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8 per cent slump in Indian exports to China widens trade gap

Ananth Krishnan, The Hindu

Beijing, August 11, 2012: Indian exports to China fell by 8 per cent in July — the biggest decline in Chinese imports from any major country — further widening an already record trade deficit that has increasingly strained trade ties.

Indian exports to China fell to $12.9 billion after seven months of this year, according to figures released here on Friday. Imports fell 3.3 per cent to $26.6 billion, taking India's deficit to $13.7 billion.

Officials said the fall was largely on account of the steep decline in the export of iron ore following recent bans. Iron ore, which is by far India's biggest export product to China, fell by almost 50 per cent in the first six months of this year to $3.3 billion, down from $6 billion in the same period last year.

Gloomy picture

Friday's trade figures, released by the Chinese General Administration of Customs (GAC), painted a gloomy picture overall for the Chinese economy. Export growth fell to a six-month low in a reflection, Chinese officials said, of persisting global sluggishness, falling European demand and increasing factory costs.

Exports rose one per cent in July, compared with 11.3 per cent growth the previous month. Imports increased at a slower 4.7 per cent, down from 6.3 per cent in June. "The July data were poor indeed," Zheng Yuesheng, who heads the GAC's statistics department, told reporters. "It will be an arduous task to fulfil our foreign trade target, as external demand is weak. The weaker than expected trade data has increased pressure on the Chinese government to take robust measures to boost the economy. With the export sector losing speed faster than expected, the government's current investment stimulus plan looks woefully inadequate," said Alistair Thornton of IHS Global Insight.

"This isn't a 2008 collapse, but it's not worth testing how close the economy can get. The government is likely to respond by ramping-up its stimulus efforts, with both monetary and fiscal guns firing." The lowest inflation figures in two and a half years reported recently have given the government more room to put in place strong stimulus measures. In recent weeks, the central bank has cut lending and deposit rates — for the second time this year — while the government has said it would accelerate investment in infrastructure projects.

Bilateral trade between India and China reached a record $73.9 billion last year, with the imbalance widening to $27 billion. Chinese demand for iron ore has played a major role in driving the trade relationship, which has rapidly grown this past decade up from a few billion dollars. Indian imports of Chinese machinery and of power and telecom equipment have been another major driver of trade.

Competitive products

With India looking to improve the nature of trade and restrict exports of ores and raw materials, officials said the need to identify competitive products as new drivers of the trade relationship had become paramount. So far, India has made little headway in pushing exports of pharmaceuticals and in information technology, where officials have so far focused their efforts to improve market access. While India has complained of complicated registration procedures for drugs and of Chinese reluctance to accept Indian software products, Chinese officials say Indian companies have done far less than their international competitors to establish a significant presence in either sector. They say Indian pharmaceutical companies have not been active enough to push their products and engage with hospitals, while Western technology companies had established a presence in China decades earlier. Beyond the reasons for the imbalance, the growing deficit has increasingly strained ties - India has, in recent years, filed more anti-dumping investigations against China than any other country. The trend has concerned officials on both sides of the border, particularly because trade has emerged as the biggest bright spot in a relationship that is still grappling with many strategic challenges.

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China to slap anti-dumping duties on Indian antibiotic

K J M Varma, PTI

August 16, 2012, Beijing: China has decided to slap anti- dumping duties on sulfamethoxazole (SMZ), an antibiotic imported from India.

China's Ministry of Commerce (MOC) said it will impose anti-dumping duties of 17.2 percent on Andhra Organics Ltd and Virchow Laboratories Ltd, and 36.4 percent on other Indian SMZ exporters, state run Xinhua news agency reported.

The decision was taken after the ministry by it concluded its one-year mid-term examination, the agency said.

Chinese Commerce Minister Chen Deming is scheduled to visit New Delhi later this month to take part in the Joint Economic Group meeting of the two countries, which will also be attended by his Indian counterpart Anand Sharma.

In 2007, the Chinese Commerce ministry imposed anti- dumping duties of between 10.1 percent and 37.7 percent on imports of SMZ from India.

The ministry launched the mid-term review on August 17 last year after China's Shouguang Fukang Pharmaceutical Company sought adjustment of tariff rates saying Indian SMZ producers increased their dumping efforts in China since the imposing of anti-dumping duties, the report said.

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Govt initiates probe into dumping of a chemical by China

PTI

August 16, 2012 ,New Delhi,: India has initiated a probe into alleged dumping of a chemical, used as brightening agents, by China following complaints by domestic players.

The Commerce Ministry's designated authority, the Directorate General of Anti-Dumping and Allied Duties (DGAD), has begun an investigation into alleged dumping of "4, 4 Diamini Stilbene 2, 2 Disulphonic Acid" (DASDA).

In a notification, the DGAD said it has sufficient evidence of dumping of the product from China to initiate an anti-dumping investigation.

"... the authority (DGAD) hereby initiates an investigation into the alleged dumping and consequent injury to the domestic industry ... to determine the existence, degree and effect of any alleged dumping and to recommend the amount of anti-dumping duty, which, if levied, would be adequate to remove the injury to the domestic industry," it said.

The period of investigation is from January to December 2011. However, for the purpose of analysing injury, the data of previous three years of 2008-2009, 2009-2010 and 2010-2011 would also be considered, it added.

After completion of the probe, the commerce ministry, if needed, would recommend the duty and the finance ministry would impose it.

The application has been filed by Deepak Nitrite Ltd on behalf of the domestic industry. The applicant accounts for a major proportion of the total domestic output of the chemical, constituting more than 90 per cent of Indian production.

Countries initiate an anti-dumping probe to determine whether their domestic industries have been hurt because of surge in cheap imports of any product. As a counter-measure, they impose duties under the multilateral regime of the WTO.

The duty is aimed at ensuring fair trading practices and creating a level-playing field for domestic producers vis-a- vis foreign producers and exporters resorting to dumping.

Unlike the safeguard duty, which is levied in a uniform way, anti-dumping duty varies from product to product and country to country.

India has initiated 275 anti-dumping investigations between 1992 and March 2012, involving 42 countries.

The countries prominently figuring in anti-dumping investigations are China, Korea and Singapore and the major product categories on which anti-dumping duty has been levied are chemicals and petrochemicals, pharmaceutical, steel and consumer goods.

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India seeks access to Chinese market

Saibal Dasgupta, Times of India

August 17, 2012, Beijing: India will present a roadmap for its companies, seeking access in China for information technology and pharmaceutical products during a crucial meeting of a Joint Economic Group on August 27.

Chinese commerce minister Chen Deming will come to New Delhi on a two-day visit on August 26. Deming will meet Indian commerce minister Anand Sharma at the eighth annual meeting of the Joint Economic Group. The Chinese minister is also scheduled to meet Indian business representatives in New Delhi. "We want a clear time-frame on market access," said an Indian official. For over two years, Chinese politicians have been expressing support for India's demand for market access.

But, Indian IT and pharmaceutical companies continue to face serious hurdles during the process of official registration, and in getting Chinese companies to buy their services and products, said a source, adding that Indian pharmaceutical companies have to wait for four to five years for registration of their drugs in China.

"They want the process to be shortened to one or two years," said E B Rajesh, the China head of the Confederation of Indian Industry. Despite the absence of legal barriers, the long delay in the process of drug registration is the biggest challenge faced by Indian companies wanting to enter Chinese market. Indian IT companies need Beijing's intervention to obtain contracts from Chinese state-run companies and banks. The Chinese market has eluded Indian IT firms though they have favoured Europe and US for over two decades. "Chinese government support would be very useful to Indian IT companies," said Rajesh.

The Sharma-Chen meeting will be crucial as it comes after seven straight months of decline in bilateral trade volumes. India's trade deficit has seen a small increase to $13.6 billion in the first half of 2012 as compared to $13.4 billion in the same period last year. An important reason is the sharp fall in the prices of iron ore, which is India's biggest export to China.

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India, China joint panel to address trade concerns

Asit Ranjan Mishra, Mint

August 28, 2012, New Delhi: India and China have agreed to establish a joint working group to address all trade-related issues, including the widening trade balance between the countries. The decision was taken at a meeting between trade minister Anand Sharma and his Chinese counterpart Chen Deming in New Delhi on Monday.

The group, which will include officials from the two countries, will submit its report within 90 days, Sharma told reporters. It will also look into issues such as the reconciliation and collection of trade data. Sharma said the group will continue to work on trade and investment matters after submitting its recommendations.

Sharma said India has sought greater market access, particularly for information technology services firms, to Chinese government orders.

Trade between the countries was $75.4 billion in 2011-12, against $59 billion in 2010-11. In 2011-12, exports to China stood at $17.9 billion while imports from there stood at $57.5 billion, resulting in a trade deficit of $39.6 billion.

The rising deficit with China is a major concern for India. Indian exporters complain that China creates non-tariff barriers to discourage imports.

Biswajit Dhar, director general at Research and Information System for Developing Countries, said the formation of the new group is a good move if it forms the basis for more market access for Indian firms. Dhar said New Delhi should work to formulate a strategy to boost Indian exports to China. "This has to be treated on priority," he added.

Deming said closer cooperation between the two emerging economies is necessary, given the turbulent global economic environment. Both nations need a "closer investment relationship" to address a widening trade balance, he said.

India's merchandize exports shrank 4.8% to $22.4 billion in July for three months in a row because of falling demand in Europe and the US. In the first four months of the fiscal beginning 1 April, the country's exports have contracted 5.06% to $97.6 billion.

While Chinese companies have $580 million invested in India, Indian firms have invested $440 million in China. "There is a huge potential for companies of both sides to make investments in the other country," Deming said.

Later, speaking at an event organized by lobby group Federation of Indian Chambers of Commerce and Industry, Deming said, "We want to buy more from India to have a more balanced trade. We encourage Indian business to promote their products in China by taking advantage of the huge market that the country offers."

He added that buying more from countries in the region is in the interest of the Chinese and will enable that country to fulfill its international responsibility.

The two neighbours also agreed to work on a five-year economic cooperation plan —a suggestion made by Deming. "We have identified the focal points, the nodal authorities who will be working together to put this development plan on India-China economic cooperation," Sharma said.

Sharma said India has invited Chinese firms to participate in its proposed national investment and manufacturing zones. "The response has been positive and encouraging," he said. India plans to establish these zones to boost manufacturing to around 16% of gross domestic product now to 25% in the next 10 years.

Deming said he has raised the issues of an easier visa regime, stronger protection of Chinese investment in India and greater market access for Chinese companies.

Sharma said India's visa regime is rule-based and non-discriminatory. "We encourage highly skilled labour, which may be in short supply in India. However, we need to keep in mind that given the large size of population in both the countries, local employment needs to be encouraged," he said.

China raised the issue of India imposing tax on import of power equipment. Deming said he hopes when India finalizes its policy, it will keep in mind the low-cost supply of power equipment by the Chinese companies. Sharma clarified the new policy will not be applicable to Indian power companies that have already placed orders with Chinese manufacturers.

Both the ministers will participate in the 44th ASEAN (Association of Southeast Asian Nations) economic ministers' meeting and the 8th ASEAN economic community council meeting starting 27 August at Siem Reap in Cambodia. Sharma said this will be the first meeting to discuss the proposed regional comprehensive economic partnership between ASEAN and its free-trade partners. Ties between the two neighbours have been marred by mutual suspicion since 1962 when they fought a brief but bitter border war. Bilateral trade has picked up only in the past decade, especially after a visit to India by then Chinese premier Zhu Rongji in 2002.

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China forced to source Indian leather

Sushma U N, Times of India

28 September, 2012, Chennai: From competitor to customer, from threat to opportunity - the leather trade between India and China has come a full circle. Rising production costs and labour issues are pushing the Chinese to look at sourcing products from other countries, including India since Indian products match the Chinese in quality. That's a complete role reversal from just a year ago when the country used to supply critical ingredients to the Indian leather industry.

"The first indication of this (trend) came during the Shanghai Leather Fair when Indian manufacturers managed to sell goods, especially leather garments, to China," said Rafeeque Ahmed, chairman, Council for Leather Exports. Indian leather companies have been participating in the fair for the last two years and have seen a clear increase in sales to their Chinese counterparts, he said.

While Indian exporters are also looking at other markets such as New Zealand, Australia, Africa and Latin America, China promises to be the biggest in terms of volume. "Indian companies are now focusing on getting a foothold in China because it is a huge market," Ahmed said.

Companies are, for instance, focusing on high-end fashion garments and accessories, and footwear manufacturers are diversifying into newer areas like manufacture of women's and children's shoes. "Indian products are good; what we need to develop is marketing," Ahmed said.

Mohan Sreenivas of Orient Express, a manufacturer and exporter of leather garments, said, "China is a very important market for us and we are working towards understanding it." According to him, about 25% of his finished products go to China.

India's interest in China comes in the context of the need for the Indian leather industry to look at newer markets since its largest market, Europe, is in crisis. Warm winters in the European region have also affected Indian exports. China has, for long, been a major competitor for the Indian leather industry with Indian exporters in the past complaining that Chinese companies were killing their industry.

Lately, however, the Indian industry has been doing well despite Chinese competition.

In 2011-2012, the Indian industry exported leather products worth $4.9 billion, the highest from the country ever. Though exports have slowed down in the last six months, the dip will be made good in the second half of the year which sees exports for the upcoming spring-summer 2013 season, according to Ahmed.

The issue for the industry, however, is availability of skilled manpower. The entire industry is reeling under shortage of skilled manpower and Tamil Nadu, one of India's largest leather producers, is facing manpower shortage of about 15%, Ahmed said.

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Dip in Chinese orders pulls down cotton export

Business Standard

Mumbai, October 5, 2012: India's cotton export in 2012-13 is expected to fall to seven million bales (a bale is 170 kg) compared with 12.8 million bales last year, following a sharp fall in Chinese demand, according to the Cotton Advisory Board (CAB), headed by the textile commissioner. China's total imports are projected to fall to 2.5 million tonnes this year, half of last year's. Around 65 per cent of India's cotton export goes to China.

China's imports will be lower as their crop is good; they also have huge stocks," said A B Joshi, textile commissioner. India's cotton prices are higher compared to global ones."Although China is expected to reduce import of cotton from India, they may start importing cotton yarn," said Umang Kapasi, joint managing director of the Coimbatore-based Shri Vardhaman Cotton Corporation, which is also an indenting agent.

CAB has estimated this year's (the cotton year starts in October and ends in September) total cotton production at 33.4 million bales compared to 35.3 million last year. The 2012-13 production would be lower due to scanty rainfall in major growing areas of Gujarat, particularly Saurashtra. However, output in Andhra Pradesh is expected at 7.2 million bales compared to 5.6 million last year, compensating for the loss in Gujarat.

Consumption of cotton by mills and non-mill consumption is expected to be higher this year compared to last year (see table). "Mill consumption is higher this year due to rise in productivity of smaller mills, which are in a financially better situation compared to last year. Also, the order inflow is much better this year," said D K Nair, secretary general of the Confederation of Indian Textile Industry. Last year, many mills had financial issues, which led to their taking less of orders.
Internationally, too, mill consumption is put higher. According to the estimates by International Cotton Advisory Committee, "outside of China, mill use is expected to increase by five per cent, to 14.9 million tonnes (mt). Taking into account reduced shipments to China, cotton production is forecast down by six per cent to 18.6 mt, while stocks in the rest of the world are expected to grow by 16 per cent to nine mt in 2012-13."

According to ICAC, with this projected fall in Chinese imports, the price outlook in the rest of the world is conducive to lower international prices in 2012-13.

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Slump in exports widens trade deficit with China

Ananth Krishnan, Hindu

11 November 2012: A steep decline in Indian exports to China in October has widened the trade imbalance between both countries to $23 billion according to trade figures released on Saturday, with bilateral trade in 2012 set to fall below last year's record figure.

October's trade figures have underscored the recent troubles in the trade relationship, which has, in recent years, emerged as the biggest positive in bilateral ties.

While officials say Indian demand for sourcing in China is still strong, a sharp fall in iron ore exports and continuing uncertainties in the power and telecom sectors — where the imports of Chinese equipment have emerged as a key driver of trade — have left an uncertain future for the trade relationship, and cast doubt on whether a $100 billion target set for 2015 will be met.

Iron ore

Officials attributed the decline to a close to 50 per cent fall in Chinese purchases of iron ore, the biggest Indian export to China. Saturday's trade figures, officials said, underscored the need for both countries to find a replacement for ores as a new driver of trade. One reason for the fall in exports is an oversupply of stock in China and a slowdown in the steel sector here. But with mining bans in India and increasing domestic demand, exports are unlikely to recover fully.

India's exports to China after ten months of this year amounted to $16.34 billion, a 13.3 per cent decline from the same period last year, according to figures released on Saturday by the Chinese General Administration of Customs (GAC). Overall bilateral trade reached $55.68 billion as of October, down 8.1 per cent from last year.

While trade figures usually record an increase in the last two months of the year, overall trade is set to fall below the record $73.9 billion figure of last year, when China became India's biggest trading partner.

Chinese exports to India have also fallen this year, down 5.7 per cent after 10 months this year. Indian purchases of power and telecom equipment have been the biggest component of Chinese exports, but troubles in both sectors have seen a slump in trade. Officials said the falling rupee, which discouraged Indian companies from entering into debt arrangements to fund purchases, was another reason behind the slump.

According to country-wise trade data released by the GAC, the 8.1 per cent decline in trade with India was the second-lowest figure recorded between China and all of its major trading partners. Only trade with Italy fared worse, falling 19.9 per cent.

China's export data to other countries indicated a strong recovery in the domestic export sector, with overall exports rising 11.6 per cent in October, up from 9.9 per cent in the previous month.

Trade surplus

China's trade surplus in October grew to the highest in almost four years, in another indication — following this week's positive factory data — of signs of the start of a turnaround in the Chinese economy, officials said.

“Signs of stabilisation in the economy were getting more obvious in October,” Zhang Ping, the head of the National Development and Reform Commission (NDRC), the top planning body, told reporters in a briefing.“We are fully confident that we can achieve the economic growth target for this year,” he said.

Commerce Minister Chen Deming struck a more cautious note, telling reporters China was unlikely to meet its annual target of 10 per cent growth in foreign trade. Foreign trade volume had grown 6.3 per cent in the first 10 months. “The trade situation will be relatively grim in the next few months,” Mr. Chen said, “and there will be many difficulties next year”.

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Govt starts probe into dumping of solar cells by China, US

PTI

2 December 2012, New Delhi: The government has initiated a probe into alleged dumping of solar cells by Malaysia, China, Chinese Taipei and the US following complaints by domestic players.

The Directorate General of Anti-Dumping and Allied Duties (DGAD) under the Commerce Ministry has begun an investigation as it "finds sufficient prima facie evidence of dumping" of the cell, originating in or exported from these countries, the ministry said in a notification."...(the DGAD would) determine the existence, degree and effect of any alleged dumping and to recommend the amount of anti-dumping duty, which if levied, would be adequate to remove the injury to the domestic industry," it said.

The Solar Manufacturer's Association has filed the application for investigation on behalf of Indosolar Ltd), Jupiter Solar Power and Websol Energy Systems Ltd.

The period of investigation is from January to December 2011. However, for the purpose of analysing injury, the data of previous three years of 2008-2009, 2009-2010 and 2010-2011 would also be considered, it added.

The action is against solar cells imported from these countries "whether or not assembled partially or fully in modules or panels".

Further, it said the applicant has requested for retrospective imposition of duty as the injury is claimed to be caused to the domestic industry by massive dumping of the cells in relatively short time.

Countries initiate an anti-dumping probe to determine whether their domestic industries have been hurt because of surge in cheap imports of any product. As a counter-measure, they impose duties under the multilateral regime of the WTO.

The duty is aimed at ensuring fair-trade practices and creating a level-playing field for domestic producers vis-a- vis foreign producers and exporters resorting to dumping.

Unlike the safeguard duty, which is levied in a uniform way, anti-dumping duty varies from product to product and country to country.

India has initiated 275 anti-dumping investigations between 1992 and March 2012, involving 42 countries.

The countries prominently figuring in anti-dumping investigations are China, Korea and Singapore and the major product categories on which anti-dumping duty has been levied are chemicals and petrochemicals, pharmaceutical, steel and consumer goods.

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Managing India-China trade ties

Biswajit Dhar, Livemint

4 December 2012: The second India-China strategic economic dialogue held last week came at a time when the two countries need to address a range of bilateral economic issues. Revisiting bilateral economic relations is important for changing the global rules of economic engagement. For years, India and China have been involved in re-shaping the global economic architecture to make the functioning of the multilateral institutions in the areas of trade and finance democratic. India and China are also coordinating their positions in critical negotiations on climate change that are taking place in Doha.

Bilateral economic relations between India and China have gone through interesting phases in the past decade. Towards the middle of the previous decade, the two governments were in active consultations for commencing negotiations for a free trade agreement (FTA). These preparations went astray as the Indian government faced opposition from major industry associations. These associations were apprehensive about their ability to stand up to competition from the relatively cheap Chinese products and, were therefore, unwilling to allow lowering of tariffs through an FTA. Another reflection of the unease of Indian businesses with imports from China is the large number of anti-dumping complaints that have registered against Chinese firms.

Policymakers may have failed to bring the two economies together in a closer relationship through a FTA, but the market had worked out its own plan. Rapid expansion of trade since the beginning of the previous decade indicates this clearly. In 2001-02, India-China trade was just less than $3 billion. This increased to $75.6 billion in the last fiscal, registering a 25-fold increase. More significantly, China has emerged as India's largest trade partner since 2009. Currently, India-China trade accounts for nearly 12% of India's total trade.

The spurt in trade volumes took place on the back of India's rapidly increasing imports from China. From a tad above $2 billion in 2001-02, India's imports from China increased to over $57.5 billion by 2011-12—a 28-fold increase. In contrast, India has not been able to penetrate Chinese markets very well; its exports have lagged its imports from China by a considerable margin, thus giving rise to the spectre of unbalanced trade. The high trade deficit that India faces indicates this clearly. In 2011-12, the deficit exceeded $39 billion and was more than twice the level of India's exports to China. It is not just the absolute trade deficit that should worry India, but the rate at which it has increased. In the last fiscal, the level of trade deficit was twice as high as that recorded two years back.

Besides the trade imbalance, the commodity composition is also skewed against India. In 2011-12, raw materials and intermediate products made up for more than 90% of India's exports to China. In other words, India was feeding the factory of the world that China is. But one noticeable change that has occurred in the past three years is that while in 2008, raw materials were nearly 80% of India's exports to China, in the previous year, the share of raw materials had declined while those of intermediate products has increased to nearly 34%. This probably indicated that component manufacturers from India are getting involved in the production networks spawned by Chinese enterprises.

In contrast, raw materials and intermediates were less than 40% of India's total imports from China. The share of these products was as high as 70% in the beginning of the previous decade, but has declined rapidly as China implemented a policy to restrict exports of raw materials.

India has thus got into a division of labour with its neighbour wherein it exports low value-added products and imports high value-added and technologically sophisticated products. Perhaps the only cause of comfort for India could be that China has developed this trade pattern with most of its major trading partners, including Brazil and South Africa.

Where, then, are Sino-Indian economic relations headed and what contribution can the strategic economic dialogue make in this process? Trade relations, the most visible sign of economic engagement between the two nations, need a close look, particularly the yawning trade deficit that India faces. While it is no one's case that the trade should be balanced, the magnitude of imbalance could introduce undesirable strains in bilateral relations. Importantly, this is also the view of several commentators in China.

Even a casual look at the developments in the Chinese economy shows there are opportunities for India. After 2008, policymakers in China have realized that their growth model, based substantially on exports, cannot be sustained. Rapid growth has also pushed up wages. These will, undoubtedly, erode China's export competitiveness. This could result in a relocation of production bases away from China. India with a diversified production base is best placed to take advantage of this development. It must prepare to make the most of this coming change.

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Government initiates probe into dumping of a chemical by China

PTI

27 November 2012, New Delhi: India has initiated a probe into alleged dumping of a chemical, used in semiconductors and fertilisers, by China following complaints by domestic players.

The Commerce Ministry's designated authority, the Directorate General of Anti-Dumping and Allied Duties (DGAD), has begun an investigation into alleged dumping of "Red Phosphorous".
Tamil Nadu-based Metal Powder Company Ltd and Mumbai-based United Phosphorus Ltd had filed the application for investigation.

In a notification, the DGAD has said the petitioners have provided sufficient evidence that the normal value of the chemical in China is significantly higher than the net export price.

The evidences have prima-facie indicated that the product is being dumped from the neighbouring country, it said.

"The Authority (DGAD) considers that there is sufficient evidence of injury being suffered by the petitioners caused by dumped imports from the subject country (China) to justify initiation of an anti-dumping investigation," it said.

The period of investigation is from April 2011 to March 2012. However, for the purpose of analysing injury, the data of previous three years of 2008-2009, 2009-2010 and 2010-2011 would also be considered, it added.

After completion of the probe, the DGAD, if needed, would recommend the duty and the finance ministry would impose it.

Countries initiate an anti-dumping probe to determine whether their domestic industries have been hurt because of surge in cheap imports of any product. As a counter-measure, they impose duties under the multilateral regime of the WTO.

The duty is aimed at ensuring fair trading practices and creating a level-playing field for domestic producers vis-a- vis foreign producers and exporters resorting to dumping.

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20% safeguard duty on stainless steel import from China
PTI

New Delhi, 7 January 2013: The government has imposed safeguard duty at a rate of 20 per cent on imports of a certain variety of stainless steel from China to protect domestic players. The duty has been imposed on hot rolled flat products of stainless steel-304 grade (up to a maximum width of 1605 mm), the Finance Ministry said in a notification.

"... the central government after considering the said findings of Director General (Safeguards), hereby, imposes on hot rolled flat products of stainless steel-304 grade (Upton a maximum width of 1605 mm) and encompassing all austenitic grades ... when imported into India from China, a provisional guard duty at the rate of 20 per cent ad valorem," it added.

It further said that the safeguard duty will be effective for a period of 200 days from the date of the notification, unless revoked, superseded or amended earlier.

Safeguard duty is a WTO-compatible temporary measure that is brought in for a certain time-frame to avert any damage to domestic industry from cheap imports.

The government currently levies 5 per cent import duty on imports of stainless steel.

"It is a positive move and sentiments will definitely become better as it will discourage cheaper imports from China," Jindal Stainless President and Executive Director Ramesh Nair said.

India has a surplus stainless steel production capacity at about 3.5 million tonnes per annum (MTPA). Of this, about 0.8 MTPA gets exported.

Despite this, the industry estimates that imports from China, amounting to about 2.5-3 lakh tonnes in a year, are taking place largely due to cheaper rates offered by the Chinese manufacturers.

As per the industry estimates, China currently produces about 12-13 MTPA, which is much more than their consumption at about 9 MTPA. The Chinese production is expected to rise to 20-25 MTPA in two-three years.

Among the domestic producers, Jindal Stainless, with a capacity of 1.8 MTPA, accounts for about 50 per cent of total domestic production. Other major players include Salem Plant of SAIL, Viraj Steel and Mukand Ltd.

In November 2011, government had imposed anti-dumping duty on certain categories of flat stainless steel from European Union, South Africa, the US and Taiwan to protect the domestic industry from cheap imports from abroad. The level of duty on the product varied from country-to-country.

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India-China trade: working groups to meet next month

The Hindu

New Delhi, 10 January 2013: The three working groups on trade, services sector co-operation and enhancing investments by Chinese firms in special economic zones (SEZs), set up between India and China, will meet in February to negotiate various issues affecting bilateral trade and investments, Joint Secretary in the Commerce Ministry Asit Tripathy said here on Thursday. The launch of the first China-South Asia Exposition at Kunming where India was invited to take part was also announced at an event organised here by the India China Economic and Cultural Council. Among these working groups, one is on trade statistics anomalies. For instance, as per Indian data, the trade deficit between India and China was about $40 billion in 2011-12, while the Chinese side estimated it at $27 billion for the same period, he said. “So what is the modality employed by us for trade estimates and what is by them, we need to work on it,’’ he added.

The other two groups are related to services sector co-operation and five-year co-operation between India and China across sectors such as encouraging investments, participation of Chinese firms in SEZs. “We are looking at China, Korea and Japan not only for trade in goods, but also in services and investments sectors,” he said.

Economic Counsellor of Chinese Embassy said the upcoming event in Kunming was an excellent opportunity to extend the business co-operation between Yunnan province and India. Ajay Sahai, Director-General, Federation of Indian Export Organisations, said industry was focusing on China as an emerging market, particularly in sectors absorbing large labour force. The shift was taking place from commodity exports to manufactured goods but India had to move to value-added segment of exports. This would be the only way to reduce the widening trade deficit, he said.

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Indo-China trade dips 10% in 2012

Press Trust of India

Beijing, 20 January 2013: After posting impressive growth in the past few years, India-China bilateral trade declined by 10.1 per cent to $66.47 billion last year. According to the figures released by the Chinese commerce ministry, India's trade deficit mounted to $28.87 billion due to steady decline of export of iron ore.

The bilateral trade touched $61.74 billion in 2010 posting a high growth at 42.66 per cent followed by 19.71 per cent in 2011 with $73.9 billion. This is the first time in recent years the bilateral trade registered negative growth, which according to officials was in consistent with the decline in global trade.

Indian exports to China declined by 19.6 per cent to $18.8 billion last year compared with $23.41 billion in 2011 and $20.86 billion in 2010.

Significantly, China's exports to India, which in the past had a high volume of growth, declined by 5.7 per cent to $47.67, the data showed.

China's exports touched $50.49 billion in 2011 from $40.88 billion in 2010.

While the two countries were confident that the trade volumes would pick up, there is a great deal of scepticism about Indian exports making much headway as China has not opened up much on IT, and pharmaceuticals fronts despite high voltage campaigns by India.

Top Chinese leaders also have been openly acknowledging that the high trade Indian deficit is a matter of concern for bilateral trade, which is aimed at reaching the $100 billion target in 2015.

China pays close attention to the trade imbalance. We have already encouraged Chinese companies to import more from India and will continue to do so, China's top negotiator with India Dai Bingguo, had said in a recent interview to PTI.

He was confident that $100 billion set by both the countries for 2015 would be achieved.

As neighbours and large emerging countries, China and India enjoy huge potential and broad prospects for economic cooperation. We are confident that, by working together, we will reach the goal of $100 billion of two-way trade by 2015, he said.

The two countries held high level strategic dialogue in December last year raising the prospects of increase in trade and investment between both the countries this year.

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India, China on same page on food security

Kirtika Suneja, The Financial Express

New Delhi, 4 February 2013: India and Brazil, the chief coordinators of the G20 formation in agriculture connected with the World Trade Organisation's (WTO) Doha Round negotiations, have secured China's allegiance to a proposal to include "all" budgetary expenses on food security and rural livelihood & development in the list of "green box" subsidies, which are "non-trade distorting" and meant to be freely allowed.

The G20 move is in early preparations for the year-end's WTO ministerial meeting at Bali in Indonesia and amid reports that the US and the EU are drifting towards reinforcing their trans-Atlantic trade relations under a new formal framework, at the expense of the moves to ease world trade further under a rules-based multilateral framework.

In WTO terminology, subsidies are identified by "boxes" that are given the colours of traffic lights: green (permitted), amber (slow down or to be reduced) and red (forbidden).

According to official sources, New Delhi making common cause with China on the green box items is a significant breakthrough, especially since an ambitious national food security law is in the offing. The new, strong consensus among the emerging economies would serve as a balance-tilting counterweight to the US-EU bloc, while cherry-picking the doable things on the WTO front.

The US and EU had proposed some definitional curbs on food security spending for their green box inclusion, accepting which would mean constraints on India in implementing its proposed food security law. For instance, the advanced economies have long said that (state) expenses on food security schemes — like the public distribution systems — can't be treated as a green box item if food procured at market prices are not sold at market prices.

WTO chief Pascal Lamy recently urged the world to harvest "low-hanging fruit" (in terms of trade liberalisation) while it is clear during his tenure that the decade-old Doha Round talks are unlikely to be concluded. While developing countries insist that "any change on the Doha mandate should be a negotiated outcome," The 9th ministerial in Bali from December 3-6 is a glimmer of hope.

As far as WTO talks on agriculture is concerned, there is a demand on emerging economies like India to reduce tariffs. Currently, the bound tariffs (the extent to which it can be raised) maintained by India is the highest in the case of oilseeds at 300% and the highest applied (real) tariff is 80% in case of wheat. Reduction of these tariffs is linked to subsidy reduction by the developed world.

In order to qualify, green box subsidies must not distort trade or at most cause minimal distortion. They have to be government-funded (not by charging consumers higher prices) and must not involve price support. Hence, green box subsidies are allowed without limits, provided they comply with the policy-specific criteria. The green box is defined in Annex 2 of the Agriculture Agreement.

At present, there is ambiguity on including India's food subsidy programme in the green or amber box and the country is seeking legal certainty on the same.

"India is trying to draw the attention back to its core interest and this has been a part of the modalities on the negotiating table for almost five years. India's proposal is not out of the hat," said Abhijit Das, head and professor, Centre for WTO Studies, Indian Institute of Foreign Trade.

The National Food Security Bill, 2011, which makes the right to food a legal right, is currently pending in Parliament. It seeks to deliver food security by providing specific entitlements through the targeted public distribution system.

“If this is accepted, then the WTO rules will not put fetters around India. Besides, it is an attempt to see if there a consensus can be built on some issues before the Bali ministerial,” said an analyst requesting anonymity.

Some WTO members are looking at carving out pacts in select areas during the Bali ministerial conference.

Developed countries including the US want India and other emerging economies to be part of the four major sectoral pacts — trade facilitation (TF), IT, environmental goods and international services agreement. On these four matters, developed nations want to go plurilateral, that is, the trade benefits arising out of such an agreement will be shared only by signatories.

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Govt may impose anti-dumping duty on Chinese chemical

PTI

New Delhi, 8 February 2013: India may impose anti-dumping duty of up to USD 0.78 per kg on a Chinese chemical that is used for photography and medical applications so as to protect domestic players.

In its preliminary findings, the Directorate General of Anti-dumping and Allied Duties (DGAD) has recommended imposition of the duty on imports of 'Meta Phenylene Diamine' from China, the Commerce Ministry said in a notification.

The Directorate's recommendation comes on the basis of its findings that increased imports have caused "material injury" to the domestic industry, it said.

Aarti Industry had filed a petition for imposing anti - dumping duty on behalf of the domestic industry. The company in the application had claimed that it is the sole producer of the chemical in India.

The directorate has recommended two set of duties - USD 0.57 per kg and USD O.78 per kg on different Chinese firms, it said.

The DGAD, which is under the Commerce Ministry, in its recommendations said that the chemical has been exported to India below its normal value from China.

"...the Authority is of the view that imposition of provisional duty is required to offset dumping and injury," it added.

Anti-dumping duty is recommended by the Commerce Ministry, while the Finance Ministry imposes the same.

The country has already imposed anti-dumping duty on imports of fabric, yarn, nylon tyre cord and several chemicals.

Unlike safeguard duties, which are levied in a uniform way, anti-dumping duties vary from product to product and from country to country.

Countries initiate anti-dumping probes to check if domestic industry has been hurt because of a surge in below-cost imports.

As a counter-measure, they impose duties under the multilateral WTO regime.

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Dumping duty on plaster boards from China, 3 other nations

K. R. Srivats, Business Line (The Hindu)

New Delhi, 15 April 2013: The Finance Ministry has imposed definitive anti-dumping duty on certain gypsum plaster boards imported from China, Indonesia, Thailand and the United Arab Emirates.

The levy does not apply to fire boards, impact boards, ECHO boards, heat boards and thermal boards. This anti-dumping duty will be valid for five years with effect from June 7, 2012, the date of imposition of provisional anti-dumping duty.

Saint Gobain Gyproc India Ltd had filed the petition seeking anti-dumping probe on gypsum plaster boards imported from these four countries.

In the case of gypsum plaster boards produced and exported from China, the duty has been pegged at $32.85 per cubic metre. For imports from Indonesia, it has been pegged at $24.11 per cubic metre.

In the case of Thailand, the anti-dumping duty for plaster boards produced and exported by Siam Gypsum Industry (Saraburi) Co Ltd and Siam Gypsum Industry (Songkhla) Co Ltd has been pegged at $54.46 per cubic metre.

For other producers and exporters from Thailand, the anti-dumping duty has been pegged at $73.80 per cubic metre.

In the case of the UAE, the duty for plaster boards produced and exported by Gypsemna Co (L.L.C) Dubai has been pegged at $12.30 per cubic metre. For all other producers and exporters from the UAE, the Revenue Department has imposed duty of $20.15 per cubic metre.

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India plans safeguard duties on iron, steel items from China

PTI

New Delhi, 2 May 2013: India plans to impose safeguard duties on some iron and steel pipes, tubes and profiles to protect domestic producers from a flood of imports from countries like China and Italy.

The Directorate General of Safeguards under the Finance Ministry has initiated an investigation on impact of large scale import of seamless pipes, tubes and hollow profiles of iron or non-ally steel from countries such as China and Italy.

"It has been found that prima facie increased imports of seamless pipes and tubes have caused and are threatening to cause serious injury to the domestic producers... and as such it has been decided to initiate an investigation in the matter," it said in a notice.

It sought comments from interested parties by May 21. The application for imposition of restrictive duties was jointly filed by Jindal Saw Ltd and Indian Seamless Metal Tubes Ltd and was supported by Maharashtra Seamless Ltd. The applicants account for more than 50 per cent of the total domestic production of seamless pipes and tubes in India.

The DGS will investigate imports between 2009-10 and 2012-13.

"The imports have increased from 307,581 tons in 2009-10 to 373,777 tons till 2012-13, recording an increase of 22 per cent," it said adding even though there was a decline in 2012-13 over the previous fiscal, but quarter wise analysis showed a sharp rising trend from Q2-Q3 on absolute basis.

In view of surging imports and loss of market share, the inventories with the domestic industry have also increased significantly - 5691 tons in 2009-10 to 14,170 tons in April-December 2012-13 fiscal.

An immediate safeguard duty is being sought for a period of four years.

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India tells China to speed up action on bridging widening trade deficit

Amiti Sen, Business Line (The Hindu)

New Delhi, 8 May 2013: India has raised strong concerns with China over rising bilateral trade deficit that has crossed $40 billion in 2012-13 despite promises by Beijing of initiating steps to contain it and has demanded early action.

Chinese Vice-Minister of Commerce Chen Jian is scheduled to meet Commerce Secretary S.R. Rao next week in New Delhi to discuss how to move forward on proposals flagged by India last year including greater market access in pharmaceuticals, agriculture and the IT sector to bridge the trade gap.

This will be a preparatory meeting before Chinese Premier Li Keqiang's visit on May 20 where the two sides are expected make a number of announcements, many of them related to improving bilateral trade ties.

"We have expressed our displeasure to the Chinese Ministry of Commerce for not responding to the proposals made by India last year during the Chinese Commerce Minister's visit. China has indicated that this time during the Premier's visit it would sign a formal protocol and have a work plan for all the working groups," a Commerce Department official told *Business Line*.

India's exports to China dropped a whopping 25 per cent to $13.52 billion in 2012-13 from $18.11 billion largely due to a slowdown in the Chinese economy.

The fall in imports from China was much lower at 5.59 per cent to $54.30 billion from $57.51 billion the previous year.

Bilateral trade deficit, as a result, widened to $40.8 billion from $39.4 billion, which is almost a fifth of the country's total trade deficit.

While India mainly exports raw materials to China like iron ore, copper and raw cotton, the Commerce Department is of the view that there is immense scope to export pharmaceuticals, IT and more agriculture products if the country drops its various restrictions.

India has suggested that the registration process of the Chinese State Food and Drug Administration should be simplified and registration granted sooner.

Moreover, Indian companies that have received approvals and accreditation by drug regulatory authorities should be provided a green channel.

In a bid to increase IT exports, India has proposed that the Chinese Government give instructions to its state-owned companies to start doing business with Indian companies and also levy the lowest applicable tax on the industry.

It has also suggested that qualified technical engineers and software professionals be given business visas and work permits valid for three years to facilitate movement.

India has also been lobbying to sell buffalo meat, tobacco and oilmeal to China as all these products have a big market in the neighbouring country and could play an important role in lowering the trade deficit.

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Our Chinese menu keeps growing

Nayanima Basu, Business Standard

New Delhi, 20 May 2013: Even as new Chinese Premier Li Keqiang is visiting for the first time since taking over the present portfolio, old problems continue to plague Indo-Chinese bilateral trade relations.

Problem of a huge trade imbalance against India even as both exports and imports declined in 2012-13 year-on-year still remains a severe challenge even to this day. And no matter what measures the government claims to be taking, trade deficit against India continues to bloat, experts say.

Exports to China have increased 62.5% from $8.32 billion in 2006-07 to $13.52 billion in 2012-13 while imports rose 210.81% from $17.47 billion to $54.30 billion in the same period. As a result, the trade balance swelled 345.68% from $9.15 billion in FY07 to $40.78 billion in FY13. China accounts for a fifth of India total trade deficit of $190.9 billion with the world. If oil is excluded then it accounts for almost half.

India and China had established a joint study group in 2003 which was mandated to make a detailed analysis of the economic gains both countries will have if they traded on most favoured nation (MFN) tariffs. In March 2006 the group met for the first time under the aegis of the ministry of commerce and industry and China‟ s ministry of commerce. In 2006 during President Hu Jintao‟ s official visit to India, both sides announced the target to complete the study by 2007 under a joint declaration.

The report was submitted by the group to respective governments in 2007, which recommended both sides to have a Regional Trading Arrangement (RTA) but that was hushed up due to severe backlash from the Indian industry, which feared dumping and flooding of Indian markets by the Chinese companies. But imports from China continue to rise unabated.

According to experts, the problem lies with very limited knowledge about the Chinese market by Indian exporters. While Chinese export to India mainly consist of manufactured items that are required for India's ever-expanding telecom, power and manufacturing industries, India exports raw material and intermediary products.

"This shows the demand for China-made goods by the consumers here. This shows that the market needs something else. Our economy is tied with theirs, no matter how much perception problem we suffer from. And sooner or later we have to have a preferential trading arrangement with them for the larger interest of BRICS (Brazil, Russia, India, China and South Africa)," highlighted Biswajit Dhar, director general, Research and Information System for Developing Countries (RIS).

In the middle of 2011 the ministry of commerce and industry even launched a strategy paper with much fanfare to fight the trade imbalance problem with China but nothing happened after that. On the contrary, the trade deficit reached a new peak of $40 billion by the end of the fiscal which has now soared to $40.78 billion last fiscal.

Indian heavy industries significantly rely on raw materials and finished goods from China. The top five items of import from China are electrical machinery and equipment ($ 11.86 billion), mechanical machinery and appliances ($7.7 billion), project goods ($ 3.2 billion), organic chemicals ($3.85 billion) and iron & steel ($1.99 billion).

In the last couple of financial years, import of power and telecommunication equipment has seen a huge rise. In 2010-2011, import of mobile phones and other kinds of wireless phones have reached $4.07 billion, up 60.10% year-on-year from $2.54 billion in 2009-10, similarly, import of project goods topped $3.17 billion last fiscal from $2.06 billion in 2009-10, up 54.08%.

“There are very limited areas where we can increase our exports to China. The government has not been able to give the necessary push for the exporting community to explore the Chinese market in a detailed manner but rely on international studies. We do not encourage Chinese investments, which is another problem,” said Mohammed Saqib, secretary general, India China Economic and Cultural Council.

Recently, during an interview with Business Standard, commerce and industry minister Anand Sharma admitted to the growing problem and that investments from that region had been low. However, investments from China continue to remain subjected to severe scrutiny.

Minister of external affairs Salman Khurshid, who recently visited China earlier this month, said how India is now planning to gain more access to the Chinese market through India’s booming informational technology and pharmaceuticals, both of which has not been much successful so far.

In pharmaceuticals the problem remains with the delay in approvals as the industry there is in nascent stage coupled with the dominance of traditional Chinese medicines. A lot of potential indeed lies in the IT segment but that continues to reel under problems because the Chinese public procurement laws continue to be very rigid.

The services trade between India and China continues to remain very minimal. India has a presence in sectors such as IT, trading, banking and education by companies such as NIIT, Infosys, Wipro, Mahindra Satyam, Reliance Industries, State Bank of India, Canara Bank and Bank of Baroda.

Around 100 Chinese companies are present here mostly in the telecom and manufacturing sectors by ZTE, Huawei Technologies, TCL and Haier.

According to Dhar, India should encourage investment-led Chinese trade here as increasingly China isbecoming a costly location so companies are looking at India to relocate their operations. “We have to address the issue on war footing,” said Dhar.

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Wasted opportunity: Year after Beijing lifts ban, Basmati exports yet to resume

Sandip Das, The Financial Express

New Delhi, 21 May 2013: More than a year after China gave its nod to the import of Basmati rice from India, the export of the long-grained, aromatic rice has not yet commenced. Indian exporters say that it would take a few years before India re-starts sending consignments of Basmati rice to China. However, trading sources said that a small quantity of Basmati rice destined for Hong Kong is finding its way into mainland China.

In April, 2012, Chinese authorities approved the import of Basmati rice from India with the condition that each consignment must carry a phytosanitary certificate, indicating food safety. Even Chinese officials had inspected the facilities of private rice exporters in India before giving approval to imports. China had banned imports of several Indian agricultural products, including Basmati rice, due to the presence of quarantine pests in processing and storage houses here. The approval had come after Indian rice passed through testing procedures of the Chinese official bodies.

Although Chinese prefer the fragrant sticky Jasmine rice from Thailand and Vietnam, the country has shown interest in both Basmati and non-Basmati rice from India. Exporters said that Indian companies are exploring possibilities of sending non-Basmati rice to China. “We are still studying the Chinese market,” an exporter said.

But many have already smelt the potential there. “There is a huge potential for export of non-Basmati rice to China,” All India Rice Exporters Association (AIREA) former president Vijay Setia told FE. In 2012, Pakistan exported about 5.8 lakh tonne of non-Basmati rice to China, becoming China’s second-biggest rice supplier after Vietnam. Meanwhile, the US department of agriculture recently stated that China's rice imports this year would surge to more than 3 million tonne (mt) from 2.34 mt a year earlier.

China presents a new market for Indian rice exports, which have seen a huge surge in volumes in the last few years despite hiccups in key markets like Iran due to payment-settlement issues.

As a part of market expansion for Basmati and non-Basmati rice, India is looking at China, Mexico and the Commonwealth of Independent States (CIS). The country's share of the global market for Basmati rice is close to 60%, while Pakistan accounts for the remaining 40%.

With the rising global demand in Africa and the European Union and the sustained consumer preference in West Asian countries like Iran and Saudi Arabia, India is all set to emerge as the biggest rice exporter globally with shipment of 10 mt during 2012-13. With this, India will emerge as the top rice exporter for the second time in a row. The total earnings from India's rice exports during 2012-13 is estimated at Rs33,000 crore.

India has emerged as the world‟ s largest exporter of rice during 2011-12 with close to 10 mt of exports. Thailand exported 6.9 mt of rice, falling behind Vietnam, which sold 7.8 mt of the commodity overseas.

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India, China fail to break fresh ground on trade

The Times of India

New Delhi, 21 May 2013: After years of inaction, China on Monday got New Delhi to reopen the issue of a regional trade agreement, while promising to take steps to make the terms of trade more favourable for India after deficit that crossed the $40 billion mark in 2012-13.

During a meeting of trade ministers, it was agreed to set up three joint working groups. But these hardly break fresh ground as the two countries had decided to set up the groups in August 2012. The first one will deal with a five-year plan for trade and economic cooperation, the second will be on trade facilitation and data reconciliation and the third on trade in services. Commerce & industry minister Anand Sharma said that issues related with Regional Comprehensive Economic Partnership (RCEP) and a regional trade agreement would be discussed by one of the JWGs.

Although the two countries seemed to be making the right noises on improving trade relations, the agreements suggest that the exports from India would be primary goods. Barring a memorandum of understanding on pharmaceuticals, there were two on buffalo meat and fisheries along with an agreement on feed and feed ingredients. In contrast, China exports finished goods, including steel manufactured using high-grade Indian ore.

Despite the recommendation for a trade agreement between the two countries, the government had held firm against starting a dialogue with China even as it went on an FTA signing spree. While a high trade deficit with China was a big concern, the protests by the local industry were taken much more seriously than in other cases.

But Monday's discussions seem to have given China a toehold, although it is unlikely that India will agree to a dialogue on having a trade pact. "It would be suicidal. Even in case of RCEP, the China factor was debated at length," said a government official, who did not wish to be identified. RCEP is a mega trade agreement comprising 16 countries of the East Asian region including India. If talks are concluded it would result in the creation of the world's largest economic bloc. Sharma said that the three JWGs on increasing trade and economic relations are expected to submit their reports to both the governments by mid-September although the mandate and composition are yet to be finalized.

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India wants China to walk the talk on export pacts

Amiti Sen, Business Line (The Hindu)

New Delhi, 22 May 2013: Commerce Secretary S.R. Rao will lead a group of senior officials for a threeday visit to China from May 27 to work on the specifics of the recent memoranda of understanding signed for export of bovine meat, oilmeal, fishery and pharmaceuticals.

He will also hold consultations with his Chinese counterparts on exporting more IT products, a Commerce Department official said.

"There is little we can do to stop imports from China, as there is a genuine demand from the Indian industry. Trade deficit can only be bridged by stepping up exports. It can be done provided China removes restrictions in products where India has competitive advantage," the official said. The MoUs to increase exports were signed during Premier Li Keqiang's recent visit to India.

Trade deficit between India and China widened to $40.8 billion in 2012-13 from $39.4 billion in 2011-12, despite a 10 per cent contraction in total trade during the year.

India, which mostly exports raw materials to China such as iron ore, copper and raw cotton, has been pressing for easing exports of pharmaceuticals, IT, buffalo meat, rapeseed meal and fishery since former Chinese Premier, Wen Jiabao‟ s visit in 2010, but not much progress has been made.

India was, therefore, pleasantly surprised when China agreed to sign MoUs to facilitate exports of key commodities during Li‟ s visit.

"Since the MoUs were signed in the presence of the Premier, we expect them to hold some weight. We are hoping that the Commerce Secretary will be able to convince the Chinese officials to come up with specifics in terms of certification and other processes required for exports," the official said.

IT Prospects

Although no MoU was signed on IT, India is hopeful that the Chinese Government will give instructions to state enterprises to start doing business with Indian companies.

With China working on a health programme for its entire population, it is expected that demand for cheap generics will go up, which India can provide.

China is also one of the largest importers of bovine meat and fishery products and India can be a big supplier if the country scraps 'irrelevant' quality restrictions.

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Top commerce team to visit China to discuss trade deficit

PTI

Beijing, 25 May 2013: A high-powered Indian commerce delegation would visit here next week for talks with Chinese officials to discuss initiatives to broaden market access for Indian products in China and address New Delhi's concerns over the ballooning trade deficit. Days after Premier Li Keqiang's visit, commerce secretary SR Rao along with additional secretaries Rajiv Kher and JS Deepak would arrive here on a four-day visit from May 27 to take part in the 'Global Services Forum' being organised by UNCTAD, the UN trade agency and the prestigious China International Fair for Trade and Services. During their visits here the Indian commerce officials delegation would also take part in bilateral meetings with their counterparts in the Chinese commerce ministry, official sources here told PTI. The meetings would be taking place in the immediate backdrop of Li's visit to India this week, where he said China understands India's concerns over the trade deficit which ballooned to $28.87 billion in 2012 from $9.38 billion in 2007 and promised steps to facilitate market access to Indian products. The delegation is also expected to discuss initiatives to boost bilateral trade, which has come down to $66.47 billion last year from about $74 billion in 2011. The two countries set the target of $100 billion in bilateral trade by 2015 during Li's visit. India has been specifically asking China to open up its public sector services, especially banks and other financial institutions to specialised Indian software products which would also enable Chinese firms to become more competitive. Besides, India is also making a strong case for Indian pharmaceutical products which could help bring down costs in the Chinese health sector.

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The risk of lopsided trade with China

Brahma Chellaney, Mint

29 May 2013: Chinese territorial assertiveness is obscuring how Beijing is strategically expanding lopsided trade with India to rake in mounting profits while undercutting Indian manufacturing through an avalanche of cheap Chinese-made products. China's ballooning trade surplus with India is compounded by its import of mainly primary commodities while exporting finished products. Perpetuating such an asymmetrical relationship presents India in an unflattering light as a raw material appendage of, and a goods-dumping market for, the Chinese economy. More importantly, the lopsided economic engagement gives China little incentive to bridge a widening political divide with India. If anything, it encourages China to continue with a strategy to keep India under strategic pressure so as to regionally contain it. With China exporting more than 2. times as much as it imports, its already large trade surplus will swell if bilateral trade rises from $70 billion currently to the targeted $100 billion in 2015. Economic problems in the West, by contributing to a slowdown in China, have only increased the importance of the Indian market for Beijing. This is what prompted Premier Li Keqiang to choose India as his first overseas destination for an official visit. This factor has also encouraged China's cash-rich, state-supported banks to offer debt financing to heavily indebted Indian companies that commit to buy Chinese equipment or supply raw materials. While swamping the Indian market with its products, China has made it difficult for Indian exporters to gain much of a foothold in its own market, including in sectors where India is strong, such as pharmaceuticals and IT. As a result, India's exports to China largely consist of low-margin, unprocessed commodities. India's exports have actually slumped since 2012, in part because of legal and other wrangles at home over extraction of iron ore. The leading export item in the past decade to China which conserves its own reserves of strategic mineral ores to rely on imports. China's increasing access to the Indian market has done little to encourage it to pursue a less-adversarial foreign policy. Indeed, the more profits China has reaped, the more assertive it has become. As India's trade deficit with China has soared from just $1 billion in 2002 to $40 billion in 2013 (or one-third of India's overall trade deficit), Beijing has, for example, openly challenged Indian sovereignty in the large eastern and western sectors of the Himalayas by playing the Arunachal and Kashmir cards. Instead of calibrating China's market access to progress on the political, territorial and water resource issues, a politically adrift India is unwittingly doing just the opposite allowing Beijing to strengthen its leverage against it. China has effectively turned asymmetrical trade into another instrument to prevent India's rise as a peer competitor. In fact, China is now leveraging its trade and financial clout including its role as a major supplier of power and telecom equipment and its emergence as a lender to financially troubled Indian companies to limit India's options on countering the Chinese strategic encirclement.

The paradox is that, despite the supply of turbines and other equipment, most Chinese exports are not technology items but cheap products that kill small-scale manufacturing and rob jobs in India, with some of them also posing safety risks or public health concerns. The bilateral focus on trade, even as China builds up strategic pressure along multiple flanks, aids the Chinese win-win agenda to reap profits while continuing to hem in India. Consequently, the politics and economics of the relationship are going in opposite directions, to India's serious detriment. India wrongly bet on rapidly growing trade helping to mute political disputes and moderate Chinese conduct so as to create an environment conducive to the settlement of outstanding issues. For China, trade is not only about economics but also about geostrategic interests. So, it does not allow booming bilateral trade to come in the way of its territorial assertiveness, as the recent Ladakh incursion highlighted. In fact, as underscored by its commercial actions against Japan and the Philippines, it employs trade as a political weapon. With China serving as Japan's largest overseas market, Beijing has sought to punish Tokyo through an informal boycott of Japanese products since last September. In this light, any Indian dependency on Chinese imports will carry geostrategic risks. China encourages economic dependencies and then manipulates them to advance its strategic objectives. So what can India do to prevent China from using its trade prowess for political ends? First, it must avoid any commercial dependency that cannot be easily be substituted with imports from elsewhere. Second, India must aggressively contain the flood of Chinese-made subsidized goods through countervailing duties and anti-dumping measures that bite, or else it will become harder for it to develop a more mature manufacturing base. Its lodging of anti-dumping cases at the World Trade Organization has proven no deterrent. And third in the way China unofficially but assertively links economic issues with political matters. India must not shy away from linking market access to concrete progress on border and water issues. But if push comes to shove, it has the option to take a leaf out of China's playbook by orchestrating an informal consumer boycott of Chinese products. Brahma Chellaney is a professor at the Centre for Policy Research in New Delhi.

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Japan keen to shift jobs, yen from China to India

Pramit Pal Chaudhuri and Jayanth Jacob, Hindustan Times

Tokyo/New Delhi, 30 May 2013: Hundreds of Japanese companies may shift factories from China to India, bringing with them big investments and thousands of jobs, and a remilitarising Japan is likely to emerge as an attractive source of technology for India. A deepening of joint military exercises between the two countries will offer India a chance to thumb its nose at China, which recently staged an audacious intrusion into our territory in Ladakh. It's becoming increasingly clear that the Indo-Japanese relationship is now more than just exports and imports: It is about how Tokyo can transform India.

As Prime Minister Manmohan Singh said in Tokyo: "Greater investment by Japanese companies in India's large market will be in our economic as well as strategic interest." As the Chinese fumed, Japan rolled out the honours for Singh. In a rare gesture, the Japanese emperor hosted a private lunch for the PM and his wife, protocol usually reserved for visiting head of states only. Singh and his Japanese counterpart Shinzo Abe enjoy a strong personal rapport. Japan wants to build up India as an alternative, economic and military, to China, and Singh signalled strongly that India welcomed the idea. The first phase of this is giving India a modern infrastructure: the Delhi Metro, the Delhi-Mumbai Industrial Corridor and now, bullet trains. The second is shifting the thousands of Japanese factories in China to India. And on Wednesday, the two sides stepped up defence ties, with an offer from Tokyo for US2 amphibian aircraft, more bilateral naval exercises and defence technology cooperation. The backdrop is deteriorating Sino-Japanese ties. Tokyo believes the Chinese regime is whipping up anti-Japanese sentiment to absorb rising middle class nationalism. China's muscle-flexing over the Senkaku islands and anti-Japanese protests inside China are two sides of the same Beijing policy. Beijing ultimately wants Tokyo to end its defence ties with the US and accept Chinese suzerainty, believe Indian and US diplomats. One, as Chinese attack their employees and as labour costs keep rising, Japan Inc wants to move elsewhere. Japan is the second-largest foreign investor in China, with accumulated investment of over $70 billion. But a Japan Export Trading Oraganisation survey last year showed India emerging as the most preferred alternative site for Japanese FDI. India is seen as a difficult place to invest, but helping India's rise has a strategic benefit that is becoming increasingly important to Tokyo. In the past decade, says an Ernst and Young study, Japan is already the second largest foreign job creator in India. This is with only 300 Japanese firms in India. If a fraction of the 14,000 Japanese firms in China were to move, the result would be a job tsunami. Two, Japan is preparing to re-militarise and India is a perfect partner. Abe will seek to increase defence expenditure and even change Japan's pacificist constitution this autumn. India, which has begun bilateral naval exercises with Japan, will also be the first country to import military equipment from postwar Japan.

Because it has no hangups about Japan's World War II past, India would also provide legitimacy to Abe's re-militarisation. Three, China does not fear its neighbours individually. But it is concerned about them ganging up. Japan is still the third largest economy in the world and technologically far ahead of China. Abe seems to want to use Japan's capacities to enhance Indian power and make it a genuine geopolitical balancer to the Middle Kingdom. A close Indo-Japanese relationship would also bring the US into the picture -- a trilateral equation that has Beijing gnashing its teeth. "China's recent territorial actions only reinforce the logic of strong Indo-Japanese ties," says Hemant Singh, ex-Indian ambassador to Japan. Singh's speeches, with their call for deepening Indo-Japanese ties and support for freedom of the seas -- a code word for opposition to Chinese maritime claims -- is music to Tokyo's ears and geopolitical din to

Beijing's. Hence the dark warning from the Chinese People's Daily to Abe that any attempt to make India part of an anti-Chinese alliance were doomed. "The conspiracy of these petty burglars is doomed to fail," it said, pointing to how "successfully" New Delhi and Beijing settled the recent Ladakh border intrusion.

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Sino-SL pact may stoke India unease

Reuters

Beijing, 30 May 2013: China has offered Sri Lanka $2.2 billion in loans for infrastructure projects and a free trade pact, the island nation said on Wednesday, moves that could stoke fresh unease in India about Beijing's expanding influence in neighbourhood. Sri Lankan foreign minister GL Peiris, however, said the agreements with China including a separate one to enhance defence ties, should not be a cause for concern. But it’s not at the expense of any other country, there's no danger to any other country,. Peiris said in answer to a question on fears in India about China's deepening ties with Sri Lanka. Peiris was speaking to journalists during an official visit to China by Sri Lankan President Mahinda Rajapaksa. Located just off India's southern tip, the island of 21 million has become a visible front in the competition between the Asian giants, where mutual suspicion and commercial ambition have led to a race for construction projects. China and Sri Lanka agreed on $1.5 billion in private-sector investment in the northern express highway, which links Kandy in the central part of Sri Lanka, to Jaffna in the north, Peiris said. Officials from the two sides also agreed on the extension of a railway, the southern highway and the development of the port of Colombo, the country's capital, Peiris said. Similar port developments from Myanmar to Pakistan have raised Indian fears about Chinese political and military influence, but Rajapaksa has rejected such concerns, saying China's presence in Sri Lanka is strictly business-related. Sri Lanka's location astride an ancient and lucrative trade route in the Indian Ocean makes it of strategic commercial and military interest to Washington, New Delhi and Beijing. That, some analysts theorize, makes it a prime part of China's so-called "String of Pearls" strategy to surround India and project its presence by setting up coaling stations under commercial auspices at port after port in the Indian Ocean. So far, the weapons of influence have been financial: India and China have both funded huge chunks of Rajapaksa's $6 billion post-war overhaul of roads, railways, ports and power plants. The loans offered by China to Sri Lanka, which were signed on Tuesday along with the other agreements, make up a "preferential bias" credit facility for infrastructure, Peiris said. China and Sri Lanka have also agreed on cooperation related to defence, defence-related training, logistics and maritime security, and have agreed in principle to establish a free trade agreement, Peiris said. China has stood steadfast with Sri Lanka while it has faced international criticism including from Indian poliicians for alleged human rights violations in the final stages of the war with Liberation Tigers of Tamil Eelam in May 2009. Asked about remarks by Britain that there would be "consequences" for Sri Lanka if its leaders did not address international concerns over the rights abuses, ahead of a Commonwealth summit scheduled to be held in Colombo in November, Peiris said that "the actions that we've taken in that area have been very, very substantial." In mid-May, Britain's deputy prime minister Nick Clegg told Parliament "despicable human rights violations" had taken place in Sri Lanka. "These are not things that can be done overnight, they take time, basically these are processes which have to move forward in accordance with the people's culture, their aspirations," he said. "These have to be homegrown, homespun solutions." Tens of thousands of civilians, mostly Tamils, were killed in the final months of the war, a U.N. panel has said. Sri Lanka has repeatedly rejected calls for an independent, international investigation into the accusations of war crimes committed during the conflict.

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Big trade deficit with China? Excellent!

SA Aiyar, The Times of India

2 June 2013: China is India's largest trade partner. But India runs a large trade deficit of $29 billion with China. Prime Minister Manmohan Singh reportedly told his Chinese counterpart, Li Keqiang, at their recent meeting that this "needs to be addressed." But as an economist he surely knows it is wrong to aim for balanced trade with each trading partner. The beauty of international trade is that it enables every country to specialize in what it does best, export these specialties, and use the money to import what other do best. All countries end up specialising in what they do best, improving global productivity and reducing prices for everybody, a win-win situation. India should export whatever it can to whichever destination is profitable at the best possible price. In turn, it should import whatever it needs from wherever at the best possible price. This implies that India should run a trade surplus with relatively uncompetitive countries (like Pakistan or Bangladesh), and run a trade deficit with highly competitive countries (like China or Germany). The more competitive the trading partner, the more India should buy from it, and the bigger should be the bilateral trade deficit. China is the most competitive exporter of all, so India should run its biggest trade deficit with this country. Far from decrying this, we should view it as evidence that India is, very sensibly, getting its needs from the cheapest source. To see this in perspective, consider Indo-Pak trade. Pakistan has long erected trade barriers against Indian goods, importing many items at prices higher than what India offers. This hurts both Indian exporters and Pakistani consumers. Pakistan has promised to soon liberalise trade with India. When this happens, India's trade surplus with Pakistan will become even larger than it is today. That will be economically efficient, benefiting Pakistani consumers as well as Indian exporters. Yet many Pakistanis fret at the prospect, just as many Indians fret at their growing trade deficit with China. The fretting is unwarranted: large deficits in both cases are proof of sensible buying from the cheapest source. Many Indians argue that China gives huge export subsidies that constitute unfair trade. Sorry, but no individual, corporation or country can become prosperous by selling its goods below cost. You can as a short-term measure subsidise some items here or there, but selling everything at a loss is economic suicide, and China is not suicidal. It does keep interest rates artificially low, and prevents its currency

from appreciating. We can join the US in pressing for yuan appreciation. But that will affect the trade gap only slightly. Where China gives excessive subsidies, Indian businessmen are quick to demand anti-dumping duties, and the government is quick to oblige. India has imposed more anti-dumping duties than any other country. Additional curbs have been placed on Chinese telecom equipment on security grounds. The trade deficit however continues, suggesting that dumping is not the key issue. Rather, the deficit represents the gap in productivity between the two countries, especially in manufacturing. Most people think that exports are desirable and should be maximized, while imports are undesirable and should be minimized. The very opposite is true. You typically export what you have a surplus of, and import what is locally scarce. What's scarce is obviously more valuable than what you have in abundance. Seen in this light, the main benefit of trade is to end scarcities by importing what you don't have. Exports are a secondary aim, required to pay for imports. The pattern of Sino-Indian trade dismays many people. India exports mainly iron ore and other commodities. Its imports are almost entirely manufactured goods, especially machinery and telecom equipment. Some experts think commodities are somehow inferior to manufactures, and so bemoan the Sino-Indian pattern of trade. Now, manufactures often have more value added than commodities, yet somebody has to produce commodities too. Specialising in commodities is not inferior. India's biggest commodity producers are Ambani (oil, gas, petrochemicals, fibres), Tata (steel, soda ash, fertilizers, power) and Birla (aluminium, copper, cement, iron ore). Are Ambani, Tata and Birla inferior industrialists in inferior industries? No, they are India's creme de la creme. Both China and India still have far too many barriers to trade and investment, and these need lowering. Chinese non-tariff barriers are higher, and Indian negotiators must focus on this. But their overall aim must not be to balance trade with China, or target a particular trade deficit. Rather, India should target improvements in its own productivity and competitiveness. Once that happens, its trade deficit with all countries (including China) will automatically fall. Lesson: target the productivity gap, not the trade gap.

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New chapter in Sino-Indian ties

Naina Lal Kidwai, Business Line (The Hindu)

7 June 2013: The recent visit of Chinese Premier Li Keqiang to India was not business as usual. There was a lot of nostalgia as he recalled the Chinese youth delegation that he had led to India 27 years ago and the "warmth and friendship of the Indian people".

There was appreciation of how India, "one of the fastest growing economies of the world", was playing an increasingly notable role in the global arena and there was applause for India's enormous achievements.

Most importantly, there was a strong underlining of India's priority today in China's foreign policy with Premier Li Keqiang making New Delhi the first stop of his maiden official trip after assuming office. Both sides willing, "Sino-Indian ties would be the most important bilateral partnership of the century", Li Keqiang promised.

Bilateral Trade

See it as Premier Li Keqiang's response to changing global economic dynamics or simply a desire to bring the two countries closer, the fact is that the economic engagement between India and China is one of the most rapidly evolving bilateral relationships today.

As India's Prime Minister Manmohan Singh also pointed out, "the relationship between our two countries is of growing significance and essential for our peaceful development and sustained economic growth, as well as for stability and prosperity in our region and the world".

China today is our largest trade partner. Bilateral trade, totalled $75 billion in 2011-12, is projected to touch $100 billion by 2015. This is no mean achievement considering that just 11 years back, trade between the two countries was merely $3 billion. India is also the largest market for project exports from China with current execution orders estimated at over $55 billion.

Over the years, India has also become an attractive destination for about 100 Chinese companies across a wide range of sectors, while Indian investments into China are marked by the presence of companies in areas such as IT, auto components, banking and pharmaceuticals.
There are complementarities of size and strength between the two economies which make India and China natural partners.

With a combined population of 2.5 billion and a growing middle class, India and China are the fastest growing major economies offering a huge market and rich human resources. Between us, we have the finest and most efficient manufacturing and services companies and these should work together. The Premier has quite rightly indicated that "linkages between our vast markets" could be a game changer for the world.

Issues To Be Addressed

No doubt, India is enthused by the encouraging statements from the Chinese leadership. However, on the ground, there are bottlenecks that need to be tackled and issues that need to be addressed.

Foremost among these is the growing trade asymmetry that has become unsustainable for India since it has implications for our current account. India mainly exports raw materials to China and imports a large quantum of finished goods which has led to a swelling trade deficit — from $17 billion in 2007-08 to $39 billion in 2011-12. This must change. India needs to shift its export profile towards finished and value-added products and see a sizable jump in shipments to bridge the growing trade gap.

The Chinese Premier has assured us that he understands our concerns over the trade deficit and has promised greater market access to Indian products.

China would like to see more competitive Indian products enter its market and stands ready to provide facilitation.

CEOS' Forum

While we welcome these views and would work towards opening up a new chapter in bilateral relations, India would be watching to see how the Chinese Government acts on its promise related to market access. The formation of the India-China CEOs' forum, of which FICCI is the secretariat from India, is an important initiative that will play a key role in stepping up engagement between the two countries. The first meeting of the CEOs' forum which was held on the sidelines of the Premier's visit, has already identified the opportunities.

The Indian side urged its Chinese counterpart to consider investing in our Special Economic Zones (SEZs) from where they can export to third countries as well.

The upcoming National Investment and Manufacturing Zones (NIMZs), which will be the pivot for us to enhance the share of manufacturing in overall GDP, also present a good opportunity for Chinese companies to evaluate. Indian companies are large customers for Chinese firms in ICT/telecom and power sectors. Perhaps it is time that the Chinese side looks at indigenising production of some of the products exported to India by way of setting up manufacturing plants in India.

In the energy sector, companies from both sides agreed to work together and laid particular emphasis on sharing technologies in the renewable areas.

Another important suggestion that came up was to consider giving a fillip to the rupee-renminbi trade as this would help minimise the exchange risk and give a further boost to trade.

There was also a suggestion to enable banks on both sides to open more branches in each other's countries to facilitate trade and investment.

These are all interesting ideas to be pursued and will add a new facet to our relationship that has long gone beyond bilateral scope and has acquired regional, global and strategic dimensions.

(The author is President, Federation ofIndian Chambers of Commerce and Industry.)

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Anti-dumping duty on rubber chemicals extended

K. R. Srivats, Business Line (The Hindu)

New Delhi, 8 July 2013: The Finance Ministry has extended the validity of existing anti-dumping duty on certain rubber chemicals from China and South Korea by one year.

The anti-dumping duty on rubber chemicals MBT, CBS, TDQ, PVI, and TMT imported from China will remain in force till May 4 next year, the Revenue Department has said.

For PX-13 (6PPD) imports from South Korea, the existing anti-dumping duty will also be continued till May 4, 2014.

These chemicals are used in treating natural rubber and synthetic rubber-based compounds.

The Revenue Department move follows the initiation of sunset review investigation on these rubber chemicals by the designated authority in the Commerce Ministry.

National Organic Chemical Industries Ltd (NOCIL), Mumbai had filed the petition seeking sunset review, it is learnt.

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India pips China, others in cost competitiveness in spinning

Financial Express

New Delhi, 26 July 2013: India has pipped China and other major textile suppliers in competitiveness in the capital-intensive spinning segment, a latest study said, further bolstering the notion that enhancing the share of the organised sector in textile manufacturing results in lower costs. However, senior industry executives said systemic obstacles in the form of archic labour laws, frequent power outages and other infrastructural bottlenecks outweigh the inherent cost competitiveness and prevents growth in the country's share in the global trade, senior industry executives said.

Based on an assumption that India's manufacturing cost in the spinning sector was 100 in 2012, China's was high as 138, followed by Indonesia (110), Bangladesh (104) and Pakistan (101), according to the study commissioned by the state-run Textiles Export promotion Council (TEXPROCIL). However, in the weaving and processing sector, the manufacturing cost of China stands at 111, followed by Pakistan (110), Bangladesh (87) and Indonesia (99), compared with India's 100.

This reflects the growing urgency of bringing in more players into the organised sector in the weaving and processing segment through policy intervention, the executives said. Importantly, the share of unorganised manufacturing in the yarn segment, a major beneficiary of the government's technology upgradation fund scheme (TUFS) since the latter's inception, is barely 10%, compared with 80% for garments and roughly 90% for fabrics.

In 2011, 40% of ring spinning machines installed by the textile industry were less than 10 years old, compared with 29% in 2006 and 26% in 2002. Similarly, the industry achieved 100% shuttle-less weaving capacity with less than 10-year-old machines, compared with 75% in 2002.

Moreover, the report says a weak rupee has driven up India's cost competitiveness in the export market in recent years, compared with China. Although the rupee appreciated by 5.5% during 2002-2006, it weakened by 24% between 2006 and 2012 (24 per cent), while Chinese currency appreciated against the dollar by 23.8% in the decade through 2012.

However, the report said India has to go a long way in catching up with China in the textile sector, which captured more than 35% share in global trade in 2011. In absolute terms, while China's textile and garment exports hit $248 billion in 2011, India remains a distant second at $ 29.4 billion.

"Our share in the global trade suffers because of a lack of an effective overall policy framework, which has resulted in periodic restrictions on the shipments of certain raw materials. This has prevented investors to put in their money. Moreover, labour laws and some other infrastructural obstacles are also to be blamed. So while cost competitiveness is there, we need an enabling policy environment along with infrastructural support to gain from the inherent cost competitiveness to realise the potential," said DK Nair, the secretary-general of the Confederation Of Indian Textile Industry.

Industry executives said although the study has factored in the cost of grid power, a lack of adequate availability of electricity, especially in Tamil Nadu and Andhra Pradesh, has forced textile units to seek supplies from alternative sources at a much higher cost. So the cost-competitiveness in power may not accurate, they argued. Moreover, they said although manufacturing costs in China have gone up in recent years, huge subsidies and quality infrastructure there have offset these negatives compared with India. Textile minister KS Rao said on Thursday the government is planning to increase the interest subvention for powerlooms to 6% from the current 5% under the TUFS. He said he would also request Prime

Minister Manmohan Singh to be able to use the MGNREGA for the benefit of the textile sector, which will needs a tweaking of the current guidelines.

Thanks to organised manufacturing, spinners have traditionally accounted for around a half of the total committed investments under the TUFS and grabs 50% of the government's subsidy allocation. The government has catalysed investements worth Rs 111,000 crore in the textile sector in the three years through 2011-12 by offering a subsidy of Rs 9,000 crore under TUFS and expects to attract investments worth Rs 151,000 crore during the current Plan period, with a subsidy allocation of Rs 11,952 crore. The government mainly provides interest subsidy against loans to units, capital subsidy and limited cushion against exchange rate fluctuation for investing in new technology.

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