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US-China trade war: Donald Trump remains adamant despite tariff retaliation

Financial Express

May 14, 2019: US President Donald Trump remained adamant on Monday on his policy to impose a hefty import duty on Chinese products, which has resulted in a quick retaliation from China and a massive downslide in the American stock market fearing a US-China trade war. “There can be some retaliation, but it can’t be very, very substantial, by comparison,” Trump told reporters at the Oval Office of the White House, which was soon after China announced retaliatory tariffs on import of American products. Last Friday, Trump increased the import duty on Chinese products worth USD 200 billion from 10 per cent to 25 per cent. He has also started the process of a similar increase on the remaining Chinese imports of over USD 300 billion.

“Out of the billions of dollars that we’re taking in, a small portion of that will be going to our farmers because China will be retaliating, probably, to a certain extent, against our farmers,” Trump said. He indicated that he was not going back unless China agreed to the negotiated trade agreement between them. Later, at a White House Iftar dinner, Trump hinted that things could be clear in four weeks’ time.

“We will let you know in about three or four weeks whether or not it was successful.... But I have a feeling it is going to be very successful,” he told a gathering of eminent Muslims and diplomats from the Islamic world. Trump told reporters that as a result of his policies, farmers and manufacturers would

be very happy. “And our government is very happy because we are taking in tens of billions of dollars. I think it is working out very well,” he asserted.

“We’re taking in, right now, hundreds of billions of dollars. We’re taking in billions of dollars of tariffs. And those tariffs are going to be tremendously — if you look at what we’ve done thus far with China, we’ve never taken in 10 cents until I got elected. Now we’re taking in billions and billions,” Trump said. “It went up, as of Friday, very substantially. It’s 25 per cent on USD 200 billion. So now, the total is 25 per cent on USD 250 billion. In addition to that, we have another USD 325 billion that we can do if we decide to do it,” he said, adding that as a result, the US was taking in tens of billions of dollars.

“This is a very positive step,” Trump said. But there was a panic reaction by the market as a result of the US-China trade tension. In New York, the Dow Jones Industrial Average fell 617.38 points, and the S&P 500 dropped 69.53 points. These are the biggest one-day loss since January 3. Similarly, the Nasdaq Composite declined 269.92 points, which is its worst showing since December. “Investors and analysts say a breakdown of trade talks risks damaging business and consumer confidence, potentially crimping spending, at a time when growth is already widely expected to moderate,” The Wall Street Journal reported. Several US lawmakers came out in support of Trump.

“Americans are fed up with China’s way of doing business and recognise that President Trump is the only one who has successfully brought the Chinese to the negotiating table. But when real progress was being made, China reneged on key issues, leaving the president with no choice but to take additional action,” Senator Joni Ernest said.

“We need to reach a deal, but China must stop hindering the process and be reasonable trade partners. I am disappointed that China is forcing negotiations to where they are now. We want trade deals, not tariff wars,” he added. However, Democratic Senator Richard Blumenthal alleged that Trump was betting the farm on a deeply dangerous trade war — other people’s farms.

“There’s a need to be tough on China, but the total lack of any strategy, only chaos and conflict are roiling the markets. Soon the economy will feel the brunt and costly burden,” he warned. “We need to hold China accountable for their unfair trade practices. But starting a trade war without a strategy or input from our closest allies only hurts Maryland’s farmers, consumers and manufacturers,” Senator Chris Van Hollen said. In an interview to CNBC news, Secretary of State Mike Pompeo said Trump wanted to make the trade deal with China fair, reciprocal, even. “He wants our businesses to be able to compete in China in the same way that Chinese businesses can compete in the United States. Those are simple asks,” he said.

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US desperately trying to suppress the rising stature of India in global trading system

Pralok Gupta, Financial Express

May 15, 2019: US Commerce Secretary Wilbur Ross recently visited India to raise the issue of supposedly high barriers to trade erected by India. This visit was preceded by a series of measures announced by the US against India, including putting India on the Priority Watch List in its annual Special 301 Report, terminating Iran's oil sanction waivers available to India along with other countries, highlighting data localisation requirements in India as a key barrier to digital trade in the USTR National Trade Estimate report, announcement to terminate India's designation as beneficiary developing country under the Generalized System of Preferences, among others.

The visit was immediately followed by the US announcement to increase H1B visa fee, which will affect Indian IT services exports to the US. Although many of these measures are not exclusively for India and include other countries too, they are intended to kill two or probably many birds with one stone.

The American tactic of announcing these threatening measures is to hit economically hard and arm-twist India so as to bring it to the negotiating table, and compel India to accept the American demands of increased market access through reduced tariffs on dairy products, wheat and Harley-Davidson motorcycles; removing the price caps fixed by the Indian government on medical devices of interest to US producers; change in India's domestic IP laws for protecting windfall monopoly profits of the US IP holders, particularly in the pharmaceutical sector; no restrictions on cross-border data flows; roll-back measures pertaining to data localisation in financial services taken by RBI; and not to finalise the policy for its evolving e-commerce sector along the lines of the main elements contained in the draft e-commerce policy.

The US is also apparently unhappy with India's submission in the World Trade Organisation (WTO) this February, cosponsored with the European Union and other WTO members on reforming the dispute settlement mechanism of the WTO. The US has been blocking new appointments to the Dispute Settlement Body (DSB) of the WTO, arguing over its role and leaving it with the bare minimum needed to function. The suggested reforms in India's cosponsored paper widely differ from the position taken by the US on the functioning of the DSB and the reforms proposed by the US.

The US cherry-picked data to portray India as a highly protected country and described it as 'tariff king'. But it is contrary to the fact. The highest tariff in India is 150% on alcoholic beverages, whereas in the US the highest tariff is 350% on tobacco products. Some other items having high tariff in the US include peanuts (163.8%), washing machine and parts (50%), footwear (48%), among others.

Not only this, India's highest tariff is much lower than applied by many other countries such as South Korea (807% on sweet potato, quinoa and some cereals), Japan (736% on cereals and preparations), Australia (163% on transport equipment), to name a few. Even from the average tariff perspective, India's average applied tariff is 13.4%, much below its average bound tariff at the WTO.

Apart from this, while talking about protectionism, why only for goods? Why not for services also? Going by the analogy used by the US, it should be called ‘visa fee king’ as the US imposes very high visa fees on H1B and L1, the two most prominent visas used by service providers to deliver services in the US through temporary movement of their employees.

This is not the first instance of the US cherry-picking data to put forth its interests. In its submission ‘An undifferentiated WTO: Self-declared development status risks institutional irrelevance’ in the WTO in January 2019, the US used selective data to claim that India and some other developing countries had made great development strides over the years and hence should not be allowed to take benefits of the special and differential (S&D) provisions of the WTO.

This is again contrary to the facts. While there is no denial that India and other developing countries have made progress over the years, the development divide is still very much present between developed and developing countries, and hence the need for continuance of S&D provisions.

The US is well aware that if there is any country after China that can challenge the hegemony of the US in the future, it is India. Therefore, the US is using these threatening and other tactics to suppress the rising stature of India in the global trading system, and to curtail the potential of the country to grow economically.

India has so far stood firm on most of these issues in its dealings with the US bilaterally as well as at the WTO. There is no reason to depart from this firm approach now. The government response and policy formulation should be driven by domestic requirements and not by any dictate from the US. At the same time, track II economic diplomacy through chambers of commerce and industry lobby groups could be encouraged to make the US aware of the losses that will incur to both sides, if such posturing by the US against India continues.

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WTO’s dispute body: India, China, other developing nations warn of collapse

Financial Express

May 15, 2019: As many as 17 developing nations, including India and China, on Tuesday pitched for resolving the deadlock over the appointment of members to the WTO’s appellate body at the earliest, warning of a complete paralysis in the dispute settlement mechanism of the multilateral trade body by December if members don’t act fast.

This was part of a declaration released after a two-day ministerial meeting of 22 developing and least developed member countries of the World Trade Organisation (WTO) in New Delhi. The meeting was held in the shadow of an escalating trade war between the US and China. The Delhi Declaration was signed by 17 of the 22 participating countries, while five others — Kazakhstan, Turkey, Argentina, Brazil and Guatemala — did not sign it on technical grounds.

The declaration also made a strong case for preserving flexibilities that are being offered to developing countries under the WTO's special and differential treatment (S&DT) provisions, as they are rights of developing nations.

Commerce secretary Anup Wadhawan said at a technical session on e-commerce that there was unanimity that its scope and definition were still not fully understood and appreciated and its boundaries were still 'somewhat ambiguous and unclear'. E-commerce is one of the new issues being pushed by developed countries, including the US, at the WTO, much to the chagrin of developing members.

The members expressed concern over the delay in appointment of members to the WTO's appellate body, blocked by the US, as it has hampered its functioning. The minimum quorum (3) for the functioning of this body will end on December 10, after which it will become unless appointments are made at the earliest.

"S&DT is one of the main defining features of the multilateral trading system and is essential to integrating developing members into global trade. S&DT provisions are rights that must be preserved and strengthened in both current and future WTO agreements," the declaration said.

Briefing media after the meeting, India's ambassador to the WTO J S Deepak said, "Our position is clear that it is an unconditional right. It is not only a principle but a modality to help developing countries, including LDCs, to adjust themselves to the global trade rules".

Deepak said India will continue to use such S&DT flexibilities in existing and new agreements. In future negotiations, India will demand appropriate and effective S&DT, including in issues involving fishery subsidies.

Special and differential treatment allows developing countries longer time frames to implement commitments and greater flexibilities in adopting measures to improve their presence in global markets, among others. For instance, developing countries are allowed to provide considerably larger input subsidies and minimum price support (They can offer product-specific farm subsidies up to 10% of the value of production, against 5% for developed countries, although the latter enjoy other flexibilities).

Commenting on the impasse over the appointment of members in the appellate body of WTO's dispute settlement system, the commerce secretary said, "It's functioning needs to be continued beyond the period when some members will be retired and the quorum will be lost."

The outcome document also stressed that the process of WTO reform must keep development at its core, promote inclusive growth, and take into account the interests and concerns of developing members, including the specific challenges of graduating LDCs.

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Logjam in WTO appellate body a serious threat to dispute settlement mechanism

The Indian Express

New Delhi, May 14, 2019: The ongoing impasse preventing the appointment of new members to the World Trade Organization's (WTO) dispute settlements appellate body is expected to harm developing and least developed countries (LDCs) going forward, said Commerce Secretary Anup Wadhawan on Monday.

He also raised concerns with the agenda promoted by richer nations to reform the Organization, stating during an ongoing two-day ministerial meet of these countries that it does not address their concerns.

The meet, being organised in New Delhi, aims for a consensus between developing and LDCs on "key issues and challenges" related to the Organization, according to the Commerce Ministry.

This comes in the backdrop of moves by countries like the United States to reform multilateral trade rules, including demands to reduce the number of developing countries eligible to reap benefits of a special and differentiation (S&D) mechanism. It also follows repeated hurdles to the smooth functioning of the WTO's dispute settlements appellate body over the last two years.

"The reform agenda being promoted does not address the concerns of the developing countries," stated the Ministry, citing an address by the Commerce Secretary to ministers and other senior officials of these nations at Monday's meet.

According to Wadhawan, there has been "no active engagement" or movement on key issues of concerns for developing countries, including LDCs, in the negotiating agenda.

"Agriculture remains a key priority for a large membership of WTO representing the developing world. However, there is a strong push to completely relegate existing mandates and decisions and work done for the past many years, to the background," he said.

The meeting is expected to focus on solutions to the ongoing impasse in the WTO dispute settlement appellate body. It is also expected to focus on ensuring “effective” S&D mechanism for “all developing countries, including LDCs”, according to the Ministry.

The “logjam” in the Organization’s appellate body will harm these countries more as they need the protection of the rules-based system “more than developed countries”, Wadhawan said. The appellate body has shrunk from its required strength of seven members to three over the last two years because the US has been blocking appointments of new members.

“The fundamentals of the system are being tested through a tide of protectionism around the world vitiating the global economic environment. The situation does not bode well for developing countries, including the LDCs,” Wadhawan said.

“There is an urgent need to engage constructively to preserve the system and come up with constructive solutions to the problem,” he said.

Even while negotiations on curbing subsidies for the fisheries sector are still ongoing, the 11th Ministerial Conference held in Buenos Aires in December 2017 “clearly” mandated that there should be “appropriate and effective” special and differential treatment for developing countries, according to the Commerce Secretary.

“It is important for developing countries including LDCs to collectively work for a fair and equitable agreement on disciplines in fisheries subsidies, which takes into consideration the livelihood needs of subsistence fishermen and ground realities in our countries, and protects our policy space to develop capacities for harnessing our marine resources,” Wadhawan further said.

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Developing nations to discuss trade moves as US resets rules

D. Ravi Kanth, LiveMint

Geneva, May13, 2019: India attempts to build a strong coalition of like-minded developing countries for reclaiming the “developmental” dimension of global trade, the central challenge remains how to stop “unequal” multilateral and bilateral trade treaties being demanded by the US, say trade envoys.

Trade ministers from more than a dozen developing countries will congregate in New Delhi on Monday to discuss problems confronting the multilateral trading system, especially the World Trade Organization, due to "inequities and imbalances" in existing global trade rules.

The US under the leadership of President Donald Trump has unabashedly sought market access and favourable rules for its industry and agriculture on "my way or highway" basis both bilaterally and multilaterally at the WTO, said a trade envoy from South America who asked not to be named.

On 9 May, the US suffered a major setback bilaterally when China refused to agree to what it reckons as an unequal treaty with the US. "China needs a cooperative agreement with equality and dignity" but not one-sided trade treaties, said China's vice-premier Liu He, after the US-China trade talks collapsed in Washington.

At the WTO, the US is seeking to change multilateral trade rules selectively so that the burden of new commitments are shifted to developing countries. The US wants ambitious disciplines on fisheries subsidies that would deny any room for developing countries such as India and South Africa to support their fishermen.

The US, however, does not want credible multilateral rules for reducing its trade-distorting farm subsidies for agriculture or reducing the hurdles for the movement of short-term services providers.

Ominously, the US seeks to terminate the existence of the highest adjudicating body or the Appellate Body at the WTO for resolving global trade disputes so to ensure that there is no independent and impartial judicial mechanism that rules against the US's trade measures that are inconsistent with global trade rules, said several trade envoys, who asked not to be named.

The US and other industrialized countries are also seeking to introduce what is called "differentiation" among developing countries to deny special and differential treatment for India, South Africa, Indonesia, and China. The US and its allies also want to eliminate the principle of consensus-based decision-making at the WTO after having junked the Doha development agenda trade negotiations.

Against this backdrop, India is working with developing countries "to keep development" at the core of the global trading system. India says developing countries must work together to "preserve the fundamental rules of the WTO, namely, non-discrimination, decision-making by consensus and special and differential treatment for developing countries and LDCs (least-developed countries)".

In a concept paper issued ahead of the two-day ministerial meeting, India says developing countries must press for balanced reforms at the WTO so that "developing countries have enhanced stake in the system." New Delhi says "resolution of the issue of appointment of Appellate Body members" must remain the top most priority.

“The Dispute Settlement Mechanism enables effective enforcement of WTO rules and is the central pillar system,” India has argued.

The US-China trade war has also impacted the WTO negatively as the US is increasingly seeking unilateral reforms/changes in the trade body through notification requirements and special and differential flexibilities.

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Keen to measure revenue loss from e-transmissions in new technologies, digital printing: India tells WTO

Kirtika Suneja, The Economic Times

New Delhi, May 03, 2019: Additional information and obligations from all countries. At a meeting of heads of delegation, New Delhi said the World Trade Organization (WTO) is being burdened with "endless debates" which is "a recipe for failure."

It also said it is keen to assess the extent of sacrifice of revenue involved in electronic transmissions, and the distribution of this loss among countries, due to new technologies. Technologies such as "additive manufacturing will result in electronic transmissions cascading and many dutiable goods being manufactured by digital printing", it said.

India and South Africa have questioned the extent multilateral work programme on e-commerce that prohibits countries from imposing customs duties on electronic transmissions, citing revenue loss to developing countries.

"Further, we fear the impact of some of the e-commerce rules being proposed under the joint Initiative on e-commerce, on existing trade rules... which protect our industry, and provide us useful flexibilities," India said.

It added that the 'high standard' e-commerce elements could lead to a weakening of the existing agreements on goods and services.

India's statement comes ahead of a mini-ministerial meeting of twenty developing countries and least developed countries which it is hosting on May 13-14. The two day talks are expected to culminate into a Delhi Declaration after intense discussions on reforms, e-commerce, agriculture and special and differential treatment (S&DT).

"We are disappointed at the absence of active engagement of the member holding appointments to the Appellate Body hostage on proposals for resolving the Appellate Body impasse," India told the global multilateral trade body.

China, South Africa keen on India's WTO proposal

Kirtika Suneja, The Economic Times

New Delhi, May 12, 2019: China and South Africa have expressed keen interest in India's proposal to safeguard the right of special provisions for developing countries, which have been challenged by the US.

India's proposal, that seeks to amend laws on unilateral action by members on trade issues, was circulated in Geneva among the 22 member countries who are participating in New Delhi's mini ministerial meeting on Monday and Tuesday.

"South Africa and China are excited about our proposal and the meeting," said an official in the know of the details, adding that India may modify its proposal as per other countries, if need be. South Africa's trade and industry minister Robert Davies and a 14-member delegation the largest- from China, led by assistant minister of commerce Ren Hongbin, will attend the meeting.

These special provisions for developing countries, called special and differential treatment (S&DT) allow them longer time periods to implement agreements and commitments, measures to increase trading opportunities, provisions to safeguard their trade interests and support to build capacity to handle disputes and implement technical standards.

The US has proposed withdrawal of such special rights and exemptions for emerging economies which are members of the Organisation for Economic Cooperation and Development (OECD), Group of 20 (G20), classified as "high income" by the World Bank or account for more than 0.5% of global merchandise trade.

DEVELOPMENT AT CORE

India's mini ministerial meeting coincides with the beginning of text based negotiations, under a plurilateral arrangement among 77 countries, to develop global rules for e-commerce. China is a part of that group. It also comes at a time when G-20 countries will meet in June with a focus to make global rules in e-commerce, that India is opposed to.

G-20 talks are a key input for the multilateral trade talks at the World Trade Organisation (WTO). Besides safeguarding the eligibility for S&DT, India's proposal aims to resolve the impasse of appointment of judges at WTO.

“We want to have development through S&DT as the core of WTO reform, along with appellate body appointments. We will also discuss ways to address asymmetries in various global trade agreements especially on agriculture,” the official added. As per a Delhi-based trade expert: “There is a clear realisation within developing countries that they will not be heard unless they stand together. This is an opportune time.”

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Japan takes India to WTO over mobile phone import duties

The Hindustan Times

May14, 2019: Japan has complained at the World Trade Organization about India's duties on mobile phones, base stations and routers, and the circuit boards and other components that go into them, a WTO filing showed on Tuesday.

Japan's complaint, the first step in a legal dispute, said India had sought to foster domestic by adjusting various taxes including customs duties, especially since it launched the “Make in India” campaign in September 2014.

Some of the tariffs on goods of substantial interest to Japan were now “clearly in excess” of the rates allowed by the WTO, Japan said.

India's WTO membership terms specified that the import tariff on all the disputed goods was zero percent, but India applied a 20% tariff to mobile phones and base stations, and tariffs of 10%, 15% and 20% on the other products, Japan said.

Trade data provided by the International Trade Centre, a U.N.-WTO joint venture, showed Japan accounted for a tiny proportion of India's mobile phone imports, valued at \$53 million in 2011 and \$43 million in 2012, but less than \$2 million in all other years in the past decade.

India's mobile phone imports are dominated by China, although its appetite for foreign phones has shrunk fast, with total imports sliding from a 2014 peak of \$7.1 billion to below \$1.5 billion in 2018, the data showed.

India's imports of switchers and routers, totalling \$5.7 billion in 2018, were dominated by China and Vietnam, while imports from Japan were worth \$52 million, less than 1 percent of the Indian import market.

Under WTO rules, India has 60 days to settle the dispute, but after that Japan could ask the WTO to set up an adjudication panel to say whether India's tariffs break the rules.

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India warns WTO about EU's proposal for e-commerce rules

Asit Ranjan Mishra, Live Mint

May 05, 2019: India has expressed apprehensions about the European Union's (EU's) proposal on Friday to create new e-commerce rules on grounds that the high standards being proposed could decimate both the goods and services tariff rules under the World Trade Organisation (WTO), impacting its domestic industry and job creation.

Addressing the informal Trade Negotiations Committee of the Heads of Delegates on Friday, India's permanent representative at the WTO J.S. Deepak said most developing countries including India are not ready for binding rules in e-commerce. "We fear the impact of some of the e-commerce rules being proposed under the Joint Initiative on e-commerce, on existing trade rules, particularly the General Agreement on Tariffs and Trade (GATT) tariffs, which protect our industry, and General Agreement on Trade in Services (GATS) schedules that provide us useful flexibilities. Both the GATT and GATS could wither away due to the onslaught of the so-called 'high standard' e-commerce elements," he added. While the GATT rules regulate goods trade among WTO members, rules of GATS govern the trade in services among member countries.

The EU, US, Japan and China are among 76 members of the WTO that launched negotiations to set future rules and obligations in electronic commerce in January at the sidelines of the World Economic Forum in Davos. India has opposed any such move to set e-commerce rules outside the ambit of WTO and has insisted that the current multilateral programme on e-commerce under WTO should be taken to its logical conclusion. "In our view, going against this exploratory mandate and starting negotiations on e-commerce, strikes at the very roots of the multilateral system," Deepak said.

The EU on Friday made public the text of its initial negotiating proposals for e-commerce that include tackling barriers that prevent cross-border sales today; addressing forced data localization requirements, while ensuring protection of personal data; prohibiting mandatory source code disclosure requirements; and permanently banning customs duties on electronic transmissions, among others.

India is currently drafting a national e-commerce policy, which seeks to use India's data for its own development rather than allow its value to be appropriated by others. "It also proposes to preserve our flexibility of imposing customs duty on electronic transmissions to protect domestic industry and leverage technology for creating jobs and wealth, by ensuring competition and a level playing field. We are also keen to assess the extent of sacrifice of revenue involved, and the distribution of this loss among Members, when new technologies like additive manufacturing will result in electronic transmissions cascading and many dutiable goods being manufactured by digital printing," Deepak said in his statement.

While the EU's e-commerce proposal will be discussed along with proposals from other participating countries on 13-15 May at Geneva, India has decided to hold an informal WTO ministerial meeting of select developing countries on 13-14 May in New Delhi to finalize a Delhi Declaration on development and WTO reforms including on e-commerce.

Deepak in his speech said the topmost priority of WTO members has to be a reform agenda that is balanced and inclusive and solves problems that India faces in the WTO rather than that which imposes additional burdensome obligations. "At the same time, we need to protect and preserve the dispute settlement system at the WTO," he added.

Moreover, preserving special and differential treatment for all developing countries and LDCs (Least Developed Countries) which is a core principle of the WTO as well as addressing the asymmetries in Uruguay Round Agreements should be an overriding priority," he added.

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US wins WTO ruling against China grain import quotas

Live Mint

April 18, 2019: The United States won a World Trade Organization (WTO) ruling on Thursday against China's use of tariff-rate quotas for imported rice, wheat and corn, which it successfully argued limited market access for US grain exports.

The case, lodged by the Obama administration in late 2016, marked the second U.S. victory in as many months. It came amid US-China trade talks and on the heels of Washington clinching a WTO ruling on China's price support for grains in March.

A WTO dispute panel ruled on Thursday that under the terms of its 2001 WTO accession, China's administration of the tariff rate quotas (TRQs) as a whole violated its obligation to administer them on a "transparent, predictable and fair basis".

TRQs are two-level tariffs, with a limited volume of imports allowed at the lower 'in-quota' tariff and subsequent imports charged an "out-of-quota" tariff, which is usually much higher.

However the United States had not proven all of its case, failing to show that China had violated its public notice obligation under the General Agreement on Tariffs and Trade (GATT) in respect to TRQs, the panel said.

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WTO ministerial meet to take up 'serious and grave' challenges

The Indian Express

New Delhi, May 11, 2019: Developing countries participating in the World Trade Organization (WTO) ministerial meeting in New Delhi on Monday are expected to prioritise discussions on measures to ensure the smooth functioning of the organization's appellate body for dispute settlements, according to senior officials in the Commerce Ministry.

Apart from this, other "serious and grave" challenges faced by the multilateral rule-based trading system will also be taken up as part of the agenda of the two-day meet.

So far, ministers of Bangladesh, the Central African Republic and South Africa have confirmed their presence at the meet, while ministerial-level officials will represent the remaining 19 developing and least developed countries.

"Increasing" unilateral measures and counter-measures by member countries, as well as deadlock in key areas of negotiations and the impasse in WTO's appellate body has given rise to demands to reform the organization, according to the Ministry.

WTO's appellate body, a standing body that hears appeals from reports issued by panels in disputes brought by the organization's members, has shrunk over the last two years from its required strength of seven members to three.

This is because the United States has been blocking appointments of the body's members. By December 2019, the body is expected to have two more vacancies, leaving it with only one member from China.

According to the Ministry, such issues "threaten the very existence" of WTO's dispute settlement mechanism.

“As India has also been articulating, the first priority is to resolve the impasse in the appellate body,” said Commerce Secretary Anup Wadhawan during a briefing Friday. “Without this, the body will cease to be functional,” he added.

According to India’s permanent representative to WTO, J S Deepak, leaving this issue unresolved has already caused some cracks in the organization’s dispute settlement mechanism.

“Even if, at present, there is one panel of three members, it is taking a year for appeals to be heard, whereas the time is to dispose it (the appeal) off in 90 days,” he said.

Another core issue that will be discussed is special and differential treatment for developing countries, which allow them to be treated more favourably by other members.

However, countries like the US have sought guidelines to prevent some countries from enjoying the mechanism’s benefits, including longer time periods for implementing agreements and commitments and provisions that require all WTO members to safeguard their trade interests.

“The discussion is on some new proposals that are somewhat alarming for developing countries, such as this whole issue of differentiation,” said Wadhawan.

While unilateral measures taken by some countries against others are a matter of concern for “most” of the members meeting on Monday, country-specific issues will not be a part of the agenda, according to him.

This includes rising imposition of tariffs by countries like the US in its ongoing trade war with China.

“We are discussing everything in context of functioning of WTO in the context of ensuring that WTO remains an effective, functional body ... It is not a question of discussing any country specific (issue) or anything specific to a set of countries,” he further said.

“To the extent that the unilateralism may curtail or undermine the right of countries which is legitimately provided by the WTO, this as a systemic issue may come up for general discussion,” Wadhawan added.

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25 WTO members to participate in mini-ministerial meet on May 13-14

Business Line

April 16, 2019: About 25 developing countries will be participating in a meeting to be held in the national capital from May 13-14 to discuss various issues related to the World Trade Organisation (WTO), an official said.

The commerce ministry has already received approval from the Election Commission to hold this mini-ministerial meet. EC's nod is necessary since the model code of conduct is in place.

The meeting assumes significance as several countries are raising questions over the relevance of the Geneva-based global trade body. Many countries are also taking protectionist measures, impacting global trade.

Member countries could deliberate upon issues such as reforming the WTO, the official said.

Recently, the WTO cautioned that the global trade will continue to face strong headwinds this year and in 2020 after growing slower-than-expected in 2018 due to rising trade tensions and increased economic uncertainty.

India has time and again stressed the importance and relevance of the WTO for promoting global trade.

This will be the second mini-ministerial meet to be organised by India. In March last year, over 50 nations participated in a meeting here to explore options for resolving various issues and re-invigorating the WTO.

India had appealed to the WTO members to identify common ground for strengthening the multilateral trade body amid challenges being faced by it following the deadlock at the Buenos Aires ministerial meet in December 2017.

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Multilateral trade: India to hold 2-day WTO ministerial meeting from today

Business Standard

May 13, 2019: India has convened a WTO (World Trade Organization) ministerial meeting of 16 developing and six least developed countries starting Monday. Issues such as impasse on the appointment of WTO's appellate body members and way forward on reforms at the global

trade body would be discussed in the meeting of developing countries in New Delhi on May 13-14.

The meeting is being held at a time when the multilateral rule-based trading system is facing serious and grave challenges.

"In the recent past, there have been increasing unilateral measures and counter measures by members, deadlock in key areas of negotiations and the impasse in the appellate body, which threaten the very existence of dispute settlement mechanism of the WTO and impacts the position of the WTO as an effective multilateral organisation," commerce ministry said in a statement.

The current situation has given rise to demands from various quarters to reform the WTO, it added.

The 22 countries would also try to build consensus on how to move forward on the WTO reforms, while preserving the fundamentals of the multilateral trading system, it said.

"The deliberations will aim at getting a direction on how to constructively engage on various issues in the WTO, both institutional and negotiating, in the run up to the Twelfth Ministerial Conference of the WTO to be held in Kazakhstan in June 2020," it added.

The two-day meeting, it said, will be interactive in order to provide an opportunity to the ministers to discuss various issues and the way forward.

On the first day, there will be a meeting of senior officials of the participating countries and on the second day, the ministerial meeting will be held.

Ministers from Bangladesh, Central African Republic and South Africa have confirmed their participation. Vice ministers, senior officials and ambassadors will be representing other countries.

Participating countries include Argentina, Bangladesh, Barbados, Brazil, Chad, China, Egypt, Indonesia, Kazakhstan, Malaysia, Nigeria, Oman, Saudi Arabia, South Africa and Turkey.

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EU unveils tariffs over U.S. subsidies to Boeing

The Hindu

Brussels, April 18, 2019: The EU on Wednesday unveiled a wide-ranging list of U.S.-made goods, from beeswax to car parts, subject to tariffs in retaliation for subsidies to Boeing as a transatlantic trade war risked re-erupting.

“European companies must be able to compete on fair and equal terms... We must continue to defend a level-playing field for our industry,” said EU Trade Commissioner Cecilia Malmstrom in a statement.

Europe’s \$12 billion claim against Boeing comes on the trail of a similar demand by the U.S. for \$11 billion in compensation for EU subsidies towards Airbus. The ultimate amount to be won by both sides will be determined by the World Trade Organization.

14-year row

The Boeing-Airbus trade row has rumbled on for 14 years with the EU and U.S. mutually accusing each other at the WTO of doling out illegal state aid since the 1990s to their respective aeronautical champions. The feud has been caught in the protectionist wave launched by U.S. President Donald Trump against Europe.

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India is not a tariff king, has the right to protect specific sectors under WTO : Experts

The Economic Times

New Delhi, April 29,2019: India is not a 'tariff king' and it has all the right to take appropriate measures to protect the interest of specific sectors like agriculture, international trade experts have said. Rejecting the US allegation that India's import duties are one of the highest in the world, experts said that several developed countries and regions including Japan, South Korea, European Union, and America maintain "extremely high" tariffs primarily on agriculture products.

The US President Donald Trump has repeatedly claimed that India is a "tariff king" and imposes "tremendously high" import duties on American goods.

Biswajit Dhar, a professor of economics at Jawaharlal Nehru University, said that the US allegations are completely unfounded.

"In fact, the US import duties on several of their products are quite high such as on tobacco it is about 350 per cent and 164 per cent on peanuts. They too maintain reasonably high duties," Dhar said.

Sharing similar views, Professor at Indian Institute of Foreign Trade (IIFT) Rakesh Mohan Joshi said that the US allegations are not correct and in fact, they should rationalise their duty structure being a developed nation.

Trade Promotion Council of India Chairman Mohit Singla said that the assertion of the US is not factually correct.

He said that the allegation of Trump that India is a tariff king does not hold true and is unjustified.

"Like other nations, India has the right to take appropriate measures to protect its domestic interests in specific sectors as and when it is deemed fit. Moreover, there are many countries which have much higher tariff as compared to India. Being a signatory and member of WTO, India remains committed to free, fair, and predictable trade," Singla added.

Geneva-based 164-member World Trade Organisation (WTO) is a multilateral body which frames global trade norms.

Singla claimed that countries like Japan levy 736 per cent duty on certain products; while Korea imposes 807 per cent on some goods.

Federation of Indian Exports Organisation (FIEO) said that product-specific high tariffs, like 150 per cent on alcoholic beverages, 100 per cent on coffee, and 60-75 per cent on automobiles have made India a villain in the eyes of the US President.

However, many countries in the world including Japan, South Korea, the EU, the US maintain an extremely high tariff primarily on agriculture products, FIEO Director General Ajay Sahai said.

"India's average WTO bound tariff is 48.5 per cent while average applied tariff is 13.4 per cent. The wide gap between the two clearly shows that India is not a tariff king else it would have pushed the applied tariff very close to the bound rates," Sahai said.

While bound tariffs or duties refer to the ceiling, the applied tariff is the duty which is currently in place.

Another expert, who did not wish to be named, said that the US should not level any allegation of discrimination at tariff front vis-a-vis developing countries like India as America has emerged as one of the richest nations in the world with per capita income of about USD 60,000 per annum.

"Repeated mention of India as a tariff king with cherry-picked examples like motorbikes and whiskey is disingenuous, as it conveniently ignores the overall tariff structure of the country, apart from India's developing status," the expert said.

He added that India has complied with all tariff commitments under the WTO and has made sincere efforts to reduce applied duties suo-moto to 13.7 per cent today over a period of time

Recently, the US decided to withdraw incentives being provided to Indian exporters under the Generalized System of Preference (GSP) programme. However, India has stated that it would not impact domestic exporters as the benefits were only about USD 190 million annually.

Despite the fact that India and the US were working on a trade package, the US decided to go ahead with its decision.

The package was covering all concerns related to bilateral trade with the US on sectors including medical devices, dairy products and agricultural goods. America also wants a cut on duties on certain ICT products.

According to sources, India was ready to address the US concerns regarding these sectors.

The bilateral trade between India and the US has increased to USD 74.5 billion in 2017-18 from USD 64.5 billion in 2016-17.

Although India has a trade surplus with the US, India is a thriving market for US defence firms, e-commerce and technology companies.

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US appears split on key clause in trade talks with China

D. Ravi Kanth, Live Mint

Geneva, April 16, 2019: As the US inches toward a deal with China by accepting Beijing's demand for a "two-way, fair and equal" enforcement system for resolving their trade disputes, cracks seem to be surfacing among its negotiators on the final elements, analysts said.

The US is now veering round to the view that it would accept a two-way enforcement system for resolving bilateral trade disputes arising from the proposed US-China trade agreement. An early announcement by the US treasury secretary Steven Mnuchin about the two-way enforcement system on the margins of the annual International Monetary Fund (IMF) and the World Bank meeting on Saturday is seen as a "sign of split" with the US chief negotiator Ambassador Robert Lighthizer, according to a report in the *Financial Times* on Monday.

"The biggest risk he [Ambassador Lighthizer] faces in the China negotiations is not necessarily from the other side of the table but from his side of the table, from being undermined at home," the *FT* report said quoting an unnamed former senior US tradeofficial.

Mnuchin suggested the bilateral deal will have "real enforcement on both sides, including detailed enforcement office on both sides with significant resources," according to a report in the *Wall Street Journal* on Saturday.

Up until now, Lighthizer has insisted on his unilateral demand that only the US can retaliate in case China fails to adhere to the commitments agreed in the bilateral agreement—but not Beijing, if the US failed to comply with its side of the bargain.

The USTR also suggested that the proposed bilateral dispute resolution system should be stationed in Washington to oversee China's implementation of all the commitments. Such a system based on the USTR's demands, said a Chinese trade official, would be a throwback to the days of the unequal treaties of the 19th century.

A senior Chinese trade official Wang Shouwen, China's vice-minister of commerce, had repeatedly insisted that any proposed enforcement mechanism had to be "two-way, fair, and equal." China had also pushed back against US demands in electronic commerce, especially on issues of removing restrictions on data flows and storing data in its local servers, according to media reports.

Ahead of the crucial round of bilateral negotiations this week, Mnuchin told reporters on the margins of the International Monetary Fund and World Bank meeting in Washington on Saturday that "there are certain commitments the US is making in this agreement and there are certain commitments that China is making. And I would expect the enforcement works in both directions," according to the *WSJ* report.

For the past several months, there has been a running tension between the US treasury secretary and the USTR because of their priorities. The US treasury secretary wants to safeguard the interests of US banks and financial services suppliers in which the Chinese purchase of American treasury bills play a major role.

Clouds on the horizon

Garimella Subramaniam, The Hindu

April 17,2019: At the recent spring meetings of the International Monetary Fund (IMF) and World Bank, Finance Ministers and central bank Governors by and large played down fears about a slowing global economy. Their optimism was based on the pause in the U.S.'s interest rate policy in February, ease in the country's trade tensions with China, and receding risk of a hard Brexit.

However, in stark contrast, the IMF has consistently emphasised a cautious stance on the current growth trajectory for some months. As the ultra-low interest rates of the post-crisis years have come to stay in many economies, the IMF has highlighted the limits of monetary policy in a future downturn. Its latest economic forecast cuts the outlook for growth in 2019 to 3.3% from estimates of 3.5% in January and 3.7% in October, when it had cited concerns over trade protectionism and the flight of capital from vulnerable emerging economies.

These projections were echoed by the IMF chief at the U.S. Chamber of Commerce earlier this month. Christine Lagarde said that whereas two years ago, 75% of the global economy experienced an upswing, the expectation this annum is for a slump in 70% of the world economy. Contributing to the overall deceleration is the deteriorating trade climate of the last two years. The pace of exports and imports was 4.6% in 2017, the strongest since the rebound after the 2007-08 financial crisis. But the 2018 figures were a modest 3% and could fall much further this year, says the WTO.

In the U.S., where year-on-year growth touched 2.9%, the fund's forecast is 2.3% in 2019 — a far cry from the 4% rate in the second quarter last year. The Federal Reserve has also lowered its estimate from 2.3% to 2.1%, a sign possibly of the fading impact of President Donald Trump's 2017 corporate tax cuts. A more than anticipated fall in recent German imports and exports is said to reflect, among other things, the impact of the trade friction between the U.S. and China and growing uncertainty over Britain's exit from the European Union.

While stopping short of projecting a global recession, the IMF forecasts growth to touch 3.6% in 2020, lower than earlier estimates. That would be underpinned by tepid growth in the advanced world and hopes of a stable Chinese environment. The potential for an acceleration depends on Argentina and Turkey climbing out of a recession, besides a precarious rebound in other emerging and developing economies. During last week's meeting, the view among Finance Ministers was that the IMF was painting a rather grim picture of the world economy. The hope is that their optimism will be borne out by evidence. Equally, a lasting resolution of the U.S.-China trade dispute would revive momentum in the global economy.

In major shift, Donald Trump to allow lawsuits against foreign firms in Cuba

The Indian Express

Washington/Havana, April 17, 2019: The Trump administration will allow lawsuits in US courts for the first time against foreign companies that use properties confiscated by Communist-ruled Cuba since Fidel Castro's revolution six decades ago, a senior US official said on Tuesday.

The major policy shift, which will be announced on Wednesday, could expose US, European and Canadian companies to legal action and deal a blow to Cuba's efforts to attract more foreign investment. It is also another sign of Washington's efforts to punish Havana over its support for Venezuela's socialist president, Nicolas Maduro.

President Donald Trump's national security adviser, John Bolton, will explain on Wednesday the administration's decision in a speech in Miami and announce new sanctions on Cuba, Venezuela and Nicaragua, countries he has branded a "troika of tyranny," the official said, speaking on condition of anonymity.

It is unclear, however, whether such property claims will be acceptable in US courts. The European Union has already warned it could lodge a challenge with the World Trade Organization.

"The extraterritorial application of the US embargo is illegal, contrary to international law and I also consider it immoral," EU ambassador to Cuba Alberto Navarro said in Havana.

Trump threatened in January to allow a law that has been suspended since its creation in 1996, permitting Cuban-Americans and other US citizens to sue foreign companies doing business in Cuba over property seized in decades past by the Cuban government.

Title III of the Helms-Burton Act had been fully waived by every president over the past 23 years due to opposition from the international community and fears it could create chaos in the US court system with a flood of lawsuits.

The complete lifting of the ban could allow billions of dollars in legal claims to move forward in US courts and likely antagonize Canada and Europe, whose companies have significant business holdings in Cuba.

It could also affect some US companies that began investing in the island, an old Cold War foe, since former President Barack Obama began a process of normalizing relations between the two countries from the end of 2014.

The Cuban government did not immediately respond to a request for comment. But the country's National Assembly, meeting over the weekend, declared the Helms-Burton Act "illegitimate, unenforceable and without legal effect."

Cuban President Miguel Diaz-Canel said in a speech on Saturday that the United States "has pushed the precarious relations with our country back to the worst level ... trying to activate the hateful Helms-Burton Law, which aims to return us in principle to ... when we were a slave nation of another empire."

US-Cuban relations have nosedived since Trump became president in early 2017. A six-decade US economic embargo on Cuba has also remained officially intact.

Legally unprecedented, outcome unknown

Trump is going ahead despite protests by Canadian and European leaders to US counterparts.

The US official dismissed the EU's warning of a possible WTO challenge and a cycle of counterclaims in European courts as doomed to fail.

Among the foreign companies heavily invested in Cuba are Canadian mining firm Sherritt International Corp and Spain's Melia Hotels International SA. US companies, including airlines and cruise companies, have forged business deals in Cuba since the easing of restrictions under Obama.

Defending the decision, the US official said allowing lawsuits would cause only a "bump" in the business world but send a message of US resolve against Havana.

In addition to halting any further waivers of Title III, the administration will begin full enforcement of Helms-Burton's Title IV, which requires the denial of US visas to those involved in "trafficking" confiscated properties in Cuba.

Trump's decision followed threats by his top aides in recent weeks to take actions against Cuba to force it to abandon Maduro, something Havana has insisted it will not do.

Venezuelan opposition leader Juan Guaido invoked the constitution in January to assume the interim presidency.

The United States and most Western countries have backed Guaido as head of state. Maduro has denounced Guaido as a US puppet who is seeking to foment a coup and Maduro is backed by Cuba, Russia, China and the Venezuela military.

Trump's toughened stance on Cuba as well as Venezuela has gone down well in the large Cuban-American community in south Florida, an important voting bloc in a political swing state as he looks toward his re-election campaign in 2020.

In Bolton's speech on Wednesday, he is expected to announce further measures against Cuba. The administration is considering a range of options, including sanctions against senior Cuban military and intelligence officials over their role in Venezuela and the tightening of limits on US trade with the island, according to two people familiar with the matter.

Navarro said EU companies had the obligation of not collaborating with US judgments under Title III and the possibility to make counterclaims. "This is a fringe policy decision that has not been tested legally," said James Williams, president of Engage Cuba, a Washington-based lobbying group working to normalize relations with Cuba.

Some 5,913 claims held by US companies and individuals have been certified by the US Justice Department and are estimated to be worth roughly \$8 billion.

Cuban law ties settlement of any claims to US reparations for damages from Washington's embargo and what it considers other acts of US aggression. Cuban estimates of that damage range from \$121 billion to more than \$300 billion.

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PepsiCo's attempt to sue farmers highlights the lacunae in IPR laws

Rajshree Chandra, The Indian Express

May 2, 2019: There could not have been a better heading for the IE editorial (April 30) on PepsiCo's infringement suit against the farmers who have been accused of illegally cultivating a licensed variety of potato used for PepsiCo's chips brand, "Lays". "Lay off", it said. It could have been saying, "back off Pepsi, the Indian farmer has rights under the Protection of Plant Variety and Farmers Rights (PPV&FR) Act". Or, resonating with the boycott Pepsi brigade on social media, it could have been saying, "lay off the chips and other associated Pepsi products". However it spoke to us, this should not

be just an occasion to take easy sides in this David vs Goliath story. It should also occasion a more serious questioning.

Who is the rightful owner of the potato variety, FL 2027? Is it the farmer who bought, planted, harvested the potatoes from his own farm, or is it the innovator who cross-bred and modified the potato to have a low moisture content for crispier chips? Who should be the rightful bearer of rights is central to the conduct of liberal democracies and free markets.

Once upon a (capitalism) time, transnational corporations were the biggest votaries of a free-market economy (or so we thought). They wanted a level playing field, wanted trade barriers to be removed so that every corporation, irrespective of their country of origin, could participate freely without being discriminated against. This is the kernel of the GATT agreement and the driving logic of the WTO. So, why can't the farmer be left free to cultivate a variety of potato that he considers as a profitable proposition? In this "free world", why is it that a PepsiCo India feels emboldened to take away this freedom from nine farmers?

The dominant framework of international intellectual property (IP) law — TRIPS (Trade Related Aspects of Intellectual property Rights) and the UPOV (Union for the Protection of Plant Varieties) — gives plant breeders exclusive rights over the varieties they develop, and mostly disregards customary rights of indigenous and farming communities to their genetic resources and associated knowledge's. This bias has percolated to various national laws, rendering ownership claims of farmers subordinate to corporate breeders' rights.

Unlike other realms of IP, the biological realm is self-propagating. The technology of propagation is not external but internal to the plant system. Therefore, it is never rational for a farmer, as Berland and Lewontin point out, to pay a second time for something he has already bought and still possesses in the form of his seed crop. This creates a barrier for full commodification and monopoly profits. So, in order to prevent free replication of seeds, IP law creates enclaves of prohibition and protection, making the farmer's natural right to save, re-use and sell seeds illegal in many countries.

Recognising the bias in international law, the Indian PPV & FRA law (2001), entitles not just the breeder but also the farmer. The conjoining of the two rights, it was argued, would facilitate the growth of the seed industry, ensure the availability of high-quality seeds, as well as secure the livelihood and plant varieties of the farmers. Accommodating these twin purposes meant granting recognition of the proprietary claims of both the farmers and breeders, more accurately, of farmers as breeders (Section 2(c)). It gives the farmer the right to "save, use, sow, re-sow, exchange, share or sell" produce/seeds (S. 39 (1)(iv)). Importantly, the Indian farmer is permitted to even "brown bag seeds" — sell any variety of seed on the condition that they are sold in an unbranded form. This means that the nine farmers were well within their rights to cultivate the potato FL 2027 variety without entering into a licencing or technology agreement with PepsiCo.

With the farmers refusing to back down, and with PepsiCo now offering an out-of-court settlement, the latter has effectively withdrawn the threat of the infringement suit. Perhaps it was never about legality, just brute economic might masquerading as legality. That PepsiCo was on weak legal ground may have

been a matter well-known to its lawyers. But interestingly, even the worst-case scenario may have held the promise of dividends. How a legal provision plays out is seldom a foregone conclusion. It is contingent on a number of factors coming together — political, legal, financial, media attention, to name just a few — not an easy conjuncture to replicate, especially for the small guys. A precedent like this will always hang like a sword, possibly deterring future farming of these “hot potatoes”.

Indian law grants the farmers and breeders co-equal rights. But the PPV&FRA law is mired in conflicting claims and jurisdictions, may not be able to enact a similar redress in future contests. Beyond legalities, it's time we, as a society, understood a simple truth — unfettered IP rights will always have the capacity to hurt the small farmers. It's time we understood that they also serve who only stand and wait. Put contextually, they also innovate who plant and cultivate.

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US warns India against retaliatory duties over scrapping of trade privileges

Neha Dasgupta, Live Mint

New Delhi, May 07, 2019: Any retaliatory tariff by India in response to the United States' planned withdrawal of some trade privileges will not be "appropriate" under WTO rules, US Commerce Secretary Wilbur Ross warned on Tuesday.

The comments, made to broadcaster *CNBC-TV18* during a trip to India's capital, come as trade ties between the United States and China worsen. The United States is India's second-biggest trade partner after China.

Indian officials have raised the prospect of higher import duties on more than 20 US goods if President Donald Trump presses ahead with a plan announced in March to end the Generalized System of Preferences (GSP) for India.

India is the biggest beneficiary of the GSP, which allows preferential duty-free imports of up to \$5.6 billion from the South Asian nation.

"Any time a government makes a decision adverse to another one, you will have to anticipate there could be consequences," Ross said. "We don't believe under the WTO rules that retaliation by India would be appropriate."

He added that India's new rules on e-commerce, which bar companies from selling products via firms in which they have an equity interest, and data localisation have been discriminatory for US firms such as Walmart Inc and Mastercard Inc.

"So the American companies are showing very good will and a very cooperative attitude towards 'Make in India' and the other programmes," he said, referring to a manufacturing push by Indian Prime Minister Narendra Modi.

"But there's a limit to how far the discriminatory behaviour can go. And our job is to try to get a level, more level playing field."

Earlier, Ross told a business conference that localisation rules and price caps on medical devices imported from the United States were barriers to trade but that New Delhi was committed to tackling them after general elections.

"We applaud India's commitment to addressing some of these barriers once the government is reformed, probably starting in the month of June," Ross said.

"Our role is to eliminate barriers to US companies operating here, including data localisation restrictions that actually weaken data security and increase the cost of doing business."

India's 39-day general election ends on May 19, and votes will be counted four days later.

Ross met his Indian counterpart Suresh Prabhu on Monday, after which New Delhi said the two countries would engage regularly to resolve outstanding trade issues.

Last year, global payments companies such as Mastercard, Visa and American Express unsuccessfully lobbied India to relax central bank rules requiring all payment data on domestic transactions to be stored locally.

"As President Trump has said, trade relationships should be based, and must be based, on fairness and reciprocity," Ross added. "But currently, US businesses face significant market access barriers in India."

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China says Belt and Road Initiative has entered a new era of transparency

Atul Aneja, The Hindu

Beijing, April 26, 2019: China on Friday announced that the financial model for funding projects under its flagship Belt and Road Initiative (BRI) had been revamped, countering criticism that its mega-connectivity undertaking was opening “debt traps” for enhancing its geopolitical influence.

“We have also formulated guiding principles of financing the development of the Belt and Road and published debt sustainability framework for participating countries to provide guidance for BRI financing cooperation,” Chinese President Xi Jinping said in his keynote address at the second Belt and Road Forum (BRF).

Mr. Xi’s opening remarks highlighted the subtext of rivalry with the United States in setting the global agenda. In the presence of 37 country heads, chief of the International Monetary Fund Christine Lagarde and Secretary General of the United Nations Antonio Guterres, as well as representatives of scores of nations, he docked the BRI with a new phase of globalisation, anchored by China and its partners.

India has decided to skip the BRF in opposition to the BRI’s China Pakistan Economic Corridor (CPEC). New Delhi feels it is an infringement of its sovereignty.

‘Will work with others’

Mr. Xi stressed that China “will work with others” to write new rules of international trade within the framework of the World Trade Organisation (WTO). “Rules and credibility underpin the effective functioning of the international governance system. China is an active supporter and participant of the WTO and will work with others to develop international economic and trade rules of higher standard.”

Analysts say that China’s assertion of assuming leadership in defining global rules is unlikely to go down well with the core of the Atlantic alliance led by United States, where the Trump administration has been critical of globalisation, and dilution of its international leadership role.

China has been accused that under the banner of the BRI, it has deliberately funded unsustainable projects, which could be leveraged for extending Beijing’s political influence in geopolitically sensitive countries such as Sri Lanka and Maldives, which skirt important shipping lanes of the Indian Ocean.

'Zero tolerance for corruption'

But countering the charge of China having a hidden agenda, Mr. Xi said: “In pursuing Belt and Road cooperation, everything should be done in a transparent way. We should have zero tolerance for corruption”.

He said, “We also need to ensure the commercial and fiscal sustainability of all projects so that they will achieve the intended goals as planned.”

Mr. Xi stressed that the BRI projects would encourage participation by multilateral and national financial institutions and encourage joint ventures in third countries. They would seek the involvement of “multiple stake holders”, for projects pursuing a “people centered” approach focused on “job creation” and countering poverty.

“We will continue to make a good use of the Belt and Road special lending scheme, the Silk Road Fund and various special investment funds, develop Silk Road themed bonds and support the multilateral cooperation Centre for development finance in its operation,” he said.

The BRI, he said, would pursue “high quality” schemes attuned to “international rules and standards” covering the procurement, tendering and bidding processes.

Unveiled in 2013, the BRI is a giant land and maritime connectivity project, driven to revive the Ancient Silk Road. It covers Eurasia and Africa, visualising a network of expressways, rail and cyber corridors that would fire new engines for global growth. Ahead of the BRF, Italy has become the first G-7 country to formally join the BRI.

Promises greater market access to foreign products

With China embroiled in a “trade war” with the U.S. and accused of intellectual property theft, the Chinese leader pledged that his country would provide greater market access to foreign products, and guarantee intellectual property rights of foreign and Chinese companies.

“China will spare no effort to foster a business environment that respects the value of knowledge,” he said.

“We will fully improve the legal framework for protecting intellectual property, step up law enforcement and enhance protection of lawful rights and interests of foreign intellectual property, stop arbitrary technology transfer, improve protection of business secrets, crack down hard on violations of intellectual property in accordance with law,” he added.

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India inks protocol for export of its chilli meal with China

The Indian Express

New Delhi, May 10, 2019: India on Thursday signed a protocol for the export of chilli meal to China, as part of a move to promote “more balanced trade” between the two Asian countries.

The decision was part of a meeting held between Indian Commerce Secretary Anup Wadhawan and Chinese General Administration of Customs Vice Minister Li Guo in the Capital, where the two nations agreed to resolve market access issues “expeditiously”.

This is the eighth agricultural product since 2003 for which India and China have signed a protocol for trade.

The move comes amidst an ongoing trade war between China and the United States, as the latter this week threatened to increase tariffs on approximately \$200 billion worth of products imported from China “in light of the lack of progress in the additional rounds of negotiations since March 2019”.

China is India’s largest trade partner and, while there has been a slight reduction in the trade imbalance between the two in the last two fiscal years, there still remains a significant trade deficit.

Data from the Commerce Ministry’s website shows that India has imported \$65.23 billion worth of goods from China between April 2018 and February 2019, while it has only exported \$15.07 billion worth of goods to the country.

In 2017-18, India’s exports to China were around \$13.30 billion, while its imports were higher at around \$76.40 billion.

Earlier this year, India reportedly submitted a list of 380 products where there is a large potential to improve exports to China.

This list reportedly includes agricultural, horticultural, pharmaceutical, textile, chemical and engineering products.

Last year, India reportedly stated during China’s trade policy review at the World Trade Organisation (WTO) that the country needed to make serious efforts to remedy its deficit with India, which had been growing.

India had reportedly flagged issues with exports of meat, rice, medicines and IT services, seeking lower barriers in these areas to improve the trade imbalance.

For instance, the Commerce Ministry data shows that India’s export of rice to China dropped to \$90,000 in 2017-18 from \$2.25 million in 2015-16.

Its exports of basmati rice, for which protocols were signed with China in 2006 and again June 2018, had remained stagnant at around \$50,000 in 2016-17 and 2017-18 and had only grown around \$10,000 since 2013-14, according to the Ministry data.

India’s exports of pharmaceutical products to China increased to around \$42.85 million in April 2018-February 2019 from around \$41.07 million in 2017-18.

Exports in this category had slumped to \$22.88 million in 2015-16 from \$46.58 million in 2013-14.

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