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India faces flak at WTO for duty on steel imports

Amiti Sen, Business Line

New Delhi, April 26 2016: India's recent decision to impose minimum import price on certain steel items has been opposed by Japan, the EU, Korea, Australia, and Canada at the World Trade Organisation, all of whom have alleged it goes against multi-lateral trade rules.The countries also criticised safeguard duties imposed by India on steel recently.

While India is yet to formally respond to the complaints, a Commerce Ministry official told *BusinessLine* that a minimum import price (MIP) was a short-term measure and was generally removed as soon as the deluge in imports subsided.

"There is over capacity in the steel industry worldwide. Many countries are adopting protectionist measures to stop import of the metal. Given the sharp increase in steel import in India, the Centre deemed it appropriate to impose an MIP as a temporary measure (maximum for six months) to check cheap inflows," the official said.

In its representation at the Goods Council meeting of the WTO, Japan said the MIPs were having a significant adverse impact on exports from the country and were clearly inconsistent with GATT rules. Canada, Australia, the EU and Chinese Taipei also backed Japan's demand that India should withdraw the MIP.

New Delhi imposed an MIP, ranging from $341 to $752 per tonne, on 173 steel products in February.It was in response to a surge in steel imports in 2015-16, which increased 25.6 per cent to 11.71 million tonnes (mt), compared to 9.32 mt in 2014-15 in the previous year.

Safeguard duty opposed

At the recent Goods Council meeting of the WTO, Japan and the EU also raised concerns on the safeguard duties (penal import duties to protect domestic industry against import surges) imposed on imports of hot-rolled flat steel products last year by India.

The representative from the EU pointed out that safeguards are one of the most trade-restrictive tools because they apply to imports from all countries, and that India should have instead initiated an anti-dumping or countervailing investigation on the targeted goods. India, however, believes that it is well within its rights to apply the duties.

"The WTO allows members to impose safeguard duties and we strictly followed prescribed rules to determine safeguard duties on steel products," the official said.

User industry worried

While the domestic steel industry is happy with the protection accorded to it by the Centre against cheap imports, the user industry, which includes engineering products manufacturers, is worried.

High price of domestic steel is one of the reasons pulling engineering exports from India down, according to the Engineering Export Promotion Council (EEPC). Engineering exports contracted 11 per cent in March.

“Policies like severe import restrictions on steel, a crucial raw material for the engineering products, are aggravating the problems for the engineering exporters,” according to TS Bhasin, Chairman of EEPC.

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Govt may extend anti-dumping duty on Russian chemical

The Financial Express

New Delhi, April 26, 2016: Government may further extend the anti-dumping duty on imports of a Russian chemical, used by electrical and electronic industry, to protect the domestic players from cheap in-bound shipments.In the final findings of the sunset review, Directorate General of Anti-dumping and Allied Duties (DGAD), has suggested the duty of USD 739.77 per tonne on the imports.

The application was filed by Gujarat Fluorochemicals Ltd for initiation of the third sunset review and extension of period of existing anti-dumping duties on the imports of ‘polytetrafluoroethylene’ from Russia.The DGAD in its findings has concluded that there is continued dumping of the product from Russia, both in absolute terms and in relation to production/consumption in India causing injury to the domestic industry.

“…the authority is of the view that the anti-dumping measures are required to be extended in respect of Russia,” the DGAD said in a notification.

While DGAD, which is under the commerce ministry, recommends the duty, the finance ministry imposes it within three months of the recommendation.For the first time in December 1999, the government had imposed anti-dumping duty on the imports of this chemical. The duty was again extended in November 2004 and then in May 2010.

In addition to the anti-dumping duty on Russia, the chemical imported from China is also attracting anti-dumping duty since 2005, it said.Countries initiate anti-dumping probes to check if their domestic industries have been hurt because of a surge in below-cost imports. As a counter measure, they impose duties within the multilateral regime of WTO.

Anti-dumping measures are taken to ensure fair trade and provide a level-playing field to the domestic industry. It is not a measure to restrict imports or cause an unjustified increase in the cost of products.

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India slaps anti-dumping duty on telecom gear from Huawei, ZTE

The Financial Express

New Delhi, 27, 2016: India has imposed anti-dumping duty on import of telecom gear from Chinese firms Huawei, ZTE Corp and Alcatel Lucent to protect domestic industry from cheap shipments.

The restrictive duty imposed on import of ‘Synchronous Digital Hierarchy Transmission Equipment (SDHTE)’ from China ranges between 9.42 per cent and 86.59 per cent of the landed (cost, insurance and freight or CIF) value.India had first come out with anti-dumping duty of up to 266 per cent on import of telecom gear from China and Israel in December 2010 for five years.

The Department of Revenue yesterday issued a notification further extending the anti-dumping duty for five years, up to April 25, 2021.An anti-dumping duty of 48.42 per cent has been slapped on import of SDHTE from ZTE Corp while the same on Shanghai-based Alcatel-Lucent will be 54.09 per cent.

Imports from Huawei Technologies Co faced an anti-dumping levy of 37.73 per cent.However, anti-dumping duty on import from Israel’s ECI Telecom has been withdrawn. The government had in December 2010 imposed anti-dumping duty on ECI, along with the Chinese firms.

In the previous notification, the anti-dumping duty ranged from 3 per cent to 266 per cent.A 9.42 per cent anti-dumping duty was imposed on import of telecom equipment from any other manufacturer from Israel.Hit hard by the anti-dumping duty, Shenzhen-based Huawei Technologies’ now plans to set up a new telecom equipment manufacturing unit in the Sriperumbudur special economic zone (SEZ).

The notification said the quasi-judicial Directorate General of Anti-dumping and Allied Duties (DGAD) in its findings published in February this year stated that “there is continued dumping” of SDHTE by Huawei China, ZTE Corporation, Alcatel-Lucent Shanghai and Bell Co.

“Dumped imports were causing injury to the domestic industry in the period of investigation,” it noted.But in the case of HETC, China, “there is negligible dumping in the period of investigation (POI)… Therefore, there was no likelihood of dumping,” it clarified.DGAD had concluded in its probe that the domestic industry had suffered a material injury on account of dumped imports of the equipment.

Unlike safeguard duties, which are levied in a uniform way, anti-dumping duties vary from product to product and country to country.Anti-dumping probes are initiated to check if domestic industries have been hurt because of a surge in cheap imports.

Countries impose duties within the multilateral regime of WTO. Anti-dumping measures are taken to ensure fair trade and provide a level-playing field to domestic players. It is not a measure to restrict imports or cause an unjustified increase in cost of products.

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US Special 301 inconsistent with WTO rules, says India

Business Line

New Delhi, April 25 2016: India has said that the US Special 301 report, which tries to put pressure on countries to enhance their intellectual property rights (IPRs) legislation, violated World Trade Organization (WTO) rules.

“Under the WTO regime, any dispute between two countries needs to be referred to the Dispute Settlement Body and unilateral actions are not tenable.

Special 301, which is an extra territorial application of the domestic law of a country, is inconsistent with the established norms of the WTO,” Commerce & Industry Minister Nirmala Sitharaman said in a written reply in the Lok Sabha on Monday.The Minister said that India continued to be placed on the ‘priority watch list’ of the Special 301 report.

Listed as a ‘priority watch’ country means that the US government believes that a country’s IP laws are not adequate to protect the interests of its investors.

A country can next be classified as a ‘priority foreign country’, following which the US could impose economic sanctions against it.“The government is committed to fully utilising all the flexibilities provided under the TRIPS agreement to protect the domestic pharmaceutical sector from pressure exerted by foreign countries,” Sitharaman said.

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WTO cuts global trade growth forecast to 2.8%

Business Standard

New Delhi, April 8, 2016: In what could further depress Indian exports, the World Trade Organization (WTO) on Thursday cut its earlier forecast for global trade growth in 2016 to 2.8 per cent, from the previous one of 3.9 per cent.

World trade would then grow below three per cent for a fifth year. However, WTO forecast a 3.6 per cent rise for 2017.A slowing Chinese economy, worsening financial market volatility and rising exposure of countries with large foreign debts is primarily blamed for the sluggish growth, as last year.

The Geneva-based body, a multilateral regulator for international trade, predicted gross domestic product (GDP) growth in developed economies, especially the US and the European Union, will ease - mainly due to poor business and consumer confidence. Volatility in trade will also be a factor for the financial instability looming over Asian countries.

"While the volume of global trade is growing, its value has fallen because of shifting exchange rates and a fall in commodity prices. This could undermine fragile economic growth in vulnerable developing countries," said WTO director-general Roberto Azevêdo.

Exports from developed countries are expected to grow at 2.9 per cent, and in developing countries at 2.8 per cent. This growth in volume runs the risk of further pushing down global prices if the crash in commodity prices continues, coupled with the large scale dumping of cheaper Chinese inventory in the international market.

India, for instance, has had 15 months of falling merchandise exports; the government revised its cumulative export target for 2015-16 from the earlier $300 billion to $260 billion. Commerce Minister Nirmala Sitharaman said on Wednesday that while merchandise exports had not fallen in volume, lower returns were the culprit.

Asia is expected to record the fastest export growth of any region at 3.4 per cent, followed by North America and Europe, each at 3.1 per cent.

Meanwhile, growth in imports of developed economies are expected to outpace those of developing countries in 2016, with a 3.3 per cent rise in the former compared to a 1.8 per cent increase in the latter. As a result, while developing nations might find it easier to rein in their fiscal deficits, the more complicated challenge of boosting domestic demand can be a headache.

Region wise, WTO said North America should see its imports increase by 4.1 per cent in 2016, while Asian and European imports should both register growth of 3.2 per cent.

More accommodative monetary policy from the European Central Bank could spur growth in the euro area and boost demand for goods and services, WTO suggested. "There remains as well the threat of creeping protectionism as many governments continue to apply trade restrictions and the stock of these barriers continues to grow."

In 2015, the imports of developed economies surged, growing 4.5 per cent by volume. While those of developing countries stagnated far behind, with only 0.2 per cent growth. However, WTO noted developed economies witnessed 2.6 per cent volume growth in export as compared to 3.3 per cent growth in developing ones.

Alternative indicators of economic and trade activity in the opening months of 2016 are mixed, with some pointing to a firming of trade and output growth while others suggest some slowing. The trade body said data suggests container throughput at major ports had recovered much of the trade lost to the slowdown last year, while automobile sales have continued to grow at a healthy pace in developed countries.

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India ratifies WTO's trade facilitation agreement

Live Mint

Geneva, April 23 2016: India on Friday said it has formally ratified the World Trade Organization's (WTO) trade facilitation agreement, which aims at easing customs procedures to boost commerce.

Commerce and industry Minister Nirmala Sitharaman said the move would supplement India's ongoing reforms to bring in simplification and enhanced transparency in cross-border trade in goods. India's WTO ambassador Anjali Prasad has handed over the instrument of acceptance to WTO director-general Roberto Azevêdo.

"I am very pleased to receive India's instrument of ratification," Azevêdo said. He said that India is one of the most dynamic economies in the world today and has become a top recipient of foreign investment.

“Ratifying the WTO’s Trade Facilitation Agreement (TFA) will help India further boost economic growth by reducing trade costs and supporting its integration into the global economy,” he added. Concluded at the WTO’s 2013 Bali Ministerial Conference, the TFA contains provisions for expediting the movement, release and clearance of goods, including goods in transit.

It also sets out measures for effective cooperation between customs and other appropriate authorities on trade facilitation and customs compliance issues. It further contains provisions for technical assistance and capacity building in this area. The TFA will come into force once two-thirds of WTO members formally accept the agreement.

India is the 76th WTO member to accept the TFA. The WTO in a statement said that on 18 March, India submitted its “Category A notification” to the WTO indicating which provisions of the TFA it intends to implement upon entry into force of the agreement.

According to a WTO report, implementation of the TFA has the potential to increase global merchandise exports by up to $1 trillion per annum.

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Ratifying trade facilitation agreement could prove costly for India

Live Mint

Apr 26 2016: On Friday, India submitted the instrument of ratification of the trade facilitation agreement (TFA) to the World Trade Organization. The TFA was concluded at the WTO’s ninth ministerial meeting in Bali in December 2013. It will take effect after two-thirds of the WTO membership—108 members—approve the agreement.

India is the 76th member to ratify this intangible agreement with wildly varying estimates of trade benefits. *The Economist*, for example, in its leader *‘The Indian Problem*’ on 23 November 2013, said “the trade facilitation measures in the Bali package would add an estimated $68 billion a year to global output, with much of the gain concentrated in poor countries”. But the same publication in its *‘Doha Delivers*’ comment in December 2013 said “trade facilitation could cut global trade costs by more than 10%, by one estimate, raising annual global output by $400 billion, with benefits flowing disproportionately to developing economies”.

In a policy brief of Global Development and Environment Institute, Tufts University, issued at the Bali ministerial meeting when the TFA was concluded, economist Jeronim Capaldo wrote that the figure prepared by the International Chamber of Commerce that trade facilitation would add $1 trillion to the world’s income and 18 million jobs in developing countries “depend on too many unjustifiable assumptions to be relied on”. Further, “it is hard to see how uncertain gains and unequal

distribution of costs can justify diverting resources to trade facilitation from badly needed policies such as the strengthening of the social safety nets", Capaldo argued.

But the WTO turned a deaf ear to these wildly fluctuating estimates of TFA gains ranging from $68 billion to $1 trillion. In its press release issued after India handed over the instrument of TFA ratification, the WTO claimed that the TFA "has the potential to increase global merchandise exports by up to $1 trillion per annum". WTO director-general Roberto Azevedo, who claimed success for concluding the TFA, said "implementing the WTO's trade facilitation agreement will cut global trade costs by up to 15%... This is a bigger impact than eliminating every remaining tariff around the world, and it could deliver a trillion-dollar boost for global trade".

It is a different issue that Azevedo raised serious questions about the TFA when he was the ambassador of Brazil until 2012. He suggested that it is an agreement for market access at one of the trade negotiations committee meetings.

Indeed, if the TFA is so beneficial for developing countries, why did they oppose it tooth and nail since 1996 when it was first introduced as part of the four Singapore issues (investment, competition policy, government procurement and trade facilitation) at the WTO's first ministerial meeting held in the city-state? Who demanded the TFA and why was it dropped at the WTO's fifth ministerial meeting in Cancun, Mexico, in 2003? Why did the then commerce minister, Arun Jaitley—who is now the finance minister—lead a coalition of countries to oppose the Singapore issues at Cancun?

Clearly, these issues need to be addressed at a time when "the global trade regime", including neither the WTO nor the multitude of regional trade deals such as the North American Free Trade Agreement (Nafta) and the Trans-Pacific Partnership (TPP), carry much support among the public. Otherwise, there is the danger that those who cannot remember the past are condemned to repeat it.

Credit goes to the late Murasoli Maran, who helmed the commerce ministry in the Atal Bihari Vajpayee government, for repeatedly saying "no" to the four Singapore "new" issues when they were brought up before the Doha ministerial meeting in 2001. Former US trade representative Robert B. Zoellick and European trade commissioner Pascal Lamy launched an effort on a war footing at Doha to bring these four issues, which India could not prevent. But Maran managed to insert a caveat in the Doha work programme that the four controversial issues will be negotiated only after there is an "explicit" consensus among members at the Doha meeting.

Indeed, Jaitley's leadership at the WTO's fifth ministerial meeting in Cancun ensured that the four Singapore issues were dropped, a development that was a huge blow to the EU and the US. Effectively, the Singapore issues, including TFA, were torpedoed at Cancun. But the US and the EU brought back TFA to the Doha Development Agenda in July 2004 on the promise that developing countries will be provided enhanced special and differential treatment flexibilities and would have to make less than full reciprocity commitments.

Trade facilitation, which aims to harmonize customs procedures and administration in the developing and least-developed countries with current practices of the developed countries, was a priority area for the US along with other industrialized and some developing countries (Singapore, Hong Kong, Mexico, Chile, Colombia) of what was called the Colorado Group.

Consequently, trade facilitation became *primus inter pares* for a substantive outcome while other core areas of the Doha work programme such as fundamental reform of global agriculture disciplines, improvements in special and differential flexibilities, a special safeguard mechanism to protect farmers in the developing world, and a permanent solution for public stockholding programmes were pushed to the back-burner.

Thus, a comprehensive binding TFA was concluded at the WTO's ninth ministerial conference in Bali, while all other major issues of interest for developing countries were effectively pushed under the carpet at the 10th ministerial meeting in Nairobi.

Mercantilist logic, according to Dani Rodrik, an academic at Harvard University, is premised on "you lower your barriers in return for me lowering mine". But for India under the leadership of Prime Minister Narendra Modi, that logic seems irrelevant. Otherwise, it is difficult to explain why it failed to secure concessions in the global trade negotiations for taking on board costly commitments like the TFA.

Ironically, New Delhi has accepted the TFA without securing cast-iron guarantees for a permanent solution for public stockholding programmes or special safeguard mechanism for its farmers.

Increasingly, India is treated as a nation full of "fluffy" pronouncements and glib postures in global trade negotiations.

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'India will not yield on services at RCEP trade talks'

Business Line

New Delhi, May 1 2016: India will stick to its demand for freer movement of workers as part of the Regional Comprehensive Economic Partnership (RCEP) being negotiated between 16 countries.

While only China is standing behind India on the issue, New Zealand and Australia have agreed with some aspects of the country's proposal.

“We are not going to yield. Services is our primary area of interest in the ongoing RCEP negotiations,” Commerce Minister Nirmala Sitharaman said at a consultation meeting on FTAs organised by research body RIS on Sunday.

RCEP countries, including the 10-member ASEAN, South Korea, Japan, China, India, Australia and New Zealand, held their 12th round of consultations in Australia last week.

“India strongly pushed its interests in investments and services at the round and because of its insistence RCEP members have started evaluating offers made in both Mode 3 (investments made by service providers in partner countries) and Mode 4 (movement of workers),” said Arvind Mehta, Additional Secretary, Ministry of Commerce.

However, Sitharaman is candid when she says that India expects to gain relatively less in the area of goods because of lower duties in many member-countries. But, it will use it as a bargaining chip to gain concessions in services.

Most RCEP members want tariffs on all goods to be reduced to zero within a 10-year time-frame, in line with the ambitious Trans Pacific Partnership (TPP) agreement between the 12 Pacific Rim countries led by the US. India has to take a call on what will be the “overall de minimis red line”, pointed out Mehta.

Delay in FTA

Decisions on whether it would agree on tariff cuts on all items or press on longer time-frame for implementation need to be taken.

On free trade agreements, the Minister said that it might appear that India was moving slow on a number of FTAs, the fact was that detailed studies were on to analyse their usefulness for the country and the apt negotiating stand.

“There is so much work going on. We will certainly move forward (on the FTAs) when we are sure. We do not deserve criticism,” she said.

On why there was a delay in the FTA with Australia despite the Australian trade envoy claiming that it had offered the best terms to India compared to its other FTA partners, the Minister said such things were said to put pressure on India to relent to the trade partner’s terms.

“I would say sledging happens not just on the cricket field,” she said, without elaborating on where things were stuck.

Commenting on a possible over-valued Rupee affecting India's exports, Sitharaman said that the Commerce Ministry wanted it to be de-valued, but was not involved in the debate.

"It is an important issue and the Commerce Ministry not just feels left out but also helpless," she said.

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India signs dairy products export protocol with Russia

Dilip Kumar Jha , Business Standard

Mumbai April 28, 2016 : After nearly 16 months of formal announcement, India has finally signed protocol with the government of Russia for exports of dairy products to that country.

With this, Indian producers may start exports of dairy products largely hard cheese to Russia to which the first consignment is expected to leave Indian ports by June-end.

Estimated at 230,000 tonnes, Russia's hard cheese supply was met largely through imports from European countries. But, since restrictions were imposed on dairy products import from Europe in retaliation with the economic sanctions levied by European countries, the hard cheese import was diverted from South America and neighbouring Russian markets including Belarus etc.

Amid stiff conditions on quality, therefore, Russia was desparately looking for alternative supply of hard cheese from Asian countries and India being the largest milk producer in the world, could get some pie of the Russian markets.

"The government today signed the protocol, which would allow Indian dairy exporters to start shipment of hard cheese," said a senior industry official.

Russian announced opening of its dairy product markets for Indian exporters in December 2014 coinciding the visit of its President Vladimir Putin. But, the actual shipment hit a roadblock due to stiff conditions laid down by the Russian phytosanitary authority Rosselkhoznadzor.

After visiting around two-dozen factory premises and facility of milk procurement in India, Rosselkhoznadzor officials concluded that farms with less than the herd size of 1,000 cattle would not

be allowed to export dairy products to Russia. In India, therefore, only two dairy farms including Parag Milk Foods and Schreiber Dynamix were conforming to this norm.

While Parag MD Devendra Shah recommended the government to sign the protocol to begin with the exports and negotiate for the liberalisation in norms later, dairy companies like Amul brand producer Gujarat Co-operative Milk Marketing Federation Ltd (GCMMF) insisted the government to sign the protocol only after liberalisation in this norm.

The objective of GCMMF was to accommodate more companies including small and medium size producers for exports.

"After signing the protocol by the government of India, the Rusian authority would sign it. The entire process would take at least 15 days to one month. After that, negotiations of prices and trade terms would take at least one more month. So, by June- nd we would be able to supply first consignment of hard cheese to Russia," said Shah,

Industry sources, however, said that the Russian authority has liberalised norms to accommodate more Indian players in dairy exports. Instead of herd size of 1,000 cattle, the Russian authority has focused on traceability of milk procurement and quality of cheese India produces.

"More than exports of dairy products, Russia would be able to pay some premiums compared to other export destinations which would help raise prices of skimmed milk powder (SMP) and other products which have been under tremendous pressure for over 18-month. Once dairy farms begin to get higher realisation, they would pass on to farmers for milk procurement. So, farmers would benefit ultimately," said Shirish Upadhyay, Senior Vice President (Strategic Planning), Parag Milk Foods.

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'Time for stepping up trade ties with Iceland'

Amrita Nair-Ghaswalla, Business Line

Mumbai, April 18 2016: Enhanced trade and economic partnerships between India and Iceland are the need of the hour, and if India should sign the proposed free trade agreement (FTA) with the European Union, it would multiply trade opportunities as well as facilitate investments, maintained Thorir Ibsen, Ambassador of Iceland to India.

“India is traditionally not a free trade country, but is coming to realise it is in its valid interest to embrace the FTA. These negotiations have been going on for a while, and signing the FTA agreement between Europe and India would bring many advantages to both sides,” said the diplomat.

Thorir Ibsen was in Mumbai following the April 3 visit of Gunnar Bragi Sveinsson, Minister for Foreign Affairs, Iceland, to New Delhi. Sveinsson had to cut short his week-long visit to India, following the resignation of Iceland’s Prime Minister, Sigmundur David Gunnlaugsson, regarding allegations related to the Panama Papers.

Improved trust

Speaking to a select group of media persons, Ibsen said with India signing the FTA, it would help increase trust between businesses in both countries, and especially with regard to the disputes settlement mechanism. He pointed out that in a meeting with Minister of State for Commerce and Industry, Nirmala Sitharaman, Sveinsson had discussed the importance of reaching an early conclusion of the EFTA, and the need to increase the volume of bilateral trade and diversify the trade basket between the two countries.

The European Free Trade Association (EFTA) is a grouping of Switzerland, Iceland, Norway and Liechtenstein. Negotiation for FTA between India and the EFTA has been on for some time. Nirmala Sitharaman had told media that there existed a possibility of conclusion of FTAs with EU and the EFTA this year.

Export-driven market

“EFTA is bound to benefit India’s exports. Indian companies would feel more comfortable with the legal framework in which to conduct business,” Ibsen said, adding that even Iceland’s economy is highly export-driven.

Though the European Union is Iceland’s largest trading partner, accounting for 75 per cent exports and 60 per cent imports, trade between India and Iceland has been relatively low. “It currently stands at ₹180 crore, which is due to the lack of free trade agreement between the two countries. We are not using the available opportunity to increase this,” said Ibsen.

Trade basket

In 2015, Iceland bought $5.3 billion worth of imported products from the global market, up by 9.7 percent since 2011. While its main exports to India are fish and fish products, food supplements, fish oil, aluminium and alloys and animal products, prosthetics and medical equipment, Iceland’s main imports from India are textiles, chemicals, pharmaceuticals, machinery and equipment, among others.

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In two years, India loses 37 textile products' markets in EU to Pakistan

Dilip Kumar Jha, Business Standard

Mumbai April 23, 2016: India has lost 37 textile markets in the European Union (EU) to Pakistan over the last two years due to the latter's inclusion in the Generalised System of Preferences (GSP). Under GSP, preferences are given to certain countries through tax exemption in developed markets to boost trade from that country.

In 2014, the European Union included Pakistan to the list of GSP which allowed duty-free access to EU markets for textile exports. Consequently, exporters from Pakistan are now able to ship fabrics, made-ups and garments with no tariffs. Indian exporters, however, must pay 9.6% export duty for made–ups and garments, and 6.5–8% duty on fabric items, making exports from India more expensive.

This duty anomaly, along with other issues, has resulted into a slow pick-up of garments and fabrics from India as compared to Pakistan. Data compiled by the Ministry of Textiles showed India's textiles exports at around $40 billion in 2015-16, flat from the previous year, and a sharp decline from the target set for $47.5 billion at the beginning of the year.

"It is a matter of deep concern that India has already lost market share to Pakistan in 19 textile and 18 clothing products (37 products in all) during calendar year 2014 due to the preferential access extended by the European Union to that country under the Generalised System of Preferences (GSP) plus scheme. If urgent action is not initiated to address the issue then India would lose its market share in many more items," said R K Dalmia, chairman of industry body Cotton Textiles Export Promotion Council (Texprocil).

Meanwhile, even though the textile sector was at the forefront of creating employment in the country, the cotton textiles business is fast losing its market share worldwide. Drawing attention to a report of the Labour Bureau published recently, Dalmia stated that the textile industry was at the forefront of creating maximum employment in 2015 as compared to other sectors like auto and information technology.

"More employment can be generated provided the government gives greater priority to the needs of the textile sector and recognizes its huge potential by giving timely impetus in terms of policy support. Some of the issues relating to exports such as cost of funds and adverse impact of preferential access given to competing countries need to be addressed on a war footing," Dalmia told *Business Standard*.

The solution to this problem, according to him, is if India and the European Union were to sign an free trade agreement which will help the textiles sector gain in terms of market access. However, Dalmia expressed concern over the pace of progress of negotiations on the FTA and said the government needs to revive talks under the Indo-EU FTA and conclude it at the earliest, if need be as a separate sectoral agreement.

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US, EU, Japan question India's policy tweaks to restrict imports

Live Mint

Apr 19 2016: The US has expressed concern over the Narendra Modi government's recent budget at the World Trade Organization (WTO), saying it will increase tariffs of 96 products that include capital goods, industrial solar heaters, solar tempered glass, and other hi-tech products, according to people present at the WTO meeting.

The US has also asked India why it chose to increase the basic customs duty on medical devices and withdraw a duty exemption on approximately 70 lifesaving drugs.

Japan and the European Union (EU), along with several other industrialized and some developing countries, asked India why New Delhi was imposing minimum import prices and safeguard investigations on several steel products.

The US, EU and Japan also sought the reasons for the government's decision in July 2014 to raise duties on several products under the information technology agreement to 10% ad valorem. The products include soft switches, voice over Internet protocol (VoIP) equipment, media gateways, gateway controllers, optical transport equipment, optical transport products and carrier ethernet switches among others.

Japan and the US, participating in a meeting of the WTO's Council on Trade in Goods (CTG) on Friday, jointly introduced an agenda item titled *India import-restricting measures* to highlight their specific concerns about India's Union budget and other policy measures.

Japan wanted to know why India had imposed minimum import prices on over 170 iron and steel products, maintaining that it would cause an adverse effect on its steel exports to India.

Japan informed India that minimum import prices are inconsistent with Article XI of the General Agreement on Tariffs and Trade that seeks to eliminate quantitative restrictions.

Japan, along with the EU, Canada, Australia, Korea and Taipei (Taiwan), described India's decision to launch safeguard investigations on hot-rolled flat sheets and plates on 10 December 2015 as an adverse development.

India and other developing countries are alarmed at the manner in which the US and other industrialized countries are increasingly questioning the use of legitimate trade instruments in the policy space at the WTO, said a trade official familiar with the CTG meeting.

"Poor and rich countries alike need to carve out greater space for pursuing their respective objectives," argued Dani Rodrik, a trade academic at Princeton University, in his article on *A Progressive Logic of Trade* published in *Mint* on 15 April.

Developing countries, added Rodrik, "need to restructure their economies and promote new industries".

"The best way to bring about such institutional re-engineering would be to re-write multilateral rules," he maintained.

Rodrik underscored the need for broadening the "safeguard" clause of the WTO to allow for the imposition of trade restrictions in instances where imports demonstrably conflict with domestic social norms.

"Similarly, trade agreements could incorporate a 'development box' to provide poor countries with the autonomy they need to pursue economic diversification," Rodrik said in his article.

The Indian budgetary measures that resulted in increasing tariffs as well as the exemptions in duties are consistent with the binding tariff commitments that India took for these products, according to trade officials familiar with the subject.

Further, by raising these issues at the CTG instead of the appropriate WTO forums such as the committee on market access or the committee on safeguards, an impression is being created by major industrialized countries that India and other developing countries are increasingly resorting to trade-restrictive measures, according to an African trade official who asked not to be named.

As regards the 10% duty hike on information technology products in July 2014, the three advanced countries asked India why it had done so when it had certified these items under zero duty in its WTO Schedule of Concessions.

A trade official familiar with the US' queries said it was puzzling that the US, EU and Japan had only now raised an issue that dates back to July 2014.

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March trade deficit narrows, annual exports lowest in 5 years

Business Standard

New Delhi, April 18, 2016:

Although exports for the year ending March were the weakest since 2010/11, down 15.85% from a year ago, the narrowing trade gap showed that India - the world's third-largest crude importer - has been a net beneficiary of the collapse in oil prices.

The positive shift in the terms of trade has helped shield India from a slowing global economy and helped it outperform other major emerging economies, its economic growth outpacing China's while Brazil and Russia are contracting.

Yet analysts said prospects for export growth remain bleak, with global trade forecast to expand by just 2.8% in 2016 by the World Trade Organisation.

"We expect Indian exports to continue performing poorly in 2016/17 (April-March) due to subdued global economic growth and still-depressed commodity prices," said Chua Han Teng of BMI Research, a unit of rating agency Fitch.

"Additionally, strength of the Indian rupee in real effective exchange rate terms will also have a negative impact on the country's exports," he said.

Merchandise exports contracted 5.5% in March from a year earlier to $22.7 billion, data released by the Ministry of Commerce and Industry showed.

For the whole of 2015/16, total exports were down 15.9% from a year ago to $261.1 billion. Imports fell 15.3% to $379.6 during the same period.

In Asia, China's exports returned to growth in March for the first time in nine months, another sign of stabilisation in the world's second-largest economy.

India' economy is now expected to grow 7.5% this year and next, according to the International Monetary Fund. Its current account deficit remained under control at 1.3% of gross domestic product in the quarter to December, the most recent figure available.

India's exports account for just 1.7% of world trade, compared with nearly 12% of China. Prime Minister Narendra Modi aims to take a 5% share of global trade by 2020. Analysts doubt that will happen.

"With progress on the reforms needed to support a vibrant export sector still slow, the government's ambition to nearly double export values by 2020/21 is looking increasingly unrealistic," said Shilan Shah, India economist of Capital Economics.

Exporters said Modi administration's delay in signing free trade pacts, such as with the European Union, and policies that seek to protect domestic industries have hurt India's export prospects, though they still remain optimistic.

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India's gems and jewellery exports decline on a global economic slowdown

PTI, Business Standard

Mumbai, 29 April: Gems and jewellery (G&J) exports declined in 2015-16 to the lowest in six years, due to a slowing global economy which reduced the demand for luxury goods. Data from the Gems & Jewellery Export Promotion Council (GJEPC) showed India's net G&J export at almost $32 billion (Rs 2.1 lakh crore), as compared to $36.2 bn the previous year, down 5.3 per cent in dollar terms and 11.7 per cent in rupees.

With an estimated employment of 3.5 million in this sector, both domestic and export, G&J claims to be the second largest employer in India, after the petrochemical.

“Demand for luxury goods, including G&J, has slowed globally. In response, Indian diamantaires cut their manufacturing activity proportionately, as evident from lower import of rough diamonds. For the first time since 2008, cut and polished diamond exports witnessed such a sharp decline of 13.7 per cent in value terms in FY16. In fact, a slight upward price adjustment in both rough and polished diamonds created a crisis of realisation,” said Praveen Shankar Pandya, chairman of GJEPC.

The fall in G&J shipment was largely driven by a sharp fall in export of cut and polished diamonds at almost $20 bn as against $23.2 bn in 2014-15 (a fall of 7.5 per cent). In rupee terms, however, the slump was 13.7 per cent to Rs 1.31 lakh crore, from Rs 1.41 lakh crore the previous year.

The decline was partly compensated by a sharp upsurge in export of gold medallions and coins, and silver jewellery. The former jumped 84 per cent to $5.2 bn (Rs 34,243 crore) and of silver jewellery by 44.2 per cent to almost $3 bn (Rs 19,407 crore) from $2.1 bn (Rs 12,569 crore) the previous year. Ironically, gold jewellery is available in every nook and corner but bullion was not available for making ornaments. Buying gold from the open market at such a high duty is not feasible for exporters to compete with players from other countries where gold is available duty-free," said Pandya.

Ironically, gold jewellery is available in every nook and corner of the country but bullion was not available for making ornaments. Buying gold from the open market at such a high duty is not feasible for exporters to compete with players from other countries where gold is available duty-free," said Pandya.

Ironically, Dubai and Thailand are emerging as a major manufacturing hub with lots of Indian businesses setting up units there, says the trade. "We therefore, urge the government to extend some incentives like interest subvention and MEIS (Merchandise Exports from India Scheme) to promote jewellery export. Since such facilities are already extended to some export oriented sectors, it should have no problem in extending the same to us," said Russell Mehta, vice-chairman of GJEPC and promoter of Belgium–based diamond jewellery producer Rosy Blue.

India's export of G&J are likely to remain under pressure in the current year, too, despite improvement in business sentiment from the world's largest consumer, America, which takes nearly half of India's diamond jewellery production

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Textile sector seeks govt support to boost exports

PTI, Business Standard

Mumbai, 29 April: The textile sector, which posted a marginal drop in exportsat USD 40 billion in 2015-16, may see further slowdown in outbound shipments in the absence of adequate policy support, an industry body said today.

"The government needs to give greater priority to the needs of the textile sector and recognise its huge potential by giving timely impetus in terms of policy support.

"Some of the issues relating to exports such as cost of funds and adverse impact of preferential access given to competing countries need to be addressed on a war footing," Textile Export Promotion Council (Texprocil) Chairman R K Dalmia said in a statement here.

The country's total exports of textiles and clothing in 2015-16 stood at USD 40 billion as against USD

41.4 billion in 2014-15, a decline of 3.4 per cent.

With Vietnam's textiles and clothing exports growing by 9.14 per cent and that from Bangladesh rising by 4.71 per cent last year, preferential trade agreements have been one of the major reasons for decline in India's exports, he said.

"While Vietnam and Bangladesh are surging ahead, India seems to be caught in a 'discriminatory tariff' trap, thereby slowing down the momentum of exports," Dalmia said.

India has already lost market share to Pakistan in 19 textiles and 18 clothing products during 2014 due to the preferential access extended by EU to that country under the GSP Plus Scheme.

This has happened entirely due to the duty free access given to Pakistan, while Indian exporters were paying a duty of 9.6 per cent for made-ups and garments and 6.5-8 per cent for fabric items, the statement said.

According to Dalmia, signing of the Indo-EU FTA at the earliest would help the textiles sector gain immensely in terms of market access.

Recognising exports as priority sector for lending and including cotton yarns in the MEIS and interest equalisation scheme are few other key issues that need to be addressed, he added.

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Removal of subsidies on cotton to benefit Indian exports: Government

Economic Times

New Delhi 28 April, 2016: The decision taken at the World Trade Organisation's 2015 Nairobi Ministerialto eliminate export subsidies on cotton will benefit Indian shipments of the crop, the government said on Wednesday. "...it will create a level playing field for our farmers, who were not entitled for it but other developed countries were providing the same as scheduled, as per the rules," the commerce department said.

The Nairobi Ministerial decision on cotton and export competition resulted in a commitment by developed countries to immediately eliminate their export subsidies, while developing countries were required to do so by January 1, 2017.

However, India is not a major user of export subsidies and as per notifications to the WTO, the country has not provided any financial support for cotton between FY07 and FY10.

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India lagging behind in garment exports: World Bank

Business Line

New Delhi, April 28 2016: India is losing out to countries such as Cambodia, Indonesia and Vietnam in the race for a greater share in the global apparel market being relinquished by China. It needs to reduce duties on import of manmade fibre and increase productivity by helping firms grow in size with less complex labour policies, a World Bank report has said.

Free trade pacts like the Trans Pacific Partnership (TPP) between the US and 11 other Pacific rim countries would benefit competing countries such as Vietnam, said Onno Ruhl, World Bank Country Director, India, answering a question at a press conference at the launch of the report, entitled 'Stitches to riches? — apparel employment, trade and economic development in South Asia' on Thursday.

The Indian garments industry, too, could gain if the country became part of the TPP, but it is for India to decide, keeping other things in mind, Ruhl added.

"A reduction in tariff and non-tariff barriers (among TPP members) could lead to trade diversion for South Asia, including in the textiles and apparel sector," the report said.

As wages increase in China, the largest apparel manufacturer for the last 10 years is expected to slowly relinquish its lead position and give an opportunity to India and other South Asian countries to grab some of its share. "Even a 10 per cent increase in Chinese apparel prices could create at least 1.2 million new jobs in the Indian apparel industry," the report says.

A 1 per cent increase in Chinese apparel prices could increase EU demand for Indian apparel exports by 1.9 per cent and US demand for Indian apparel by 1.46 per cent.

Job creation

"Although the report finds that India has maintained its share in the world market, it needs to do better and grow fast to create more employment," Ruhl said.

For that to happen, India needs to remove barriers in the import of manmade fibre to encourage production of garments made of fabric other than cotton.

"In India the focus is on cotton, but the world demands garments made of manmade fibre as well. India has to tap into that demand by lowering import duties, pegged at 10 per cent," said Gladys Lopez-Acevedo, co-author of the report.

Non-cost factors

South-East Asian countries are also outperforming India on non-cost factors that buyers care about, such as quality, lead time and reliability and social compliance sustainability, the report said.

India needs to attract more FDI into the sector by helping firms grow in size (by tackling complex policies) and also by increasing integration in the fibre-textile-apparel supply chain.

"To increase productivity, the government could help firms enter the formal sector and take advantage of economies of scale with less complex labour policies," the report said.

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'Better logistics will boost exports'

Business Line

New Delhi April 20 2016: Minister for Road Transport and Highways Nitin Gadkari said that that improvement of logistics infrastructure is one of the most important factors for boosting exports. He said that the country's economic growth can be propelled if current logistics costs are reduced. Addressing a conference organised by PHD Chamber of Commerce, he highlighted the need and importance of modernisation of road infrastructure and road safety. He said that the government is in the process of developing a smart solution for the same, which would be cost effective, pollution free and supportive of import substitution.

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Exports: 17 out of 30 sectors in negative zone in March

Business Standard

New Delhi 1 May, 2016: Exports of over half of the 30 sectors closely monitored by the Commerce Ministry were in the negative zone in March due to a fall in global commodity prices amid tepid demand.

Outbound shipments of as many as 17 key sectors, including petroleum products, textiles, man-made yarn and fabrics, engineering and leather dipped during the month under review, according to the ministry data.

Exporters' body Federation of Indian Export Organisations (FIEO) expressed serious concerns over the trade data and asked the government to take immediate steps to contain this persistent dip.

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IMF expects $500 billion revenue loss for Mideast oil exporters

Economic Times

Dubai, 28 April, 2016: Oil exporting countries in the Middle East lost a staggering $390 billion in revenue due to lower oil prices last year, and should brace for even deeper losses of more than $500 billion this year, the International Monetary Fund said today.

The fund had projected in October that oil exporting countries in the region would see revenue losses of $360 billion in 2015, but oil prices took a tumble by year's end and the drop in revenue amounted to $30 billion more.

In a revised economic outlook report released today, the IMF said these countries will see revenues from oil exports drop even more in 2016, to between $490 billion to $540 billion compared to 2014, when oil prices were higher. Oil prices plunged to around $30 a barrel in January compared to $115 in mid-2014.

IMF Director for Middle East and Central Asia Masood Ahmed said these losses translate into budget deficits and slower economic growth, particularly for countries like Saudi Arabia that are still heavily dependent on oil to finance their spending.

Though the kingdom has been working on plans to overhaul its economy, oil still accounted for 72 per cent of total revenue last year and Saudi Arabia projects a budget deficit of nearly $90 billion this year.

The report said that economic growth in the six Gulf Cooperation Council countries of Saudi Arabia, Kuwait, Qatar, Bahrain, Oman and the United Arab Emirates will slow from 3.3 per cent in 2015 to

1.8 per cent this year. Saudi Arabia, the region's biggest economy, will see growth at just above 2 per cent.

The IMF has encouraged reforms that would limit public spending on welfare programs and handouts that citizens in the Gulf have become accustomed to, such as lifting subsidies and tightening public sector wage bills to offset the impact of declining revenues.

Already, most GCC countries have raised fuel, water, and electricity prices. Outside the GCC, oil exporter Algeria recently hiked fuel, electricity, and natural gas prices, and Iran increased fuel prices.

"Oil prices are likely to improve from where they are, but they're not going to go back to the figures that we saw in 2013 and 2014 for a long, long time, so this means that many of them have to cut back spending and they also have to try to raise revenue outside the oil sector," Ahmed told The Associated Press.

The IMF warns that just among oil exporters in the region, 10 million young people are expected to enter the workforce by 2020, yet 3 million of them will find themselves without jobs at the current pace of development. Young people's frustration at their lack of prospects was a key driver of the Arab Spring uprisings that rocked the Middle East in 2011.

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