar, has ratified a Free Trade Agreement between Singapore and the GCC that will facilitate trade, including the import of Halal products to the GCC and provide greater assurance to Muslim tourists and businessmen visiting Singapore.

Dean Tan, Vice-Consul for Commercial Affairs at the Singapore Consulate, told *Khaleej Times* that Singapore is still awaiting ratification of the FTA from Bahrain, Saudi Arabia and Kuwait.

"But, when all parties complete the necessary ratification procedure, UAE will play a very important role, it being a major trans-shipment hub for the region," Tan said.

The pact is a milestone in the strengthening of ties between the GCC and Singapore because it is the first free trade agreement, or FTA, signed by the GCC and the second that Singapore will be signing with countries in the Middle East. The Jordan-Singapore FTA, signed on May 16, 2004, was the first free trade pact that Singapore signed with any country in the region.

"The GCC is also Singapore's 7^{th} largest trading partner, with bilateral trade reaching a record high of S$42.4 billion in 2007. This is an increase of 127 per cent since 2002. Singapore's cumulative investments in the GCC totalled S$357 million in 2006," he said.

The deal is officially known as the GCC-Singapore Agreement between Cooperation Council for Arab States of the Gulf and the Republic of Singapore, or GSFTA. It was signed between Singapore's Prime Minister Lee Hsien Loong and his GCC counterparts — President-in-Office of the GCC Ministerial Council and Qatar Prime Minister Shaikh Hamad bin Jassim Al Thani, and GCC Secretary-General Abdurrahman bin Hamad Al Attiyah in Doha on December 15, 2008.

Tan said that the GSFTA is a comprehensive agreement that encompasses trade in goods and services, government procurement, and other features.

"Its Cooperation Chapter will also encourage and facilitate bilateral cooperation in several areas, including the recognition of the Halal certification of Singapore's Majlis Ugama Islam Singapura," Tan said.

"The GSFTA process also commits each GCC country and Singapore to complete negotiations for bilateral Investment Guarantee Agreements (IGAs).

"Bahrain, Oman and Saudi Arabia signed bilateral IGAs with Singapore. Kuwait, Qatar and the UAE committed to completing negotiations for bilateral IGAs with Singapore within two years from the commencement of negotiations. The GCC was our 7^{th} largest trading partner after Malaysia, China, US, Indonesia, Japan and Hong Kong in 2007," he said.

Based on 2007 figures, Singapore's total exports (both domestic exports and re-exports) to GCC countries were worth an estimated S$7.5 billion, while the Gulf states exported S$34.8 billion worth of goods to Singapore.

The GSFTA, as a key institutional framework, aims to strategically link the Gulf region and Singapore and help promote and increase the flow of goods, services, investment and people between the two economies.

Source:http://www.khaleejtimes.com/biz/inside.asp?xfile=/data/business/2009/September/business_September527.xml&section=business

CUTS Comments:

India's exports to Gulf Cooperation Council (GCC) amounted to US$ 26.8 billion in 2008, with the major exports being mineral fuels, oils and distillation products; pearls and precious stones; cereals; articles of iron and steel; and nuclear reactors and boilers. Singapore exported a comparatively smaller amount at US$ 5.9 billion to GCC in 2008. Its main exports to GCC are nuclear reactors and boilers; electrical and electronic equipment; pearls and precious stones; and mineral fuels, oils and distillation products. Thus, the ratification of the FTA between GCC and Singapore could result in sectoral overlaps in mineral fuels, pearls and nuclear reactors, resulting in significant losses for India.

India's exports to Singapore totalled US$ 8.8 billion in 2008, with the major exports being mineral fuels, oils and distillation products; ships and boats; nuclear reactors and boilers; electrical and electronic equipment; and pearls and precious stones. GCC exports to Singapore was much larger at US$ 35.9 billion in 2008, with the major exports being mineral fuels, oils and distillation products; organic chemicals; pearls and precious stones; aluminium; and nuclear reactors and boilers.

Again there could be trade diversion, with Singapore preferring to import mineral fuels, pearls and nuclear reactors from GCC rather than from India. However, India's gains from the CEPA with Singapore have come from services trade and investments rather than from goods trade.

Food for Thought:

India-GCC signed a Framework Agreement in 2004 and trade negotiations for an FTA have been ongoing due to disagreements among GCC countries. Moreover, with India's own interest of safeguarding its domestic chemicals and petrochemicals industry in the proposed FTA, will this trade agreement be finalised anytime soon? How will this delay impact other potential sectors with much scope for trade expansion such as gems, jewellery and textiles?