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BoP cheer: Current account deficit may dip to 2%
Shishir Sinha, Business Line (The Hindu)

New Delhi, 26 December 2013: The country may end 2013-14 with a current account deficit as low as 2 per cent of GDP thanks mainly to the significant drop in gold imports.

One of the two primary components of the balance of payments, CAD is the sum of the balance of trade (that is, net revenue on exports minus payments for imports), factor income (earnings on foreign investments minus payments made to foreign investors) and cash transfers.

According to a senior government official, encouraging signs on various fronts suggest a significantly reduced CAD — at around $40 billion. This assessment is much lower than the initial estimate of $70 billion or 3.7 per cent of GDP. Last month, Finance Minster P. Chidambaram had placed the CAD at $60 billion and later said he would try and bring it down to $56 billion, a figure at which the RBI had earlier pegged this deficit.

One of the "encouraging signs" is the slump in gold and silver imports, especially post the August clampdown by the Government. Commerce Ministry data show that import of these two precious metals fell to $1.05 billion in November, almost 80 per cent lower than in the same month last year. This has played a key role in bringing the trade deficit down by over 16 per cent to $33.8 billion.

D. K. Joshi, Chief Economist with research agency Crisil, is not surprised at the latest assessment on CAD but feels "it's been down artificially". Apart from restrictions on gold imports, the poor economic situation that has affected merchandise imports is also helping lower the deficit.

Joshi feels the key issue now will be the sustainability of the lower deficit especially after the gold import restrictions are eased. His own estimate of CAD is around 3 per cent of GDP.

Aditi Nayar, Senior Economist with ICRA, is equally cautious. She expects the CAD to widen in the third quarter (October-December) and the fourth (January-March) compared to the quarter ended September 2013. Not only was the supply of gold restricted, investment demand was curbed by hiking the Customs duty, she says.

"Moreover, a portion of demand had already been met through higher imports in April-May 2013. However, a favourable kharif harvest is likely to boost rural demand for the precious metals and the import bill may rise in the event of any easing of restrictions on gold import," she adds.

Nayar also sees the possibility of a rise in non-gold and non-oil imports. "Additionally, merchandise export growth is likely to be muted in the fourth quarter given the base effect." Overall, she expects a CAD of $50-55 billion in 2013-14. Although experts are sceptical of the Government's latest expectation on CAD, they believe that if this does happen, the Government may ease up on the restrictions on gold imports. Indeed, the Commerce Department has already begun relaxing some of the curbs on the import of gold dore.

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For rupee boost, Govt draws up list of 23 countries for currency swap arrangement
Amiti Sen, Business Line (The Hindu)

New Delhi, 23 December 2013: The Commerce Ministry has finalised a list of 23 countries with which India can trade in local currencies to save precious foreign exchange and strengthen the rupee.

The list includes oil exporting nations such as Angola, Algeria, Nigeria, Oman, Iran, Iraq, Venezuela, Qatar, Yemen and Saudi Arabia.

Commerce Minister Anand Sharma is likely to approve shortly the report on currency swap finalised by a task-force headed by Special Secretary Rajiv Kher following which it will be discussed with the Finance Ministry, a Commerce Ministry official told *Business Line*.

A currency swap arrangement for trade basically involves trading in local currencies where countries pay for exports and imports with domestic currencies at pre-determined exchange rates instead of trading in US dollars.

Other countries on the list include Russia, Japan, Singapore, Australia, Indonesia, South Korea, Malaysia, Mexico, South Africa and Thailand.

"The 23 countries have been identified based on how feasible a currency swap arrangement for exports and imports would be with each. Our emphasis has been on countries with which India has a sizeable trade deficit so that we end up saving foreign exchange," the official said.

After the Finance Ministry's approval, the Commerce Ministry will hold bilateral talks with the identified countries. "A currency swap deal will work only if it is a win-win for both countries. The trading partner should have sufficient trade and investment interest in India," the official added.

A $10.7-billion depletion in India's foreign exchange reserve in the first half of the current fiscal due to a decline in net capital inflows is a cause of concern for the Government as lower reserves weaken the rupee, which in turn drives out foreign investments. While the country's current account deficit has narrowed to 3.1 per cent of GDP in the first half of the fiscal, compared to 4.5 per cent in the first half of the previous year, the Finance Ministry is keeping an eye on it. If India manages to trade in rupees even with a handful of countries, it will contribute significantly towards stabilising the country's balance of payments (BoP) position. At present, India has a rupee trading account with Iran, which was put in place to bypass the sanctions of the US and the EU against the country for its alleged nuclear activities.
In the case of Iran, where payments for 45 per cent of the oil purchased from the country are made in rupees, its success was driven by strategic factors. However, for other countries, the success of this system has to be judged purely on economic terms.

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FinMin urged to expedite refunds of Rs 5,000 crore to exporters
Amiti Sen, Business Line (The Hindu)

New Delhi, 28 December 2013: The Commerce Ministry has decided to come to the aid of exporters struggling to get pending duty refund claims worth about Rs 5,000 crore from the Finance Ministry.
The Directorate General of Foreign Trade (DGFT), which monitors trade activity, will discuss the matter with the Customs Department to find a solution to the problem, a DGFT official told *Business Line*.
Exporters claim that duty drawback payments (refund for input duties paid) are not being made since October and the pending amount has risen to almost Rs 5,000 crore.

"This is a serious problem as it could affect the fund flow of exporters and they may not be in a position to meet orders," the official said.

Finance Ministry officials in charge of drawback payouts have told DGFT officials that the pending claims are part of normal work flow. Exporters, however, are unwilling to buy the argument.

"Normally, pending drawback payment does not exceed Rs 1,000 crore. In our case, it is over Rs 4,900 crore. This is not normal," said Ajay Sahai, Director-General, Federation of Indian Export Organisations . Commerce Ministry officials pointed out that Customs officials usually stop making drawback payments from February as they strive to meet revenue targets for the year. "Stopping of payments has never happened this early. This certainly needs to be sorted out," the official said.

No DEPB

Earlier, exporters also had the option of claiming refunds under the Duty Entitlement Pass Book (DEPB) scheme which was administered by the Commerce Ministry. However, the scheme was discontinued some time back and now all exporters have to compulsorily claim duty refunds under the drawback scheme administered by the Finance Ministry.

"One reason why a lot of exporters preferred the DEPB scheme was that the payments were quick. Now, we do not have any option and are at the mercy of the Customs Department," a Delhi-based exporter, who did not wish to be named , said.

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India guarded against WTO services pact negotiations
Business Line (The Hindu)

24 December 2013: India should participate in the services pact being negotiated at the World Trade Organisation (WTO) by members such as the US, the EU and China as the cost of exclusion will be high, a senior official of the World Bank has warned.

The US-led Trade in Services Agreement (TISA), which focuses on opening up the global market in services further, is being currently negotiated between 21 members of the WTO that mostly includes developed nations.

Big Bait

"The agreement will result in regulatory cooperation that will deepen regulatory complimentarities. When China realised it would benefit from the agreement, is India so different? India should not be left out in the cold," Aaditya Mattoo, World Bank, Research Manager (Trade and Integration) said at a seminar on increasing services exports organised by CII.

India, however, prefers to wait and watch. In response to Mattoo's suggestion, Commerce Special Secretary Rajiv Kher said India was not averse to joining the negotiations but could not jump into it without analysing the pros and cons. If the country's policy deficit is at a level where it can't handle competition, it cannot just jump into negotiations for opening up the sector, Kher said.

Admitting that TISA could be an opportunity to reform the sector domestically, Kher said there was also a downside to it. "If the services sector doesn't respond to reforms, then we are done in. Right now, we are not comfortable about the pace of reforms," he said.

The Commerce Department has started the process of formulating an action blue print for the development of the services sector and exports in collaboration with the industry and experts.

The Government wants to take steps to reform the services sector at large and also have sector-specific policies to boost exports from identified areas such as animation, media and entertainment, legal servicing, architecture, healthcare, tourism and medical tourism. India wants its share in the global market for services to expand to 5 per cent from the present 3 per cent. The global services trade is valued at $4 trillion an annum.

'If the country's policy deficit is at a level where it can't handle competition, it cannot just jump into negotiations for opening up the sector.' — Commerce Special Secretary Rajiv Kher

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India needs FTAs, can't have wall around itself
PTI

New Delhi, 30 December 2013: Defending the policy of inking FTAs with different countries, Commerce and Industry Minister Anand Sharma has said India needs to connect and integrate with the world and can't have a "wall around" itself.

"When we look at our FTAs, we are a beneficiary, we are not a loser," Sharma told PTI in an interview.

He said that India's share in the global trade is low and to enhance the overall economic growth, the country has to increase its share by boosting exports.

"When we are talking of the larger economic integration of Asia and going right up to the Pacific... Can India keep itself out? India cannot insulate itself. You cannot grow by having a wall around ourselves. We live in a globalised world, we have to connect and integrate," he added.

The minister said several countries are integrating with each other to enhance trade and investments between them.

"Let's not forget what is happening in the world," he said, citing examples of North American Free Trade Agreement (NAFTA); Mercosur (an alliance of Argentina, Brazil, Uruguay and Paraguay); Trans-Pacific Partnership (TPP) (involving nine countries including Australia, New Zealand and the US); and the Transatlantic Trade and Investment Partnership (TTIP).

"We are neither Pacific nor Atlantic, we are an Indian ocean country, so we also have to look at how we have our own fair share or how we have regional mechanisms and arrangements for trade and investments," Sharma said.

Besides several experts, apex body of exporters, FIEO, has said that exports to several countries with which India had signed FTAs have shown a declining trend.

According to media reports, the finance ministry too had raised concerns over the impact of these pacts on the Indian economy.

However, Sharma said: "When it comes to trade agreements, there is always a balance and then there is an inbuilt review mechanism. Let's not forget that India's share in global trade is still very low. It is little over 2 per cent.

"We need to double it at the earliest, because of economy of India's size cannot grow unless and until our share in global trade, including exports, increases."

India has so far implemented FTAs with countries like Singapore, Korea, Japan, Malaysia and Asean. The country is negotiating similar pacts with several nations include Australia, Canada, European Union and New Zealand.

In 2012-13, India's exports to South Korea stood at USD 4.20 billion but imports have jumped to USD 13.10 billion, leaving a trade deficit of about USD 9 billion.

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FTAs propel engineering exports to Japan, S Korea
Financial Express

Kolkata, 28 December 2013: Free trade agreements (FTAs) have proved to be beneficial for India, with engineering exports to Japan and South Korea showing a rising curve. Singapore, however, was an exception during the April-November period this fiscal, according to an analysis by the engineering exporters' body, EEPC India.

Apart from ASEAN, India has operational FTAs with important trading partners like Japan and South Korea. Engineering exports to Japan grew 17% during the April-November period of the current fiscal to $568 million from $485 million.

Shipments of engineering goods to South Korea witnessed a jump of over 13% to $739 million during the period.

EEPC chairman Anupam Shah said an exception was seen in the case of Singapore, a country with which India has significant bilateral trade, including those of engineering goods. Exports of engineering goods to Singapore in the April-November period saw a 2.11% drop to $1,995 million from $ 1,997 million during the same period a year ago.

A similar trend was seen in trade with neighbouring countries like Bangladesh, Sri Lanka and Nepal, with which India enjoys a liberalised trading regime. Engineering despatches to Sri Lanka went up by 18.57% to $ 1,342 million for the period under review from $1,132 million during the same period a year ago. Likewise, shipments to Nepal were up 20.84% to $ 577 million from $ 477 million.

On the other hand, western countries such as the US and Germany did not account for much of India's engineering exports, even though the base of trading volume is quite large, Shah said.

He said though shipments to the US dropped 9.19% to $3,909 million during April-November from $ 4,305 million, the country continues to be India's largest trading destination. The same is true of Germany, where consignments fell by about 6% though overall shipments were above $1,300 million. "The signs of recovery in some key western countries, such as the US, are hazy. Month on month, there was a drop of over 14% in overall engineering exports in November this year, Shah said.

He said Iran and Kenya were two countries competing to remain in the top 25 as far as India's engineering exports are concerned. The top 25 countries contribute over 72% of India's engineering exports.

India’s basket of exports of engineering goods is quite big and it includes high-tech items like nuclear reactor parts, aerospace parts, automobile and bicycle parts, steel and iron products, non-ferrous metals, transport equipment and others.

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India favours project exports to Iran to bridge trade-gap
Amiti Sen, Business Line (The Hindu)

New Delhi, 19 December 2013: India is looking at large-scale project exports to Iran for bridging the existing trade gap and fuller utilisation of rupee payment made to the country for oil purchases.

“Project exporters from India including BHEL, SAIL, IRCON and RITES are already in talks with Iranian companies on possible opportunities,” a Commerce Ministry official told *Business Line*.

The Inter-Ministerial Group on facilitating trade with Iran headed by Commerce Secretary S.R. Rao met on Tuesday to discuss ways to boost exports to the country. It was attended by senior officials from the Department of Economic Affairs, RBI and public sector companies including BHEL, SAIL, IRCON and RITES.

China, too, is interested in investing in projects in Iran in lieu of oil payments it owes the country. “We believe that if project exports from India take off, it could actually enable us to make the entire payment due to Iran for oil purchases in rupees,” the official said.

At present, India pays for 45 per cent of oil purchases from Iran in rupees which is deposited in its rupee account in UCO Bank. This is utilised by Iran to make payments for purchases made from India.

The rupee payment mechanism was put in place after foreign banks refused to deal with Iran following the US and EU sanctions on the country for its alleged nuclear activities.

Since India’s exports to Iran was just a fraction of its imports from the country when the sanctions were placed two years ago, it was decided to restrict rupee payment for oil to 45 per cent of the total oil bill. India’s exports this year is likely to cross $5.5 billion compared to less than $3 billion two years ago due to the concerted efforts made by both countries to increase goods inflow from India.

India’s purchase of oil from Iran annually exceeds $10 billion despite the country tapping other oil supplying countries more aggressively following the sanctions.

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Coffee exports rise 3% in 2013
Mahesh Kulkarni, Business Standard

Bangalore, 31 December 2013: India’s coffee exports recorded a marginal rise of three per cent to 313,128 tonnes for the calendar year 2013 (till December 27), as against 303,982 tonnes in the same period last year. In the full year ended December 31, 2012, India had exported 305,247 tonnes.

In value terms, the exporters earned $837.14 million, a decline of 7.55 per cent over the corresponding period of previous year. Between January and December 2012, the earnings stood at $909.66 million.

In rupee terms, however, the exporters earned a higher amount of Rs 4,705.63 crore as against Rs

4,616.62 crore due to depreciation against the dollar. In 2012, earnings from coffee exports stood at Rs 4,637.87 crore, the Coffee Board said.

The unit value realisation was lower at Rs 1,50,278 a tonne as against Rs 1,51,871 a tonne in the same period of previous year. Exports were especially higher during the last quarter of the calendar year. Bean exports during the period (October to December 27, 2013) went up 33.70 per cent to 59,159 tonnes as against 44,245 tonnes in the corresponding period last year.

While the value in rupee terms went up due to rupee depreciation to touch Rs 915.32 crore as against Rs 720.18 crore a year ago, the unit value realisation was lower at Rs 1,54,722 per tonne as against Rs 1,62,770 per tonne in the same period last year because of decline in the prices globally.

Rupee depreciation and a rush to clear off carry-forward stocks were seen as the main reasons for jump in exports during the last quarter. Growers, especially small and medium, rushed as they were in need of money to meet harvesting expenses for the current crop year. The harvest for Arabica and Robusta is progressing in major growing regions of South India, exporters said.

According to Ramesh Rajah, president, Coffee Exporters' Association of India, while the rupee depreciation helped exporters earn higher dollar revenues during the year, the lower prices in the international markets offset the gain. Over the last year, Arabica prices have declined as much as 45 per cent to 110 cents a lb in the international markets. A huge off-year crop harvested by Brazil triggered the price crash.

Of the total exports Arabica beans accounted for 17.4 per cent at 54,746 tonnes, while the majority came from Robusta variety at 258,381 tonnes.

Italy continued to be the main market for Indian coffee in 2013, accounting for 24.56% of the total exports. It was followed by Germany (9.76%), Russian Federation (6.58%) and Belgium (5.55%).

CCL Products (India) Ltd, Allanasons Limited, NKG Jayanti Coffee Pvt Ltd, Nestle India Ltd and Tata Coffee Ltd were the top exporters of coffee during the year.

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Jute exports expected to rise 33% this year
Business Line

Chennai, 19 December 2013: Exports of jute products from the country is expected to touch Rs 2,800 crore in value in 2013-14 on the back of an increase in demand from the West, said Beela Rajesh, Executive Director, Handloom Export Promotion Council, Ministry of Textiles.

In 2012-13, exports stood at Rs 2,094 crore.

The global jute import market, which went through a lean period from 2011 to mid-2012, is picking up again as top markets Europe and the US restarted buying.

Growing acceptance of jute bags as a personal accessory, and shopping bags made of the fibre for its eco-friendly nature, are brightening its prospects in the West, she said, adding that floor coverings, wall hangings, gunny bags, and gift articles are also being bought.

Data put up by the Directorate General of Commercial Intelligence and Statistics says export of floor coverings totalled Rs 142.9 crore during April-September 2013,while jute Hessian bags touched Rs 405 crore and other jute products hit Rs 475.4 crore, signalling strong demand.

“Jute, originally, was not used for purposes beyond covering floors. But with treatment and printing, it looks and feels as good as fabric,” she said speaking at a buyer-seller meet organised by National Jute Board in association with Federation of Indian Export Organisations.

National Jute Board and Jute Product Development and Export Promotion Council, set up in 2011, are funding entrepreneurs interested in jute product manufacturing, and helping manufacturers upgrade facilities.

Traditionally based in West Bengal, the jute business is spreading to Karnataka and Tamil Nadu. At the exposition, manufacturers from the South showcased printed wall hangings that were treated to smoothen the texture of the fibre, something that will find purchase in Western markets, said T. Ayyapan, Market Promotion Officer, NJB.

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Coir exports remain unaffected by sluggish demand, to touch Rs 1,200 cr in current fiscal
Rajesh Ravi, Financial Express

Kochi, 28 December 2013: Coir exports during the first seven months of the fiscal are seen higher in value and volume despite sluggish demand from most of the developed markets. India is the largest exporter of coir products such as mats, matting and rugs in the world, and estimates say that it would touch the Rs1,200-crore mark in the current fiscal.

According to data provided by the state-run Coir Board, exports have increased in volume by 13.43% and value by 12.33% during the seven month period between April and October to touch 292,741 tonne, valued at Rs760.96 crore. During the same period last fiscal, the performance stood at 258,082 tonne valued at Rs677.41 crore. Coir exports from the nation during the last fiscal touched a record high of Rs1,116.02 crore despite reversals in the share of traditional items.

According to data, 4,29,500 tonne of coir and coir products were exported in 2012-13 as against 4,10,854 tonne during the preceding year. Value realised during FY12 stands at Rs1,052.6 crore.

Coir is witnessing stiff competition from other mechanised products like PVC tufted mats. These substitute products are becoming cheaper due to the mechanised production, while handloom products are becoming relatively costly due to the labour involved. Traditional items of exports like handloom mats and rugs are seen declining in both volume and value during the last few years. About 76% of the total exports were contributed by non-traditional products, whereas handloom products like mats, matting, coir geotextile put together contributed only 24% of the total exports. The US and Europe together account for over 70% of India’s coir exports. Coir exporters are reporting growth in orders from the UAE and some African countries.

To increase exports through value-addition tie-ups, the board has signed several technology transfer agreements with other coir-producing countries.

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Export incentives for cotton, meat products scrapped
K.R.Srivats & Vishwanath Kulkarni, Business Line (The Hindu)

New Delhi, 1 January 2014: The New Year has started on a seemingly bad note for cotton, its yarn and meat product exports.

The Finance Ministry has done away with certain export promotion incentives on cotton, cotton yarn, meat and meat product exports.

The apparent surge in export value of these products in recent years has prompted the Government to remove these export promotion incentives for these products, official sources said.

More blow for yarn

Exports of these products will not be eligible for the benefits of the focus market scheme, the revenue department has said. The objective of the focus market scheme is to offset high freight cost and other externalities to select international markets with a view to enhancing the export competitiveness.

Cotton yarn exports will also not be eligible for benefits of incremental export incentive scheme.

This has come as a jolt to the cotton yarn exporting fraternity, which termed the removal of these export incentives as “illogical”, saying it could stifle “job creation” within the country.

The export registrations for cotton yarn in April-November 2013 jumped 42 per cent to 937.09 million kg from 658.73 mkg in the corresponding period a year ago, mainly on the back of rising demand from China.

The China-intense policy has given India great returns in yarn exports, from almost nothing to accounting for 25 per cent of China’s imports.

India’s exports of meat and meat products saw a 59 per cent increase in April-October in the current fiscal to Rs 14,389 crore against Rs 9,037 crore in the corresponding period last year.

The Directorate-General of Foreign Trade had given its green signal for this move in September and the revenue department has now implemented this decision, it is learnt.

With the withdrawal of focus market scheme benefits, exports of cotton yarn will not earn duty credit scrip of 3 per cent of free-on-board (f.o.b.) value of exports.

Texprocil Upset

Under the incremental export incentive scheme, 2 per cent was given as incentive on the incremental exports achieved in a year. “The Finance Ministry’s move clearly highlights that the Union Government is not willing to see cotton yarn as a manufactured item and that too when about Rs 1,00,000 crore has been invested in this segment,” said Manikam Ramaswami, Chairman, Texprocil, an export promotion council for cotton textiles. India’s cotton yarn exports stood at about $3.5-4 billion, with about $0.5 billion coming from the focus market countries. Ramasamy told *Business Line* that removal of incentives will hurt cotton yarn export prospects to far-flung markets, which have been identified in the focus market scheme. He flayed the Centre’s move to continue doling out focus market scheme incentives for an industry such as steel, while removing export incentives for cotton yarn. This is especially so when steel input item – iron ore – comes at a very low cost for the domestic steel industry and there is also a hefty export duty on the same raw material, thereby, improving local availability, he said.

Reacting to the Finance Ministry's move on withdrawal of focus market incentives for cotton yarn and meat products, Ajay Sahai, Director General & Chief Executive Officer of Federation of Indian Export Organisations, said the Government should give some time to industry to adjust to these changes.
The Finance Ministry's notification is silent on when these changes would come into effect, Sahai said.

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Gold jewellery import dips
Dilip Kumar Jha, Business Standard

Mumbai, 30 December 2013: Gold jewellery import declined 93 per cent in the first eight months of the current financial year, following the government's decision to curb import of the yellow metal to bring the current account deficit (CAD) under control.

Data compiled by the Gems & Jewellery Export Promotion Council showed gold jewellery import fell to a negligible Rs 1,521 crore between April and November, as compared to a staggering Rs 22,989 crore in the corresponding period last year.

There are two primary reasons. The government clamped on jewellery traders taking benefit of the free trade agreement FTA signed between Thailand and India. Under this, import duty on gold jewellery was reduced to one per cent, as against 10 per cent otherwise. While , the government made 20 per cent value addition mandatory in Thailand, traders bypassed this by having all gold ornaments originating elsewhere, either China or some other major manufacturer, and then routing these through Thailand.

"Maximum import of jewellery took place during the period when import duty was inverted, with one per cent duty on finished products, mainly from Thailand, and four per cent on raw material. For survival of the gold jewellery manufacturing industry, the duty differential should be a minimum 10 per cent, as in the case of other countries, including China," said Haresh Soni, Chairman, All India Gems and Jewellery Trade Federation.

"Rising imports of finished products pushed the domestic manufacturing industry into the doldrums. Increasing import of gold jewellery from Thailand was the biggest threat for Indian artisans, rendered jobless because of shrinking manufacturing activities in India," said Pankaj Parekh, vice-chairman.
The government introduced a 20:80 formula for gold import; at least 20 per cent of the imported quantity of gold should be supplied to jewellery exporters. Since gold supplies to exporters did not offer the six to eight per cent margins as for supplies to domestic players, importers reduced the gold import business. This resulted in a huge shrinkage in gold supply to domestic entities. As a consequence, gold is currently selling at a seven to eight per cent premium in India over its imported price.

"The government raised import duty to 10 per cent in June-July this year from less than one per cent 18 months ago. The government action helped control the CAD, which hit an alarmingly high 5.5 per cent of GDP early this year and has now declined to 3.1 per cent," said an industry veteran.

To curb gold jewellery import, the government raised import duty on ornaments to 15 per cent from the earlier 10 per cent across the board.

However, with a seven to eight per cent premium and 10 per cent import duty, gold is available currently at 17-18 per cent higher than its price in the global market. In comparison, jewellery can be imported at straight premiums of 15 per cent. “Therefore, import of gold jewellery still works out cheaper,” said Parekh.

Soni believes for the industry to survive, the priority is to reduce the import duty on raw material, which will result in a reduction in smuggling and narrowing of the premium on gold in India.

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Country's iron ore exports fall 43.5% during April-October
Mahesh R Kulkarni, Business Standard

Bangalore, 19 December 2013: India’s iron ore exports declined 43.5% in the first seven months of the current fiscal. Between April and October 2013, iron ore exports touched 8.43 million tonnes as against 14.91 million tonnes in the same period last year.

Overall this fiscal, iron ore exports are likely to be in the range of 14 million tonnes, a drop of close to 25% over the previous fiscal. In 2012-13, India exported 18.66 million tonnes.

Suspension of exports from Goa and Karnataka has largely contributed to the steep decline in export of iron ore this year. While, the Supreme Court has allowed resumption of mining in Karnataka, it still has put a bar on exports. The Apex Court has also banned mining and export of iron ore from Goa since October 2012, which is the major contributor to national exports, industry analysts said.

“Goa and Karnataka are totally absent from export market this year. There is no possibility that Goa will resume exports anytime this year. We expect another 4-5 million tonnes of exports happening in the remaining months of the current fiscal. This means the total exports from India is unlikely to reach the last year’s levels,” Prakash Duvvuri, senior analyst from OreTeam Research said.

When compared to production of iron ore during April to October period, which stood at 80.4 million tonnes, India’s exports accounted for 10.5% of the total production, he said.

“Going by the current trends, we can expect the current year to end with an overall production of 130-135 million tonnes and total exports of 14 million tonnes. Because, Goa is still out of business and Karnataka mines reopening is very slow. The only saving grace is Odisha, which will contribute a lion’s share in the total output this year,” Duvvuri said.

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Mining ban hurting economy, exports: Anand Sharma
PTI

25 December 2013: Ban on mining by the Supreme Court has hit the economy and exports besides increasing India’s dependence on imported coal.

“It (mining ban) has hurt our economy. It has hurt exports, (particularly) iron ore exports. It has increased our dependence on coal imports. So both ways we are losers,” Commerce and Industry Minister Anand Sharma told PTI in an interview.

But for the ban on mining, he said, India could have earned by exporting around 100 million tonnes of iron ore.

"We have been deprived of the precious foreign exchange, and what we could have mined in India. When it comes to coal, $22 billion plus was the coal import bill," the Minister said adding: "these are the areas which need a serious look."

The Supreme Court had banned iron ore mining in Karnataka in July-August, 2011, and in Goa in October, 2012.

Earlier, Mr. Sharma has raised concerns over judicial activism, and said, "India badly needs judicial reforms.''

Following the ban, shipments of iron ore plunged to 18 million tonnes in 2012-13 from nearly 168 million tonnes in 2010-11. Before the ban, India was exporting iron ore worth over $7 billion.

As regards coal, the environmental restrictions have significantly hampered coal production in the country, leading to increase in dependence on coal imports.

Slowdown in exports has increased the trade deficit as well as the current account deficit.

While the trade deficit soared to a record high of $191 billion in 2012-13, CAD jumped to $88.2 billion, or 4.8 per cent of the GDP during the period.

The mining sector, with a weight of about 14 per cent in Index of Industrial Production (IIP), saw a contraction of 3.5 per cent in October as against a dip of 0.2 per cent in the same month last fiscal.

During April-October, the output shrank by 2.7 per cent as against a contraction of one per cent.

Coal production, with a weight of about 4.5 per cent in the IIP, declined by 3.9 per cent in October.

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EU takes India's curbs on marble imports to WTO
Amiti Sen, Business Line (The Hindu)

New Delhi, 23 December 2013: The European Union has questioned import restrictions by India on rough marbles and marble products at the World Trade Organisation (WTO) and sought the rationale behind such curbs.

India has in place a quota of six lakh tonne for import of rough marble and travertine blocks and a minimum import price of $325 a tonne for 2013-14, the same as last year.

In a submission to the Import Licensing Committee of WTO last week, the EU's representative asked India to clarify how unrestricted import of marble and marble products would pose safety issues for the country.

The EU also wants India to state how imposition of quantitative restrictions on import of marbles relates to security concerns.

While WTO rules do not ordinarily allow imposition of import restrictions, it is permitted if a country shows that such imports can result in a safety or security hazard.

India, like most other member countries, at times resorts to the safety and security caveat if it wants to impose import restrictions on certain products.

The EU further asked India to specify how safety and security issues are handled with regards to India’s domestic natural stone and stone processing industry.

Since India had earlier stated that the minimum import price is justified for quality reasons, the EU said the country should indicate measures put in place to ensure commensurate quality for India’s domestic industry.

An important reason for India’s restrictive import policy on marbles is protection of the local industry which employs a large number of poor and vulnerable people. The marble industry in Rajasthan reportedly employs more than two lakh families belonging to backward classes, minorities and tribal groups.

India will now have to provide detailed answers to the EU queries at the WTO.

“We have provided answers to other queries on the same issue earlier posed by other members. We would do the same this time as well,” a Commerce Ministry official told *Business Line*.

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Develop more courses on WTO, free trade pacts: PM to IIFT
Economic Times

New Delhi, 21 December 2013: Amid the country's increasing engagement with global economy, Prime Minister Manmohan Singh today asked Indian Institute of Foreign Trade (IIFT) to develop more courses on WTO and free trade pacts.

"India is increasingly getting integrated with the world economy. Over the years, our industry and services sectors have modernized and diversified in an unprecedented manner," he said at the golden jubilee of the premier institute.

Singh said India is emerging as a global centre for information technology, R&D and innovation. And the financial sector and capital markets have also modernised.

In this scenario, the Prime Minister said the demand for professionals in international trade and business is also expected to grow and institutes like IIFT have a vital role to perform in meeting this demand.
"As a major economy, whose future is inextricable linked with the global economy we must ensure that our academic institutions analyse the contours of the new trading systems that are emerging in the world.
"The ever expanding role of WTO, Regional Trade Agreements and the new Free Trade Agreements that lie over the horizon should be areas of priority for IIFT," he said.

Set up for research and training on foreign trade, the IIFT has evolved over the years to broaden its scope, which now encompasses the full spectrum of international business.

Over 28 batches, IIFT has produced more than 4,000 professionals through its flagship MBA in International Business programme.

Singh expressed happiness that IIFT has performed the role expected of it with "great distinction".

The institute has been conducting research both as part of in-house research programmes and also at the instance of client institutions, which include central and state governments, various PSUs and international organisations like the World Bank, the FAO and the WTO.

It has also contributed to trade policy formulation in India, advising the government on negotiations in bilateral and multilateral preferential trade agreements.

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Bali: The truth behind the spin
Amiti Sen, Business Line (The Hindu)

22 December 2013: While India continues to debate whether it won itself a good deal or got hammered by developed countries at the ninth ministerial Meeting of the World Trade Organisation, the clear losers of the five-day parleying in Bali unfortunately were the least developed countries (LDCs).

It is unfortunate not just because the WTO is most supposed to serve the poorest nations and the Bali package has almost nothing for them.

What is so disappointing is the fact that the developed countries lobbied for the success of the Bali ministerial by selling it as an opportunity to deliver benefits to the LDCs while all that they were interested in was getting their way with the trade facilitation pact.

At the end of the hectic Bali negotiations, the developed world and several developing countries including India went back home pocketing gains — some real, others perceived.

Quiet victory

The US and the EU glowed silently in their victory after getting the entire membership to sign a trade facilitation pact that mandates countries to upgrade infrastructure at ports, cut down paper work and expedite clearances within a specific time period, or face penalties.

The fact that the matter was not even part of the original negotiating agenda of the ongoing Doha Round made the win sweeter.

India and some other developing countries that were worried about their public procurement subsidies breaching caps came back smiling bravely with a half-baked 'interim' arrangement in their pockets offering immunity against legal action.

However, LDC issues, which are a list of mostly unfulfilled promises of the past, remained what they were — mere promises!

Misleading the media

It is incredible how developed countries manage to influence public opinion in their favour by selectively giving out information to the media.

When India took a tough stand on the issue of its food security programme before and during the Bali negotiations, numerous articles appeared in the Western media on how the country was standing in the way of a deal that would largely favour poor countries.

The US trade office did not mince words while criticising India's defensive posture and painting it as the big villain that did not care about what happed to the poorest nations.

But not much was said about the content of the LDC package. Neither was it mentioned that most of the important issues in the package involved measures that the US had to implement.

At any point of time, before or during the negotiations, India was ready to ratify the LDC package irrespective of whether other things fell into place or not.

It was the US that maintained that there would be no LDC package if the Bali deal fell through. But the unfairness of this was hardly talked about.

The two biggest areas where the LDCs hoped to gain were commitments on fully implementing the duty-free-quota-free (DFQF) arrangement and elimination of cotton subsidies.

The DFQF lays down that LDCs would be given unrestricted access to markets of richer countries and was promised during the Hong Kong ministerial meeting of 2005. Developed countries and developing countries were supposed to offer duty-free access to 97 per cent goods from LDCs.

While India has fulfilled its obligations, bigger countries like the US are yet to fully bite the bullet.

Benign avoidance

And does the Bali ministerial specify by when the DFQF mandate will be implemented? It doesn't. It just benignly states that developed countries that have not yet fully implemented it "shall seek" to improve their coverage so as to provide increasingly greater market access to LDCs, prior to the next ministerial conference. The word "seek" added after the word "shall" totally changes the tenor of the mandate and reduces it to just a best endeavour clause.

Elimination of cotton subsidies was another promise made to LDCs during the Hong Kong ministerial. The four cotton growing African countries — Benin, Burkina Faso, Chad and Mali — have been crying themselves hoarse since the beginning of the Doha round in 2001 begging that high cotton subsidies given by the US be eliminated as it was devastating their economies.

And what does the Bali ministerial declaration have to say on this vital issue of crucial importance to the world's poorest countries?

It merely expresses regret that members had not yet delivered on the trade-related components of the 2005 Hong Kong ministerial declaration, and goes on to add that members agreed on the importance of pursuing progress in this area.

Deliberate vagueness

On other issues of importance to LDCs including more lenient rules of origin for their products and preferential treatment to services exports and service suppliers from the region, the language in the ministerial declaration is equally vague.

The Bali ministerial has been hailed as a historical meet where the first multilateral trade deal of the century was penned. It is in a way quite hilarious because the only deal that happened there was the one on trade facilitation, which was reluctantly supported by most developing countries.

It remains to be seen whether the Bali pact will translate into the paralysed Doha round getting recharged. But one thing that has emerged clear from the meet is the fact that the old world order where the rich countries dominate and the poor take whatever titbits are thrown at them is still alive and kicking.

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Let's focus on trade facilitation
M. Rafeeque Ahmed, Business Line (The Hindu)

29 December 2013: The WTO ministerial Summit at Bali ended on a positive note for India. The strong and clear message on food subsidy made India the undisputed leader of developing and least-developed nations. However, trade facilitation is an equally important area.

With tariff rates having fallen after the Uruguay Round, trade facilitation has become important in the context of dealing with non-tariff barriers. With more countries becoming part of the global supply chain, goods manufactured in a country are made of components assembled in many countries.

Transaction Costs

Slow and complex procedures complicate supply chain dynamics. The sheer volume of Exim transactions forced countries to look at new measures to steer trade (Exim trade in India soared from $123 billion in 2002-03 to $792 billion in 2012-13). With "Just in time" becoming the norm in product delivery, the focus has shifted to facilitating efficiency in transactions.

Transaction cost hurts small and medium Indian companies, which dominate Exim transactions in volume terms. Government data show the transaction cost varies between 8-10 per cent of free on board value, which translates into a cost of $63-79 billion for 2012-13 alone. Globally, the cost is $1.3 trillion a year. Exporters/importers from both developing and developed countries have long pointed to the bottlenecks in moving goods across borders. Documentation requirements often lack transparency and are repetitive in many countries, including ours.

Despite advancements in information technology, data flows are a problem, barring to some extent between the Directorate General of Foreign Trade (DGFT) and Customs, and DGFT and banks. Other agencies are still asking for the same information, mostly in paper form.

As per the draft text of the agreement on Trade Facilitation at Bali, each member would be required to (a) promptly publish information on imports and exports; (b) establish or maintain one or more enquiry points to answer reasonable enquiries of governments, traders and other interested parties; (c) and provide an appropriate time period to traders to comment on the proposed introduction or amendment of laws on movement, release and clearance of goods.

There should be a systemic approach to identifying hindrances to efficient flow of trade. We need to look at both forward and backward linkages.

For backward linkages, the complete supply chain covering production, logistics, services infrastructure and regulatory frameworks — all with an impact on speed and cost — have to be addressed.

The forward linkages cover overseas transportation, logistical and financial frameworks, restrictive procedures, mainly technical standards above international benchmarks, high charges for registration and inspection followed by advanced countries.

The backward linkages require resolve on our part while forward ones need to be flagged at multilateral/bilateral forums.

Customs Handling

Let me touch upon a couple of issues that should be addressed during the transition time available to us to meet trade facilitation mandate.

The Revised Kyoto Convention has recognised the importance of the use of Risk Management System (RMS), which comprises a series of technical processes meant to identify and quantify individual risks. The RMS has helped in faster customs clearances in India.

But the new RMS for imports has increased the percentage of physical examination, which is a great setback for users.

Customs authorities should ensure that the intended objective of adoption of RMS is not defeated and only high risk consignments are put to physical examination.

Another facet of risk management is to do away with obsolete practices. Most cases of duty drawback are held up due to non-filing or incorrect filing of Export General Manifest (EGM) by shipping/airline companies.

Duty Drawback

We all know that shipment of exports takes place after endorsement of the Let Export Order (LEO) by Customs. Less than 0.05 per cent of shipments are withdrawn after LEO, and doing so requires following a complex procedure. So, the grant of drawback at the LEO stage will result in quick disbursal, adding to exporters' liquidity with no or negligible risk to the exchequer.

We can safely say most fees and charges appear nominal. No fee is charged for claiming benefits of promotional schemes and even duty drawback. But in the case of applications for an import authorisation, the amount of fees is based on the c.i.f value of authorisation. At times, the high fee for authorisations may breach what is prescribed as "reasonable fee" by WTO.

While Customs introduced advance ruling in 2004, its coverage is quite limited. Only foreign firms that want to invest in India through joint ventures or wholly-owned subsidiaries, or Indian firms who are getting into joint ventures with foreign firms can ask for advance ruling.

Thus the scope of the Authority for Advance Ruling is limited as the provision is not available to a solely Indian-owned company. The expansion of scope will benefit Indian entities.

The novel scheme of Authorised Economic Operator (AEO), which provides accelerated clearance both inside and outside India, has not yet taken off.

In a country where over 1,00,000 are eligible to avail of the facility, the figure of AEO has not touched even hundred. At port of Antwerp alone, there are over 600 AEOs.

The lack of publicity, stringent requirements and delay in registration contributed to its lacklustre performance. Aggressive marketing and fast clearance will go a long way in popularising the scheme.

Nodal Agency

A consultative mechanism between trade and Government is already in place as the Government does consult the stakeholders and evaluates their inputs.

The draft circulars proposing procedural changes are put on the websites inviting suggestions. However, there is a need to institutionalise the process so that the same is invariably followed by all agencies.

The electronic media is already being used widely for dissemination of all trade-related information. DGFT should be made the single inquiry point to address all queries of the trade.

A backup office consisting of nodal officers in Customs, regulatory agencies, FIEO and other export promotion bodies can be set up to assist the single enquiry point.

A country that is unable to adopt effective and appropriate trade facilitation measures would be uncompetitive in the global trading environment on account of high transaction costs. Therefore, whether it is the requirement of the WTO or our own willingness, we have to take this agenda forward.

(The author is President, FIEO.)

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WTO at Bali: Multilateralism versus regionalism in trade
Pradeep S Mehta, Economic Times

23 December 2013: It was touch and go over six intense days at Bali in early December. In the end, the World Trade Organization's Ninth Ministerial Conference delivered a trade liberalization package — the first-ever deal that the WTO could craft since it came into being in 1995.

And this came after a 12-year-old Doha Development Agenda (DDA) stalemate and a spaghetti bowl of regional trade agreements. Thus, the spirit of multilateralism prevailed. The seven-year Uruguay Round Agreement (URA) negotiations ended in the establishment of the WTO in 1995.

Getting the WTO itself was a big achievement in spite of opposition from the US. The WTO included a binding dispute-resolution system, and new disciplines on services, intellectual property, agriculture, textiles and so on. The deals were done in a single undertaking manner, which means "all or nothing". Following the WTO agreement, the first full-scale negotiation, DDA was launched in Doha in 2001. Its remit was to address problems with the URAs that were negotiated in the 1980s when the developing world had little understanding of complex issues.

It was launched against the backdrop of the 9/11 tragedy to tell the world that the global community will not be cowed down by terror attacks. The DDA had to be labelled a development round as that was the only way to get poor countries to join the talks.

As negotiations on the DDA progressed, the poor countries realised that the rich wanted only better market access, while paying lip service to development.

That was the reason for the stalemate. On the other hand, western agriculture subsidies turned out to be the spoiler. Europe, inter alia, wanted new deals on investment, competition and transparency in government procurement and trade facilitation as a trade-off against reforms in their farm subsidy regime. However, many in the developing world were opposed to all the four issues and the Cancun Ministerial of 2003 collapsed without a conclusion.

The Cancun collapse was salvaged in Geneva in July 2004 and it was agreed that DDA negotiations should continue, but retaining only trade facilitation among the four issues. Thus, WTO members have worked relentlessly on the DDA to arrive at a conclusion.

That came close in July 2008 when members agreed on 90% of the issues, but that too failed due to US' opposition to India and China's stand on special safeguards on farm product imports. Thus, India and China became the spoilsports. In fact, it was the US' reluctance to address its subsidy regime on cotton that was the deal breaker, as it affected many African countries.

Among others, trade facilitation featured at the Bali Ministerial as part of the Doha Lite deal. It was a way forward to harvest the low-hanging fruits of the DDA and move forward. As expected, ambition levels between the rich and the poor are always at crossroads.

Consensus seemed elusive on the text on trade facilitation, but was finally sorted out. This was possible after the agreement on public stockholding of food grains breaching the 10% subsidy limit was crafted without tying it down to a four-year peace clause, but until a permanent solution is found. As India's trade minister Anand Sharma said, "A historic day for the WTO. India's food security concerns are addressed." The US was recalcitrant. It has little appetite for the DDA and has, therefore, been pursuing two mega regional deals. India's hard stand made pundits feel that we would be walking into atrap and, thus, negotiators would go back empty-handed. Miraculously, a deal was struck at Bali.

The US wanted the accord on trade facilitation badly. And that was the trade-off that India used for its demand on food security flexibility. However, trade facilitation — cutting down the red tape in customs procedures — is a win-win deal and has been welcomed by all. This deal is expected to generate about $1-trillion gain to all countries, of which most will accrue to the developing world.

In the end, multilateralism stood its ground, and that is the best way forward for all countries. The scene will now shift to Geneva, where negotiators will work out the nuts and bolts of what they have agreed at Bali, and tackle the unfinished agenda of the DDA over 2014 and beyond.

The writer is member, WTO's Panel on Defining the Future of Trade.

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Trade resolutions for the new year
T S Vishwanath , Business Standard

1 January 2014: The trade negotiations agenda for 2014 promises to be exciting. The success of the Bali Ministerial meeting of the World Trade Organisation (WTO) in the first week of December in 2013 will mean that in 2014 countries will identify areas for early conclusion so that within the next two years, the Doha Agenda of the WTO - which has remained in a limbo for long - can be concluded.

Second, some large bilateral and regional trade agreements, namely the Trans Pacific Partnership (TPP), the Transatlantic Trade and Investment Partnership (TTIP) and the Regional Comprehensive Economic Partnership (RCEP) are slated to conclude this year.

Each of these bilateral agreements has the ability to throw up opportunities worth billions of dollars for business across the globe. It will, therefore, be important for industry in India to keep a close watch on the developments and identify new areas of opportunities that will emerge. Governments that are negotiating these agreements, at the same time, have to ensure that new types of protectionism do not replace some of the existing inward looking oriented rules and procedures that protect domestic industry.

If world trade is to be provided a boost and industry across the globe has to benefit from the creation of significant growth opportunities then negotiators will have to concentrate on a four-pronged strategy.

First, create genuine market access opportunities. The WTO negotiations and the bilateral agreements can help reduce tariffs in a big way on products of interest to businesses across the globe. There has to be a genuine effort on part of negotiators to identify and reduce tariffs that can create new opportunities for industry in every country. Negotiators supported by industry have to identify sectors which balance the gains for countries across trade partners.

Second, identify regulations and procedures that hamper trade and harmonise standards that will benefit industry. The trade facilitation agreement that was concluded at Bali can also be a meaningful platform for smoothening import and export procedures of countries across the world.

Third, negotiators need to work with industry to identify and help build new value chains. In a globally connected world, it will be important to help create value chains that provide new opportunities for the industry. However, as of today, there are several countries across the globe that are not an integral part of the value chains and do not gain substantially from such value chains. There is a need for industry to build an agenda for negotiators to integrate markets to substantially cut costs for consumers and, at the same time, build new opportunity areas especially in the developing and least developed countries.

Fourth, there is a need for a concerted effort to tackle non-tariff barriers and new forms of protectionism. With global economic growth slowing down over the years, there has been a surge of new forms of protectionism in countries that have been severely hit by slow down and recession. This has eroded global trade growth substantially. Negotiators need to use the success at Bali to push for greater global trade by identifying and removing new forms of protectionism that range from export duties, trade remedial measures and new forms of protecting domestic industry through subtle and, sometimes, not so subtle domestic policies.

Platforms such as the G20 can gain credibility if they are able to identify such measures that hamper global trade growth. The B20, the industry platform that supports the G20 process, has to play an important role in this area if wants to remain relevant.

The four-pronged strategy can help create better investment flows across countries as also boost trade growth. There is a need for the industry to help build infrastructure for trade in developing and least developed countries by using the trade facilitation agreement at the WTO to create further global value chains. 2014 promises to be a good year for boosting global trade and, in turn, global economic growth. The responsibility now shifts to industry across the world to urge governments to capitalise on the emerging opportunities and eliminate barriers to create significant opportunities for a balanced outcome for all countries.

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