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US, EU, Japan pile pressure to remove local content clause

Amiti Sen, Economic Times

July 20, 2012, New Delhi: India's majortrade partners-the US, the EU and Japan-have stepped up pressure to remove local content requirement clause in the ambitious national solar mission project and manufacture of certain electronic products.

However, New Delhi is preparing to defend its policies strongly at the World Trade Organization right till the dispute panel level.

"There is a possibility that US may launch a formal dispute against India, especially for the domestic content clause in the National Solar Mission, but we will fight it," a commerce department official told
ET.

The US, the EU and Japan recently asked for a special meeting of the Trade Related Investment Measures or Trims committee of the WTO to address concerns on domestic content requirement or compulsory local-sourcing clause in some policy measures in India, Brazil, Indonesia and Russia.

India's decision to grant preference to domestically manufactured electronic products on security grounds, taken earlier this year, and the 30% mandatory domestic sourcing requirement in the JNSSM were strongly criticised by the three members.

The US expressed concern about telecom licensees in India having to purchase telecom equipment locally and wanted to know if the domestic sourcing requirement covered all private agencies.

"The US wanted to know which clause of security exceptions was being invoked and how security concerns are addressed by domestic content and value addition requirement," the official said.

India maintained that security issues are sacrosanct for all WTO members, and a detailed discussion was not possible since these issues are sensitive and confidential and are dealt on the basis of advice from security agencies.

The EU asked for a timeline on when detailed guidelines of the IT policy was expected, but India refused to give any date.

"We do not expect much trouble on electronic goods sourcing as we are well within our rights to take such measures for security reasons," the official said.

The ground, however, may be a bit wobbly when it comes to defending the requirements under the JNSSM that asks all investors to compulsorily use solar modules manufactured in India and source at least 30% of input locally.

The Trims does not allow any member to impose sourcing restrictions without ample justification. New Delhi is now waiting for the next Trims committee meeting to see what the US, the EU and Japan plan to do on the matter. "We are prepared to fight it till the end, and we will do so," the official said.

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U.S. Blocks India's Request for WTO to Rule on Steel Duty

Jennifer M. Freedma, Bloomberg

July 23, 2012: The U.S. blocked a request by India for World Trade Organization judges to investigate the legality of American countervailing duties on some Indian steel products. A second request would be automatically accepted.

India complained at the Geneva-based WTO on April 24, saying U.S. anti-subsidy duties on certain hot-rolled carbon- steel flat products violate global trade rules. India is challenging a U.S. finding that Indian steel producers got an illegal subsidy by paying too little for iron ore from a state- owned producer.

The U.S. first imposed the tariff in December 2001 and extended it six years later. The duty is fixed at 102.7 percent, according to a notification submitted by the U.S. to the WTO. The two governments held consultations in an unsuccessful bid to resolve the dispute without resorting to a panel.

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Are India, US on the brink of trade war?

Nayanima Basu, Business Standard

New Delhi, August 2, 2012: After many years, the world's oldest and largest democracies, India and the US, have locked horns in an unprecedented manner over a series of trade disputes that have left a question mark on trade relations between the countries. The imbroglio, on issues such as poultry exports, duty on steel rods and professional visa fees, has seen both approach the World Trade Organization (WTO)'s Dispute Settlement Body (DSB) to put an end to the bitter dispute.

However, some experts believe the dispute is about more than what meets the eye. Others feel the situation is normal, one akin to any between strong trading partners. Over the last couple of years, as the US gradually saw a change of regime, trade ties between India and the US have seen a paradigm shift. A look at what is happening behind the curtains reveals significant factors influencing the US' stance with its leading Asian trade partners. A large part of it is political rhetoric aimed at winning the confidence of the US citizenry, which loves to see their leader raise a strong and stern voice in global matters.

In March, the US commerce department had imposed a 286 per cent countervailing duty on specific steel rods imported from India, arguing these products were heavily subsidised and, therefore, led to an unfair pricing mechanism. In 2010, the US had increased fees for professional visas — H1B and L1 — for applicants of firms in which more than half the employees were immigrants. India challenged both the moves in the WTO, while the US moved the WTO's DSB against India for restricting its poultry exports into the country.

"Since the economic downturn, lobbies in the US have been quite active in securing their interests. Often, in the name of securing jobs for American citizens, the prevailing mood in the administration is to aggressively secure incremental market access, ostensibly to remedy the bulging current account deficit. The former dimension has found expression through actions taken against service providers in India or select industries in China that have, or could have, a sizeable presence in the US market," says Biswajit Dhar, director-general of the New Delhi-based Research and Information System for Developing Countries. He adds action taken by the US administration on trade can, therefore, be quite independent of the political relations US shares with its partners.

According to a senior official from the ministry of commerce and industry, the US has become "extremely protectionist" in the last couple of years, and is linking just about everything to the coming Presidential elections in that country. "They are entirely playing to their domestic constituency. It is their way of jingoism," the official told Business Standard, on condition of anonymity.
In stark contrast to the rising friction in trade between the countries, US President Barack Obama's visit to India in November 2010 had seen much bonhomie between the nations. Obama had then scouted for greater access for US companies to the Indian market, signing deals worth billions of dollars.

Some trade analysts view the recent trade disputes as indirect fallout of the Doha round of global trade talks in the WTO, stalled for more than a decade. Recently, the US had urged emerging countries like India and China to take more responsibility in giving market access to goods and services from developed countries. But some say the US is simply jittery over India's success in the information technology sector. Some states in the US have also called for a ban on outsourcing.

Manoj Pant, professor at the Centre for International Trade and Development (School of International Studies, Jawaharlal Nehru University), believes the tensions are part of the continuing dispute in WTO meetings in which demands for a cut in duties and non-tariff barriers in developed countries, particularly the demand for reduction in agricultural subsidies, have been getting support. "It is well known that he (Obama) is employing this rhetoric as his popularity rating is falling and anti-

outsourcing is his known position against Republican (Mitt) Romney. Remember, he had employed the same rhetoric before the last election," Pant said.
Protectionist tendencies in the US usually gain traction during presidential elections. Democrats are particularly known to whip up national sentiment and step up the offensive against foreign entities. This is evident from President Obama's campaign in which he spoke of bringing back "jobs that have moved overseas".

"These recent tensions are, to some extent, due to the ongoing financial crisis. The administration needs to play to the gallery and show it is strong. While it says it is fighting for the interest of its citizens, at the back of its mind, the measures are to win elections. I believe all these issues will be resolved once the elections are over," said Anwarul Hoda of the Indian Council for Research on International Economic Relations.

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Indian Outsourcing Firms Accelerate U.S. Hiring

Dhanya Ann Thoppil, The Wall Street Journal Europe

Bangalore, 7 August 2012: India's information-technology companies are stepping up hiring in the U.S., where a backlash against sending business offshore is gaining momentum ahead of the presidential election.

The hiring also comes as the outsourcing companies face tougher U.S. visa rules that have made it difficult to relocate Indian employees to client locations in the U.S. to carry out technology projects.

Midsize Indian software exporter MindTree Ltd. said Monday it aims to hire more Americans to staff four or five software-development centers that it plans to set up in the U.S. over the next five years. MindTree will tie up with local universities to groom students for technology jobs, Chief Executive Krishnakumar Natarajan said.

Hiring more people locally reduces risks at a time when there are signs of increased protectionism in countries like the U.S., which are suffering from slow economic growth and high unemployment, Mr. Natarajan said.

"As markets become global, the ability of companies to be local to the markets that they are accessing is also important," he added.

The Bangalore-based company, which provides outsourcing services in the manufacturing, banking and financial-services sectors, is following in the footsteps of its larger peers. Tata Consultancy Services Ltd., India's largest software exporter by sales, plans to hire 2,000 U.S. employees in the current fiscal year that began in April, some 400 more than last year. Infosys Ltd., another large IT company, last month said it plans to hire 2,000 employees in the U.S. in 2012.

The recruitment drive comes as Indian outsourcing companies encounter intensified scrutiny ahead of the U.S. presidential election.

Job creation has emerged as a key issue in the campaign. U.S. President Barack Obama has accused Republican rival Mitt Romney of having shipped American jobs overseas while serving as head of private-equity firm Bain Capital and governor of Massachusetts. Mr. Romney's camp has dismissed the allegations.

India's outsourcing companies also have defended themselves, saying they are creating jobs in the U.S. According to India's main software trade body, the National Association of Software and Services Companies, the Indian outsourcing industry employs nearly three million people world-wide. In the past five years, the industry has generated 280,000 local jobs in the U.S., says Ameet Nivsarkar, vice president of the association.

Still, India's outsourcing companies continue to depend on cheaper India-based employees. At the end of June, 93% of TCS's 240,000 employees were based in India, compared with 1% in the U.S. That has caused anger in some quarters in the U.S., where unemployment is rising.

U.S. Sen. Debbie Stabenow, a Michigan Democrat, in April proposed legislation that would offer tax breaks to get businesses to hire more employees at home. The legislation, dubbed the Bring Jobs Home Act, would help companies cover the cost of moving production back to the U.S. and ban tax deductions for the expenses of moving operations abroad.

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India seeks change in SME definition by European Union

Amiti Sen, Economic Times

17 August 2012, New Delhi: India has asked EU to amend its definition of small and medium enterprises to accommodate the country's labour intensive small units, so that they qualify for fee concessions under the region's environment legislation, popularly known as REACH.

It has also asked the EU to allow Indian exporters of chemicals and other products, who have to comply with REACH regulations, to go in for direct registration of their products with the authorities instead of appointing EU-based 'only representative' to save on costs.

"Our industry has been struggling to keep pace with the fast-changing regulations under EU's REACH initiative, and are also taking a financial blow due to the heavy fees that have to be paid for getting chemicals registered under the programme," a government official told ET. "The least that the EU can do is to recognise our genuine SMEs and give them the due concessions."

Delhi raised the issue at a recent meeting of the World Trade Organisation's Committee on Technical Barriers to Trade. REACH, which stands for registration, evaluation, authorisation and restriction of chemicals, was implemented in 2007 to restrict the levels of specific chemical substances in all imported goods into the EU.

Under the programme, items that contain chemicals identified by REACH have to be registered in EU giving details of the levels of various substances in the product.

Indian exporters of chemicals, textiles, leather and toys are required to identify an OR to carry out the registration. Exporters not only have to pay registration fees but also the OR, which pushes up their costs. According to industry estimates, the cost of registering a chemical varies from Rs 350,000 to Rs 90 lakh, depending upon the hazardous nature of the chemical.

The cost of conducting toxicology tests to generate safety data is also prohibitive.

Although the EU offers steep fee concession to SMEs depending on their size as a medium, small or micro enterprise, most Indian small companies do not fall under these categories as they are labour intensive and employ more than the prescribed workers.

"The use of staff head count in addition to annual turnover and balance sheet ceiling would classify many of India's micro enterprises as large under REACH, despite meeting the annual turnover or balance sheet ceiling," the Indian representative said at the WTO meeting. "This goes against the spirit of the Technical Barriers to Trade Agreement as it creates unnecessary obstacles to a developing country."

Although the EU representative did not respond to India's proposal on SME definition, she ruled out the request for allowing exporters to register their products directly in the EU, as enforcement action such as inspection and fines, cannot be carried out on the entities outside the country.

"We will keep pressing our cause both at the WTO and bilaterally as it affects the long-term interests of our exporters," the official said.

The Indian Chemical Council had recommended that the government should constitute a fund for the reimbursement of REACH registration expenses.

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Chicken legs 45% more expensive, trade disputes prevent imports

Nidhi Nath Srinivas, Economic Times

20 August, 2012, New Delhi: How often have you stood at the counter of a fast-food outlet and hollered because your tub of chicken did not have a single leg piece? Quite often, isn't it? That's because Indians love chicken legs, and everybody is asking for the same pieces. Also, chicken, like their loving consumers, have only two leg pieces each.

Indians share this love for legs with their neighbours across the Himalayas: the Chinese. Europeans and Americans, in contrast, love chicken breasts. So, what do the Americans do with their leg pieces? Like true capitalists, they make money by exporting them.

The US, by far, is the world's leading supplier of king-size chicken feet, mainly to China where they are a prized delicacy. These wings and feet, which are worth only a few cents a pound in the US, fetch 60-80 cents a pound in China. The legs are packed off to the Middle-East and Asia.

Indian consumers, however, do not have access to these juicy drumsticks. Why? The country's doors are firmly bolted to protect the domestic poultry industry. That probably results in Indian consumers paying a lot more for their favourite bite of tangdi kebab.

Here's how the economics of chicken leg trade could work. A kilo of drumsticks in the neighbourhood supermarket today sells for at least Rs 200. A kilo of drumsticks from the US would be available in the same supermarket for Rs 110 after adding air freight, import duty of 37%, all taxes and retailer margins. That's a cool saving of 45%.

Americans Licking their Chops

"Until there is a change in the Indian market, the food industry will continue to pay a heavy price for chicken legs. Import will immediately ease this burden, improve supply and allow us to sell products to consumers more affordably," says Bhupinder Singh, CEO, Vista Processed Foods Pvt Ltd, which supplies McDonald's with chicken and vegetable products.

Given the size of the Indian market, it's hardly surprising that the Americans are licking their chops. The US' National Chicken Council, National Turkey Federation, and USA Poultry & Egg Export Council have pegged the value of US poultry exports to India each year at more than $300 million. The timing would also be perfect. Consumer demand for poultry is tapering off in the US, pushing local companies to increasingly depend on exports.

Global trade in these not-needed bits is expanding fast, driven primarily by multinational fast-food chains. These chains use the leftover trimmings, low-value cuts (in the US) and other bits and pieces to make patties, frankfurters and finger foods.

The most aggressive exporter is Brazil, followed by the US, EU and Thailand. However, the Indian poultry industry isn't ready to welcome the competition yet.

"The US and Brazil will start dumping cheap cuts, which will eventually wipe out our small farmers and nascent industry. It will be one-directional trade because these countries will use sanitary and phyto-sanitary rules to bar us from exporting breast meat. Since India is self-sufficient in poultry, there is no need to allow such unfair practices for short-term gains," says an official at Venky's, a top player in the Indian market.

The industry's hostility is not unfounded. Under the threat of rising poultry imports from the US, Chinese producers asked for an investigation into chicken prices. The investigation led to anti-dumping duties on US chicken imports in 2010, ranging from 43% to 105%.

More barbed wire has been placed in the form of stiff food safety norms. India lifted its four-year-old ban on US poultry imports after the country declared that it was free of avian influenza in September last.

But no orders could be placed because India restricts imports from any country that faces the risk of even low pathogenic avian influenza. Despite these barriers, there have been five outbreaks of avian flu in the last two years. Not surprisingly, this has sparked a trade row.

Thwarted out of business, in April, the US dragged India to WTO's dispute settlement body, alleging what US Trade Representative Ron Kirk called "a case of disguising trade restrictions by invoking unjustified animal health concerns".

In its defence, India says low pathogenic avian influenza could mutate into highly pathogenic strains. Moreover, it is allowed to prohibit trade in poultry under the Terrestrial Animal Health Code of the World Organisation for Animal Health.

The US disputes this assessment, arguing that international standards for avian influenza control only support the imposition of import bans in outbreaks of high pathogenic strains. Washington, therefore, claims that there is no basis for imposing an import ban, as only low pathogenic strains of avian influenza have been detected in the US since 2004.

For now, protected from direct competition, India's poultry industry is growing rapidly. Within a decade, output has jumped 370%. Farms make profits in the years when chicken are healthy and their feed is cheap. But that is nothing compared to the money retailers are making, with margins as high as 40%.

Sticker prices remain high because the market has shifted from traditional cost-based pricing to demand-based pricing. Retailers can be brazen about it because they know consumers have few shopping options.

Indian industry has clearly nothing to worry while the WTO dispute drags on. But consumers desperately need a break from protein inflation.

A recent informal survey done by industry body Poultry Federation of India shows demand is rising fastest among consumers at the bottom of the pyramid, such as daily wage earners like rickshaw pullers, because 250 gm of chicken at Rs 40 turns out cheaper than most vegetables. The threat from foreign competition is overdone anyway, say industry watchers.

Imported poultry products cannot enter India's wet market, which has a 95% share of total sales and thus will not be in direct competition with local industry or small farmers, says Pawan Kumar, an analyst with Rabobank.

The challenges of distribution and marketing will make it tough for foreign companies to make heavy inroads while taste may be another hurdle as American and Brazilian chicken are not raised on the same feed as desi poultry.

Kumar is convinced that opening the market to trade would prove beneficial because a sustainable supply of legs would provide confidence to the food service industry and attract more FDI. This could eventually lead to Indian meat products coming into compliance with US and EU norms.

"Broadly, Rabobank believes that the international arbitrage of meat products represents one of the most attractive opportunities available to the poultry industry," Kumar says.

The average Indian today eats almost three times more chicken than he did nine years ago. But as this is mainly because all other meat choices are unaffordable, he can do with some help. Quickly opening the market to competition would be a good start.

But even the supply of cheaper chicken parts from overseas are no longer guaranteed, as the global recession is changing tastes. Retail chain Sainsbury's is teaching British families on a budget how to use drumsticks for a hearty family meal.

In the US, the price differential between legs and breasts is narrowing rapidly as consumers shift to cheaper cuts. The whole chicken has finally crossed the income divide.

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WTO to take up India's complaint against US on steel

Business Line

August 26 2012, New Delhi: The WTO's dispute settlement body will take up on August 31 India's complaint against duties imposed by the US on imports of some Indian steel products, the multilateral body has said.

In April, India complained that the US had wrongly imposed countervailing duties, a kind of restrictive duty, on certain hot-rolled carbon steel flat products from India.

"The duty imposed by the US is inconsistent with the WTO rules. The issue will now be discussed in the WTO's dispute panel," an official said.
Countries impose countervailing duties when they believe that their domestic manufacturers are suffering losses because of competition from unfairly subsidised imports.

India is contesting the US conclusion that Indian steel producers received subsidy on iron ore purchased from a state-owned company.

According to reports, in December 2001, the US imposed the restrictive duty and further extended the duty after six years. The duty fixed was 102.7 per cent.

By asking for setting up of a dispute panel, India is indicating that it has failed to resolve the issue via consultations with the US. Bilateral consultations are the first step under the WTO's dispute settlement mechanism.

In April, India had moved the WTO against the US on the issue but the matter was not resolved at the bilateral consultation stage.

India is also considering seeking consultations with the US under the aegis of World Trade Organisation (WTO) on visa fee hike for professionals, which it says discriminates against Indian software companies that send employees to America on short-term contracts.

Earlier in March, Washington had dragged New Delhi to the global trade body against India's ban on imports of certain American farm products, including poultry meat and eggs. The US had termed the ban as unjustified health-safety worries.

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WTO panel to look into US duties on Indian steel

Sheila Mathrani, Financial Express

Geneva, September 1, 2012: The Dispute Settlement Body (DSB) of the WTO has set up a panel at India's request over the US imposition of countervailing duties on certain hot-rolled carbon steel flat products from India. New Delhi argues that the measure is inconsistent with several provisions of the agreement on subsidies and countervailing measures and the GATT, 1994.

Members which reserved their third-party rights were the EU, Saudi Arabia, Canada, Turkey and Australia.

India acknowledged at the meeting that every WTO member has a right to levy countervailing duties, but this right can be exercised only within the framework of the Agreement on Subsidies and Countervailing
Measures and the GATT, 1994.

Steel exports by leading Indian manufacturers (Jindal and Tata) have been rendered uncompetitive in the US because of the CVD imposed there. According to India, provisional CVD measures imposed by the US on 20 April 2001 were made final after the US conducted a sunset review, with effect from December 3, 2001. The US extended these measures for a further five years.

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US, EU oppose India's proposed quality regulations for imported toys

Amiti Sen, Economic Times

New Delhi, September 8, 2012: The US and EU have opposed India's proposed quality regulations for imported toys, saying the legislation requires disclosure of extensive information by manufacturers. The draft legislation, called Toys and Toy Products Compulsory Registration order, makes it mandatory for imported toys to be tested for toxic chemicals and registered in India before being sold to consumers.

Both the US and the EU have demanded that India should incorporate their suggestions and make the legislation framing process more transparent so that all concerns are addressed.

India, however, maintains that extensive bilateral consultations have already been held on the issue and the draft legislation, once framed, would be placed before the World Trade Organisation.

"Most countries frame laws to protect consumers on their own. We, too, are aware of our sovereign rights," an official told ET, adding, "At the same time, we do not want to keep the world guessing. So, we would definitely put up the draft legislation before the WTO."

The legislation is being prepared by the Bureau of Indian Standards (BIS), which is under the consumer affairs ministry, in consultation with the Department of Industrial Policy and Promotion, the nodal body for FDI policy.

"The BIS is continuously carrying out tests on the toxins that contaminate our toys and is upgrading the quality norms. The proposed order on registration of toys is to ensure that all our imports, too, strictly adhere to domestic standards," the official said.

Imports account for almost half of India's toy market, estimated at about $1.5 billion. It is expected to touch $2.6 billion by 2015, according to a recent study by industry body Assocham.

In 2009, India had banned import of toys from China over fears that the country was being flooding with cheap products that contained harmful chemicals. India, however, was forced to withdraw the ban after China complained to the WTO of being singled out.

In response to growing pressure from consumer activists, the BIS revised its toy safety standards last year, building in requirements for phthalate, a harmful chemical used for softening toys. The new compulsory registration order will ensure that imported toys are regulated on the same lines as domestic ones, the official said.

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US working on investment treaties with India, China

Press Trust of India

Washington, September 20, 2012: Months after it unveiled a model bilateral investment treaty (BIT), a top Obama Administration official has said the US is working on BIT with a number of countries, including India, China and Mauritius.

This is a part of the Obama Administration's effort to promote investment policies and enhance trade, the US Trade Representatives Ron Kirk said at Coalition of Service Industries 2012 Global Services Summit.

"Earlier this year, the Administration concluded a thorough review of the US' model bilateral investment treaty (BIT). We enhanced transparency and public participation, sharpened the disciplines that address preferential treatment to state-owned enterprises and strengthened protections relating to labour and the environment," he said.

"With these new policy tools, US negotiators are now advancing efforts to secure high-standard BITs with trading partners such as China and India, as well as Mauritius. We have also resumed exploratory BIT discussions with a number of countries including Ghana, Cambodia, Russia, and the East African Community (EAC)," he added.

Kirk said the US is focused on enhancing services trade through existing agreements.
For example, the US-Korea agreement, which is in force, provides new opportunities for US service suppliers in the $580 billion Korean services market.

"Similarly, US investors and service suppliers are starting to take advantage of new opportunities under our recently implemented trade agreement with Colombia," he said.

Kirk also said direct dialogue is essential for enhancing services trade and investment. For example, China is the fastest growing auto market in the world. Through bilateral engagement, the US persuaded China to open its market for certain mandatory auto insurance.

"Of course, when negotiations and dialogue are not able to remove discriminatory barriers to trade sufficiently, it may be necessary to utilise appropriate trade enforcement tools.

"In July, a WTO Panel agreed with US claims that China's pervasive and discriminatory measures in the electronic payment services (EPS) sector deny a level playing field to financial services suppliers from the US and other countries," Kirk said.

China has now accepted the Panel's ruling and the US is working with China to ensure that these practices end, he added.
Kirk said the US is eager to seize the full potential of its trade and investment relationship with Russia at the bilateral as well as multilateral levels.

"Last month, the US welcomed Russia as the 156th Member of the WTO. Now, WTO rules could - and should - offer important transparency and predictability for US service suppliers doing business in Russia," he said.

"But because the WTO Agreement does not apply between the US and Russia at this time, Russia does not have to apply the WTO rules, or its market-opening commitments, to US service suppliers.
"That's why the Obama Administration is strongly encouraging Congress to pass legislation as soon as possible that will terminate Jackson-Vanik (amendment) and authorise permanent normal trade relations with Russia," Kirk said.

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India may move WTO against US visa fee hike by Oct end

PTI

September 23, 2012, New Delhi: India is expected to soon seek consultations with the US under the aegis of World Trade Organization (WTO) on visa fee hike for professionals, which discriminates against Indian software companies that send employees to America on short-term contracts.

Although the commerce ministry had internally started the process in April, collecting all the relevant information and data to make a strong case in the WTO is taking time, a senior official told PTI.

"But now we have finalized our case. We are putting all the evidences together. The US visa fee hike is a discriminatory move against Indian IT firms. We are expecting that by October end, we will formally file the complaint and seek consultations under WTO," the official said. The US had raised visa fee in 2010 to fund its enhanced costs on securing border with Mexico under the Border Security Act. India has been protesting against the measure at different forums.

An American law (Emergency Border Security Supplemental Appropriations Act, 2010) has substantially increased the fees for H-1B and L-1 categories of visas for applicants that employ more than 50 employee in the US or have more than 50 per cent of their employees admitted on non-immigrant visas (called the "50/50 rule").

"... which is prima facie discriminatory for Indian companies," minister of state for commerce and industry Jyotiraditya Scindia had said earlier.

According to industry experts the H1B visa fee has been increased to USD 2,000 per visa application and L1 by USD 2,700 per visa application.

Some of the top Indian companies — TCS, Infosys, Wipro and Mahindra Satyam — were affected by the US action on visa fee. The US is the largest market for the Indian software exports.

As per the procedure of WTO, consultation is the first stage of a complaint filed with the global trade body.

Consultations give the parties an opportunity to discuss the matter and to find a satisfactory solution without proceeding further. After 60 days, if consultations fail to resolve the dispute, the complainant may request adjudication by a panel.

Meanwhile, New Delhi and Washington have also completed consultations on other issues in WTO that include avain influenza and steel.

In April, India had complained that the US had wrongly imposed countervailing duties, a kind of restrictive duty, on certain hot-rolled carbon steel flat products from India.

"We have asked for setting up of panel under the WTO's dispute settlement mechanism on the steel issue," the official said.

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Honduras pips India at US garment stores

Times of India

September 27, 2012, New Delhi: First, it was Bangladesh and Vietnam. Now it's Honduras that has beaten India in the race to garment stores in the US, which accounts for nearly a third of India's apparel exports.

Latest available data shows that India has been pushed to the seventh slot in the US garment import sweepstakes by the central American country after it registered a 16.5% fall in shipments in July. While local players blame the slowdown, Honduras's proximity and probably preferential access to the world's largest economy would have tilted the scales in its favour.

Although US households have indeed cut down on discretionary spends such as buying garments and jewellery, the impact seems to be more pronounced in the case of Indian exports. For instance, among the top seven garment exporters to the US, only India and Mexico witnessed a fall in the value of consignments in July, while shipments from China remained flat. During April-July 2012, Indian apparel exports to all countries shrunk by over 13% to $4.2 billion compared to $4.9 billion a year ago. The fall has been attributed to a slowdown as exports to major markets such as Europe that accounts for almost half the shipments declined 24% while those to the US were down almost 11%.

In recent years, inflexible labour laws, rising wages and poor infrastructure have been blamed for India's fall from the second slot in global export of garments. The decline has been sharper since the quota regime was disbanded in 2005, a move which was actually expected to benefit Indian manufacturers.

But Bangladesh's status as a least developed country, which allows its garments preferential access in markets such as Europe, along with cheap labour, have meant that India has lost the battle. In fact, several Indian companies have set up shop across the eastern border and are now tapping the European market, aided by access to cheaper raw material from India after New Delhi and Dhaka settled for better trade ties.

India is hoping that a bilateral trade deal will help it narrow the gap with Bangladesh, if not overtake its neighbour, as the EU has agreed to lower the import duty.

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Clinton to look into hike in US visa charges

Times of India

3 October, 2012, New Delhi: US Secretary of State Hillary Clinton has promised to take up the issue of
hike in visa charges with authorities concerned in America in the light of protests by Indian software companies.

In a meeting with foreign minister S M Krishna on Monday, Clinton assured India that the US would try and "rectify" the decision, even if not immediately.

The US in 2010 announced a hike in work visa charges, including H-1 B, apparently to meet the cost of securing its border with Mexico.

Even though the decision was not country-specific, top Indian software companies impacted by the decision alleged that they were being discriminated against leading New Delhi taking up the matter diplomatically with the US.

India has also been contemplating filing an appeal in the WTO against the move.

"She has assured to take it up with the concerned and rectify,"said an Indian official after the meeting.

Government sources said though that they were not expecting the US administration to take any step immediately to address India's concerns given that presidential elections are taking place soon. Both leaders also discussed wide variety of issues including bilateral and regional issues in a frank and friendly manner.

On Libya, Clinton thanked prompt Indian response to condemn attack on Benghazi Consulate. Regional issues that came up during the discussions included Afghanistan, regional cooperation in South Asia, and India's Look East policy," said an Indian official.

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Indian IT defused US outsourcing bogey

Devjyot Ghoshal, Business Standard

New Delhi October 3, 2012: It is election time in the US. So, it's no surprise that the unwanted mantle of "outsourcer-in-chief" is being tossed back and forth between President Barack Obama and the Republican Party's Presidential nominee, Mitt Romney. Curiously though, the Indian information technology (IT) industry, a favourite whipping boy during the 2004 and 2008 White House races, has largely been spared the sharp rhetoric that it had slowly grown accustomed to, and that too in the midst of a lacklustre US economy.

There are two main reasons for this. First, the US today has bigger economic headaches than outsourcing. "The country has lost more jobs to manufacturing than to services," says T V Mohandas Pai, a former director at Infosys, "So, much of the rhetoric now is about that," he adds.

That probably explains why China's manufacturing powerhouse, instead of Indian IT, has found itself smack in the middle of the US Presidential fight. In fact, a recent study by the Pew Research Centre found that 56 per cent of US respondents feel that their government should "be tough" with China on economic or trade issues.

Hired in the USA

At the same time, the Indian IT armada, too, has evolved. In the last five years, according to the industry's apex body, Nasscom, Indian IT firms have increased their investment in US-based centres by almost 10 times.

This has meant that from having around 58,000 permanent employees in the US in 2005-2006, the headcount doubled to around 107,000 in 2010-11. Of these, three out of every four jobs are held by US nationals, and within the larger ecosystem, Indian IT has created 175,000 indirect jobs in the US. The projections are that over the next five years, the number of seats that Indian IT companies have in the US will double again, bringing with them more investments. In total, the IT industry provides direct employment to about 2.8 million people and indirectly employs another 8.9 million people. None of this, however, has happened of its own accord. Instead, jolted by the post-Lehman financial crisis, it was the Indian IT industry's scramble to move up the value chain that resulted in companies leaving behind the labour arbitrage game and getting into higher-value work that requires more on-shore presence. "The problem was that the existing business was getting commoditised," says S Ramadorai, vice-chairman of TCS, India's largest IT services provider. "Reinvention became important." As a part of this reengineering, Indian IT attempted to decrease its reliance on application development and maintenance services and branched out into consulting, enterprise solutions and other domain-specific segments, where specialised skills are required. "That is where Indian companies are hiring in the US," adds Pai, who previously led Infosys' human resources team. "And, it will increase," he says. Padmanabhan Venkataraman, the current head of Infosys' US operations and IT services delivery, says that the growth in the volume and value of business will mean that local headcount growth will continue. "Last year, we hired about 1,200 (in the US). This calendar year, we will hire up to 2,000. In total, Infosys has about 15,500 employees in the US," he explains. "We will continue to hire in this manner," he adds.

Selling the story

For Nasscom, all this has made selling the Indian IT story much easier. From the blustery 2004 election campaign, where the industry body found itself on the back foot, defending outsourcing and fighting legislations, its campaign today has grown into creating partnerships, alongside a more proactive stance. Kiran Karnik, as the president of Nasscom between 2001 and 2007, was in the thick of it when the outsourcing bogey was first raised in the 2004 US Presidential race. "The time around 2003-2004 was very tough. We had never faced anything like that before," he says. "There was a new generation in the US that had never faced job losses (due to the 2002-2003 economic slowdown) and we became a convenient target." So, few in the Indian IT industry were ready for the sharp rhetoric and related actions when it began.

"It started off in 2004, with the Benedict Arnold (an infamous US traitor) label attached to firms that sent jobs overseas. Initially, it (Nasscom's work) began purely as an effort to stop anti-outsourcing legislation. That was the single- biggest driver," says Ameet Nivsarkar, vice-president at Nasscom. "Over a period of time, it has evolved. We have created partnerships with counterpart associations, like-minded academic institutes, think tanks and researchers," he adds.

That list now includes some 20 partners, from TechAmerica (Nasscom's US equivalent) and the US Chamber of Commerce, to think tanks like the Brookings Institution and the Peterson Institute for International Economics. Yet, scores of legislative attempts that can make business difficult for Indian IT firms continue to be tabled.

"On the tactical front, this continues. Ninety-nine per cent of the Bills don't see the light of the day and a lot of times, it is just a political statement," Nivsarkar explains. "Often, perceptions are formed on information which is not current. Our job is not just to stop Bills, but to give them correct information. But, we have moved from a defensive position to a more aggressive one. It is important to communicate what benefits are being generated (for the US)."

"The understanding that outsourcing benefits US firms has begun to hit home," adds Karnik. "Politicians had begun to realise this earlier, and now, it is coming across to the broader public — that US companies cannot be globally competitive without outsourcing."

Yet, recurring challenges like visa allocations remain and the Indian IT industry isn't seen as a part of the US industrial complex, unlike Japanese car makers, for instance, who find themselves deeply integrated into the economy.

A new normal?

Nonetheless, Pramod Bhasin, former CEO of Genpact, India's largest business process outsourcing (BPO) firm, feels that not only has the US industry matured to realise the importance of outsourcing, particularly after the pain of the slowdown, but Indian IT service providers have also improved their offerings.

"In the past, we would do what the customer used to do," says Bhasin, "Today, we can perform tasks better than the customer. Now, it has become virtually impossible for the customer to stop outsourcing." The result has been that in the last four years, Genpact's headcount in the US has gone up almost fourfold, to about 2,000. These aren't large numbers, but growing local hiring points to a clear divergence from the traditional labour arbitrage model. Talent abroad doesn't come as cheap as in the subcontinent. Infosys' Venkataraman knows that, given that the company wants local hires to constitute at least 50 per cent of its workforce in countries where it operates, although doubts exist on how this will impact profitability. "Our experience is that our customers appreciate what we are trying to do. They want us to move up the value chain," he explains, "Margin pressure shouldn't be a big problem for us, given our focus on high-value services," he adds.

But Indian IT firms are yet to master higher-value, non-linear services — where revenue growth is detached from the headcount increase — with most companies deriving less than 10 per cent of their revenue from such models, according to a UBS report from earlier this year, and using a model with more local hiring in international markets will hit margins.

"Given that margins will shrink, they (companies) have to ensure they increase prices, but, to do that, they have to move into higher-value work," adds Karnik. "There will be some shrinkage (in margins) but you have got to accelerate non-linear work."

In a sluggish market that isn't likely to be easy, profitability will remains an issue for some firms in the middle of their transformational curve. However, what is now clear is that the noticeable political resistance to Indian IT that emerged in the last decade has now abated.

"Yes, the political risk is down, although it hasn't died out," says TCS' Ramadorai. "But for how long could they beat the same drum?"

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Exports to US rise despite slowdown

Dilasha Seth, Business Standard

New Delhi, October 8, 2012: The US' share in India's total exports rose to 11.3 per cent in 2011-12 from 10.1 per cent in the previous financial year, and 10.9 per cent in 2009-10, despite the slowdown there. In value terms, India's exports to that country grew 37.3 per cent in 2011-12, to $34.7 billion, according to data released recently. As a large number of patented drugs went off-patent towards the end of this year, the share was likely to increase further, experts said.

Federation of Indian Export Organisations Director-General Ajay Sahai said: "Despite a price advantage, barring a few big players, Indian pharmaceutical companies were not able to get entry into the US earlier. This will change now."

The importance of the US as an export destination could be gauged from the fact that though the combined population of India and China was six times that of the US, the combined consumption of these two economies was just about 60 per cent of the US, Sahai explained.

The share of the US in India's total exports used to be even higher earlier. It was 12.7 per cent in the pre-financial crisis year of 2007-08 (it came down to 11.4 per cent in the crisis period of 2008-09). In 200203, a little over 20 per cent of India's exports went to that country.

In value terms, India's total exports in 2011-12 stood at $303 billion, up 21.8 per cent over the previous year. Sahai said the top 13 export destinations for India, accounting for over $200 billion a year, were not emerging economic but advanced ones.

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India, US discuss ways to lower barriers to trade, investment

Press Trust of India

New Delhi, October 9, 2012: Committed to strengthening bilateral economic ties, India and the US today discussed ways to lower trade and investment barriers further.

In a joint statement after the India-US Economic and Financial Partnership meeting, Finance Minister P Chidambaram and US Treasury Secretary Timothy Geithner said the two sides will also strengthen cooperation to combat money laundering and terror financing.

They said India and the US are committed to exploring new areas to deepen and broaden economic and financial ties.

"Both countries recognise the great potential benefit from working together to meet the challenges of a shared future to generate jobs, sustain growth and help ensure macroeconomic stability... We discussed ways we can further lower barriers to trade and investment to facilitate stronger growth and job creation," the statement said. "Our work continues on infrastructure financing."

At the meeting, the two sides discussed economic and financial developments in their economies and in the world.

"We agreed to deepen our cooperation bilaterally and in multilateral fora, including the G-20 to contribute towards steering the global economy out of uncertainties and achieving strong, sustainable and balanced growth going forward," the statement said.

The two sides agreed to expand cooperation to deepen capital markets and strengthen financial regulations.

The third partnership meeting was attended by RBI Governor D Subbarao and US Federal Reserve Chairman Ben Bernanke, among others.

"The Partnership (launched in 2010) meetings have served as the forum for the highest level of engagement between India and the United States," the statement added.

The growing bilateral trade and investment across products, services and technology "is a sign of our commitment to build our relationship on a solid foundation that utilises our mutual strengths", it said.

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US moves WTO accusing India of giving fresh export subsidies to textile industry

Amiti Sen, Economic Times

30 October 2012, New Delhi: The US has accused India of wrongfully giving fresh export subsidies to its textile industry instead of phasing them out as mandated by the World Trade Organisation. It has also complained to the multilateral body about the country ignoring its requests for bilateral discussions on the issue. Turkey, too, has expressed its unhappiness at the alleged rise in textile exports from India and its industry being pitted against subsidised Indian products.

New Delhi, however, has rejected the allegations.

"India has not flouted any norms in textiles and is yet to have clarity on its obligations to phase out subsidies," a government official told ET. "However, it has no problems with bilateral discussions with any country and has made this clear at a recent meeting of the WTO committee on subsidies and countervailing measures in Geneva."

The subsidies and countervailing measures agreement of the WTO allows countries with per capita income below $1,000 (about 50,000) to give export subsidies until exports are lower than 3.25% of world trade in that particular commodity. India's share in the global market for textiles crossed the limit in 2007 and is almost 4% now. Since countries are given eight years to remove the subsidies, India has time until 2015 to do so.

The US is concerned about the additional sops that have been given to the textile sector recently as part of the government's efforts to help exporters fight the global slowdown. This includes incentives for exporting textiles under the focus product and focus market schemes where cash subsidies of 2%-3% of the export value is given for exports to particular destinations and for exporting identified products.

A special market-linked focus products scheme for the readymade garments sector for exporting to the EU and the US announced last year has also been extended till the end of the current fiscal. "Our textile exports, especially to the EU, have been hit hard due to the ongoing slowdown. We understand that we have to dismantle our export subsidies for the textile sector by 2015, but till that time we cannot ignore it as it employs million of workers," the official said.

The Indian textile industry is certainly not ready for withdrawal of support.

"The weak recovery in the EU and the US has reduced the purchasing power of the people in these markets leading to the shortfall in the overall demand. Moreover, exports were also getting hit due to inflation and high cost of fuel," said A Sakthivel, chairman of Apparel Export Promotion Council. Sakthivel added that the government needs to act to reduce the industry's vulnerability to external shocks.
Exports of garments, the country's eighth largest exported item, fell 19.46% year-on-year to $3.41 billion in the first five months of the fiscal. Exports of cotton yarn, fabrics and made-ups declined 3% to $ 2.8 billion over the same period.

The export target for textile products, however, is at $40.50 billion for 2012-13, which is about 22% higher than the previous year.

Commerce department officials said India has to first reach a common understanding on issues related to its obligations under the WTO agreement. "We are open to discussions with WTO officials and interested members. But we do not want to be forced into taking hurried action," the official said.
US presidential elections: America stays in Obamacare but unhealthy for Indian IT
Swaminathan S Anklesaria Aiyar, The Economic Times

9 November 2012: For India Inc, US President Barack Obama's reelection means mostly boring continuity, but it will be tinged with worries. An Obama victory makes it less likely that the US will fall off a so-called 'fiscal cliff ' at the end of 2012.

Current legislation mandates huge spending cuts in January 2013 to reduce the fiscal deficit, and this could plunge the US into recession again. Obama is far happier with large fiscal deficits than Romney. The scale of his victory may also reduce Republican resistance in Congress to a continuation of high fiscal deficits till the economy grows more strongly. Stock markets in India and across the globe will draw comfort from this.

Democrat presidents are typically more protectionist than Republican ones. Obama has set a limit of 65,000 on H-1B visas for software engineers to enter the US, and India's share in this is just 7%. Moreover, Obama has cracked down on L-1 visas — Infosys complains that half its applications for such visas have been rejected. Obama's victory means India will face four more years of anti-visa pressure. A President Mitt Romney would have been more relaxed on this.

To be fair, Obama has resisted pressures to be more protectionist in four years of recession and high unemployment. Trade has remained mostly open, though there have been many anti-dumping measures (like sky-high duties on Indian exports of steel pipes and tubes).

But Obama wants to crack down as never before on US investments abroad that take advantage of lower taxes overseas. He also wants to discourage US investment abroad of the sort that exports jobs. India has been the recipient of precisely such investments — IBM and Accenture now have more employees in India than in the US. Stiffer tax rules on such companies could impact future investments.

A President Romney would have immediately denounced China as a currency manipulator, and sought appreciation of the Chinese renminbi. Obama will also press for this, but less stridently. India will certainly gain from a stronger Chinese currency, since Indian exporters will become more competitive.
Obama prides himself on being a green enthusiast. There is growing green pressure in the US to oblige India and China to slash carbon emissions, which are growing because of rapid increase in coal-powered electricity.

US greens want new trade barriers against countries whose imports are competitive because they have lighter environmental standards (especially on carbon) than the US — the greens call this environmental dumping. Obama will seek stronger action from India and China, but it remains to be seen how discomforting that is. Environmental dumping is not recognised by WTO rules, so it will not be easy for Obama to set up green trade barriers.

On foreign policy issues, Obama will continue to target Islamic militants in Pakistan and the Middle East through drone attacks. This will suit India. He is less likely than Romney to collude with Israel in bombing Iran's nuclear facilities, yet that possibility exists. If it happens, it will be bad for India — oil prices will skyrocket and violence will escalate in the region.

Obama has promised to back India's membership of the UN Security Council, but that remains a very distant goal. Reform of the UN looks unlikely for decades. The same holds true of reform of institutions such as the IMF and World Bank — Obama in theory wants higher representation for developing countries like India, but in practice has done absolutely nothing. We would be naïve to expect anything better in Obama's next four years.

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US, Australia raise "subsidised" India wheat export issue with WTO

Stuti Chawla, NewsWire18

21 November 2012, New Delhi: India's robust wheat exports from the central pool seem to have ruffled many feathers. A number of countries, including Australia and the US, have raised the issue of India's "subsidised" wheat exports with the World Trade Organisation, two government officials said.

"Some countries have problems with India's wheat exports, as they feel there is an inherent subsidy in exports," one of the officials said.

Under the World Trade Organisation norms, members cannot introduce new subsidies that could distort international trade.

Though the Indian government maintains it is not giving any subsidy on wheat exports, some countries have questioned that, as the government's wheat export prices are lower than its economic cost of procuring wheat.

The government's economic cost of wheat procurement was 19,100 rupees a ton this year. The highest price the government has fetched in its export tenders so far is $319.15, or about 17,700 rupees, a ton.

The second government official said the government is not giving any direct subsidy on export of wheat, as the Food Corp of India is anyway reimbursed for incidental costs incurred on procurement. "If you look at sale of wheat from the government stock, exports are fetching the highest price compared to other state-run welfare schemes...There is no subsidy that we are giving only for exports," the official said.

The government has so far sold a little over 1 mn ton wheat via tenders, and plans to sell another 1 mn ton this year.

Exports are part of the government's plan to liquidate grain stocks from the central pool, as total stocks are far higher than the government's warehousing capacity. At the start of this month, the government had 69.5 mln ton food grain in stock, including 40.6 mln ton wheat, as against its total storage capacity of about 62 mln ton.

The government has also stepped up allocations in the local market to liquidate the wheat, some of which could start deteriorating if kept much longer.

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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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India-US discuss visa, domestic content issues

PTI

New Delhi, 10 December 2012: Domestic issues like hike in visa fee and recent Indian regulations in solar tech policies were raised by India and the US respectively during the high level official meeting today.

With the focus on concerns of various sections in their respective countries, Commerce Secretary S R Rao and Assistant US trade representative Demetrios Marantis discussed issues that were of interest to both the sides.

"Americans would raise issues like domestic content in some sectors in India. India would raise issues such as visa fee. So we raise our respective issues and tried to see that we conveyed a better understanding of our perspective on either side. And we hope we were successful in doing so," Additional Secretary in the Commerce Ministry Rajeev Kher said.He was talking to reporters on the sidelines of a Ficci function.

The US had raised visa fee in 2010 to fund its enhanced costs on securing border with Mexico under the Border Security Act. India has been protesting against the measure at different forums.

India is also considering to drag the US in WTO on the matter.

On the other hand, the US also time and again expresses its concern over certain Indian policies in renewable energy and clean technologies that it says inhibit investments by foreign firms, keen on collaboration with local companies. For example, under the National Solar Mission, India requires that crystalline cells be manufactured in India, a move which is strongly opposed by the US solar industry.

According to reports, India has an ambitious target of generating 20,000 megawatts of solar power by 2022. The US is especially keen on taking a slice of this market.

"Both the sides brought up the issues that were of interest to both of them and we expressed our respective views," he added.

The bilateral trade between India and the US stood at about USD 60 billion in 2011-12.

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US is largest importer of Indian seafood

George Joseph, Business Standard

Kochi, 28 December 2012:After a gap of 10 years, the US became the largest importer of Indian seafood items in rupee value terms during the April-September period (H1) of the current financial year (FY13), pushing the European Union (EU) to the second spot. The US's share in India's seafood export kitty for H1 stood at 24.40 per cent, followed by the EU at 24.18 per cent, according to the latest data released by the Marine Products Export Development Authority (MPEDA).

However, Indian exports recorded a positive growth in both volume and rupee value terms only to the US. In fact, India suffered a serious setback in marine product exports in all its traditional markets in H1, except the US.

While exports to the US recorded a growth of 11.42 per cent in volume and 9.33 per cent in rupee value terms, shipments to the EU dipped 11.27 per cent in volume, and Japan recorded a dip of 14.26 per cent, according to the MPEDAdata. Among the most serious drop was shipments to Japan, where exports dipped in all parameters — volume, rupee and dollar value.

Exports to China also recorded a setback as shipments dropped 33.09 per cent drop in volume terms. Total exports to China during H1 FY13 stood at 21,488 tonnes, valued at Rs 435.41 crore against 32,116 tonnes valued at Rs 486.40 crore during the same period last year.

On the quantity front, south east Asia became the biggest importer with 31 per cent of the total volume of exports, followed by Europe with 20 per cent, the US 13 per cent and Japan with 10 per cent. This is mainly due to the bulk export of low-value items, such as mackerel and Red fin broom to the south east Asian market.

Detection of ethoxyquin, an anti-oxidant used in shrimp feed above the permitted level had stalled shrimp exports to Japan for weeks together in June and July that caused huge loss to exporters in Odisha and West Bengal. The issue is not settled and India has sought intervention of the World Trade Organisation (WTO) in sorting it out.

Global economic recession, especially in the Euro zone, is also a major reason for this set back. Implementation of new import regulations and certification systems in markets such as China and Japan has also hurt exports.

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US producers seek more duty on Indian shrimp

George Joseph, Business Standard

Kochi, 1 January 2013:India's seafood export industry is facing a serious threat after an American shrimp producers' organisation has filed petitions against subsidising shrimp exports by seven countries, including India.

On Friday, the Coalition of Gulf Shrimp Industries (COGSI) filed petitions with the US government, seeking relief from the subsidised shrimp imports from China, Ecuador, India, Indonesia, Malaysia, Thailand and Vietnam. The petitions seek imposition of countervailing duties (CVD) on shrimp from these countries. These duties are needed to offset the unfair trade advantage currently held by these countries, they said.

If Washington imposes CVD on imports, India's seafood exports industry will be in deep crisis as the US is the largest importer of Indian seafood in value terms. The exports industry is already hit by a drop in exports to other major markets, such as the European Union, Japan, South-east Asia and China. During April-September, however, the US imported 45,540 tonnes valued at Rs 1,947 crore, registering a growth of 11.42 per cent in value terms. The US is the only country which recorded growth in import during the period.
Earlier in 2005, the US Department of Commerce had imposed 11.17 per cent anti-dumping duty on Indian shrimp, which had caused a steep fall in exports. This was based on a petition filed by the Southern Shrimp Alliance, a producer's organisation.

Over 280 exporters were shipping shrimp out to the US during that period, which had come down 68 in 2009. Thanks to the concerted efforts by the industry and the government of India, Washing-ton was forced to reduce the duty to 2.52 per cent last year, following which Indian shipments rose again.

COGSI, in a press statement, said the US shrimp producers struggled hard to compete with "artificially low-priced" imported shrimp that is heavily subsidised by foreign governments. Since 2009, shrimp producers in these seven countries have gained US market share by aggressively undercutting domestic prices, they said.

Shrimp is a major export commodity in each of these seven countries, and their governments have set specific growth and export targets for their domestic shrimp industries. To meet these targets, these governments are spending billions of dollars on subsidies, including grants, investments, low-interest loans, tax breaks, provision of land and export credits and guarantees. The petitioners document over 100 programmes benefiting shrimp producers in these countries, including numerous export subsidies.

"Today's filing is about the survival of the entire US shrimp industry," said C. David Veal, executive director of COGSI.

The petitions will be investigated by the US International Trade Commission (USITC) and the Department of Commerce, with final determinations expected in the second half of 2013.

USITC will issue questionnaires to US producers, importers, and foreign exporters next week. Finally, in mid-February ITC will issue its preliminary vote. If it votes in the affirmative, the case will proceed, but if it votes in the negative, the case ends. ITC is composed of six commissioners, and at least four need to vote in the negative for the case to end. If the case continues, the Department of Commerce will proceed with its investigation through the issuance of questionnaires to the government and largest packers and will conduct verification after issuing a preliminary determination of CVD.

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Seafood exporters to oppose US countervailing levy on shrimps

Business Line (The Hindu)

Kochi, 4 January 2013: The Seafood Exporters Association of India will be sending a professional team to the US to discuss the issue on the imposition of countervailing duties on frozen warm water shrimps from India.

“We will be engaging US-based lawyers to represent the Indian industry to appear before the United States Department of Commerce (DoC) to sort out the issue of countervailing duties, Norbert Karikkassery, President of SEAI, Kerala region, said.

Addressing a press conference here on Friday, he said that the US-based Coalition of Gulf Shrimp Industries filed a petition before the International Trade Administration, DoC, and US International Trade Commission for imposing such duties from China, Ecuador, India, Indonesia, Malaysia, Thailand and Vietnam. The petition makes several allegations regarding the counter-valiable subsidies provided in India with regard to the manufacture, production and export of certain frozen warm water shrimp.

The petition identifies certain subsidy programmes as counter-valiable to the shrimp industry in India.

It also alleged that the Indian Government is aggressively promoting its shrimp industry through the provision of generous Government subsidies, SEAI officials said.

It also called for the initiation of an investigation into the counter-vailable subsidies and to impose duties through a countervailing duty order in an amount that would offset the benefit conferred by these subsidies.

The SEAI President pointed out that the seafood industry is passing through a tough phase due to unforeseen developments in the international scene that included the recessionary trends in the US and Europe. This coupled with the technical trade barrier by Japan has also affected the sector.

India’s marine exports are unlikely to surpass the $3.5-billion mark achieved last year due to various other issues in the domestic sector as well.

There has been a decline in the marine products exports for the first half year April-September 2012-13 compared to the corresponding period.

The exports have registered a decline of 6.91 per cent in quantity and 16.60 per cent in dollar earnings, he added.

Besides, the increase in reefer base rates by all the shipping lines operating from Indian coasts for freezer container rates, terminal handling charges levied by terminal operator in the Kochi port, revised US anti dumping duty on frozen shrimp imports from India, withdrawal of Status Holder Incentive Scheme for marine industry had also made an impact on marine exports, he said.

The number of Indian companies exporting to the US has come down to 68 as on today from 270 in 2005 on account of various factors, he added.

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US objects to India sourcing IT products locally

Amiti Sen, Business Line (The Hindu)

New Delhi, 3 February 2013: The US Government has objected to India's plans of making it compulsory for Government agencies to source electronic products, including personal computers, printers and tablets, from domestic manufacturers.

It has also expressed "grave concerns" about private companies being mandated to domestically source IT products in some instances due to security reasons.

"The US may give a non-paper to India listing out its concerns and how those might be addressed," an Indian Government official told *Business Line*.

The US Under Secretary of State for Economic Growth, Environment and Energy Robert Hormats, in his recent interaction with Commerce and Industry Minister Anand Sharma, argued that the domestic sourcing regulations would be a huge setback for US IT companies that want to set up shop in India, the official, who also attended the meeting, said.

Since the domestic sourcing regulations would force some companies to let go of their global supply chains that they have developed over the years, steps needed to be taken to address this area of grave concern, the US official stressed.

Notification

The Ministry of Communications and IT, last Thursday, put out a notification making it mandatory to give preference to domestically manufactured laptop PCs and tablet PCs in Government procurement. Notifications were issued in December for providing preference to domestically manufactured desktop PCs and dot-matrix printers in Government procurement. The time-line prescribed for adhering to the notifications, in most cases, is March 2014.

The proposed rules are meant to help develop a robust Indian technology manufacturing sector, the Indian Government said in a recent statement.

Wherever domestic sourcing restrictions have been placed on private companies, the Government has cited security concerns as the deciding factor.

"The Commerce Minister, too, explained to the US Under Secretary that the move is required to boost domestic manufacturers that were still struggling to grow," the official said.

Technology hardware exporters based in the US and the EU have already written to the Government deploring the move, especially because it would not just apply to Government agencies but also private companies in some instances. Some have indicated that it could violate World Trade Organisation norms.

'No norms breached'

Indian Government officials, however, are confident that no international norms are being breached. "India is not part of the Government Procurement Agreement of the WTO and thus is free to impose any procurement conditions on government agencies. The WTO also allows countries to impose sourcing restrictions for security reasons," another official, who deals with WTO issues, said.

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U.S. to continue shrimp trade probes against seven countries

Xinhua

Washington, 7 February 2013: The U.S. International Trade Commission (USITC) on Thursday cleared the way for the government to continue anti-dumping investigations on imports of frozen warmwater shrimp from seven countries.

The USITC voted 5 to 1 in determining that there is a reasonable indication that a U.S. industry is materially hurt by imports of frozen warmwater shrimp from China, Ecuador, India, Indonesia, Malaysia, Thailand and Vietnam. It also alleged these shrimp were subsidized.

As a result, the U.S. Commerce Department will continue its countervailing probe that began on Jan. 18 and is expected to make its preliminary decision in late March.

In 2011, the United States imported frozen warmwater shrimp from China at an estimated 153.7 million U.S. dollars, 8.4 percent less than in 2010, according to the U.S. government's data.

In addition, the U.S. government has already slapped antidumping duty orders on frozen warmwater shrimp from Brazil, China, India, Thailand and Vietnam.

As the U.S. economy is undergoing a slow recovery, Washington has increasingly resorted to protectionist practices. As of Nov. 6, 2012, it has imposed anti-dumping or anti-subsidy duties on more than 120 products from 36 countries on the excuse that the imports had materially harmed related U.S. industries.

Chinese products including consumer goods, chemical, iron and steel products, farm produce and sea food are heavily targeted by such punitive duties.

The Chinese Ministry of Commerce has repeatedly urged Washington to abide by its commitment against protectionism and help maintain a free, open and just international trade environment.

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Widening domestic sourcing net may hurt India's case

Amiti Sen, Business Line (The Hindu)

New Delhi, 11 February 2013: The US could have a stronger case against India at the World Trade Organisation (WTO) if the country goes ahead with its plans of covering more products under domestic sourcing norms in the second phase of the National Solar Mission.

In a response being framed on the draft rules for the second phase circulated by the Ministry of Non-renewable Energy recently, the Commerce Department has taken a view that inclusion of a larger number of items like thin films and solar cells under sourcing norms could spell trouble at the WTO, an official told *Business Line*.

The US filed a complaint with the Dispute Settlement Body of the WTO last week against domestic content requirement in the Jawaharlal Nehru National Solar Mission (JNSSM) which mandates that solar photovoltaic modules based on crystalline technology has to be sourced locally.

"The US is not actually bothered about domestic sourcing of solar modules as mandated under the first phase as most producers under the solar mission prefer to use thin films, which are cheaper and not covered under domestic sourcing. In fact, US companies are exporting a large amount of thin films for the solar mission," the official said.

The dispute raised by the US at the WTO against India is largely to prevent widening of the domestic sourcing net to include thin films that are much cheaper than crystalline modules but have shorter life-span. More than 60 per cent of projects under the solar mission have opted for importing thin films prompting the MNRE to close the loop-hole in policy and include thin films under domestic content requirement as well.

India's main argument in its defence is that domestic content requirement is applicable to grid solar power projects where procurement of solar power will be essentially done by the Government through public sector entity NTPC and thus would fall under the government procurement category. Since India is not part of the Government Procurement Agreement, it could impose any condition on Government procurement.

The argument, however, is not fool-proof as Government procurement is taking place only after solar power has been produced while the initial sourcing is being done by private companies. The greater the number of products that get covered under the procurement net, the weaker could be India's case, fear officials at the Commerce Department.

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US Lodges WTO Challenge Over India Renewable Energy Incentives

Bridges Weekly Trade News Digest

13 February 2013: The US has filed a formal challenge at the WTO regarding India's support policies for solar energy, Washington officials announced last week. At issue in the complaint is a local content requirement in the Asian country's national solar programme, which Washington claims discriminates against foreign solar equipment manufacturers in favour of their domestic counterparts.

The challenge comes amid growing questions over the degree to which countries can help support their burgeoning renewable energy sectors, particularly given the global trade arbiter's recent panel ruling regarding a similar programme in the Canadian province of Ontario. The Canada dispute, which had been tabled at the WTO by the EU and Japan and also involved a local content requirement, is currently facing appeals from all parties.

US officials have stressed that the India-focused complaint targets only the Asian nation's local content requirement, and not the overall objective of developing renewable energy sources.

"Let me be clear: the United States strongly supports the rapid deployment of solar energy around the world, including with India," US Trade Representative Ron Kirk said in announcing the US challenge. "Unfortunately, India's discriminatory policies in its national solar programme detract from that successful cooperation, raise the cost of clean energy, and undermine progress toward our shared objective."

The benefits of local content requirements (LCRs) have long been a controversial topic. While countries often pursue multiple policy objectives through LCRs in the renewable energy sector, primarily to green their economy and to foster the sector's domestic development, while in parallel stimulating employment and investment, some analysts have noted that domestic content requirements might instead increase costs of energy, reduce competition, and therefore potentially slow down innovation.

India's programme - known formally as the Jawaharlal Nehru National Solar Mission (NSM) - was launched in 2010, with the goal of deploying 20,000 MW of solar panels through an interconnected grid by 2022. According to the country's Ministry of New and Renewable Energy, the scheme aims to reduce the cost of solar power generation in India, specifically via long-term policy, large-scale deployment targets, intensive research and development, and domestic production of the necessary raw materials and components.

"The objective of the National Solar Mission is to establish India as a global leader in solar energy, by creating the policy conditions for its diffusion across the country as quickly as possible," according to the programme's mission statement.

One of the mission's goals, the statement says, is to undertake an international leadership role in the area of solar manufacturing across different stages of the value chain, in "leading edge solar technologies." In doing so, it is hoping to achieve a 4-5 GW equivalent of installed capacity by 2020, which would include developing manufacturing capacities for polysilicon material that would allow for the production of approximately 2 GW capacity of solar cells annually.

Washington: Policy gives domestic producers unfair advantage

Under the current phase of India's programme, the US says, New Delhi has required developers of photovoltaic projects using crystalline silicon technology to use solar cells and modules made domestically.

“As a result, solar power developers, or their successors in contract, receive certain benefits and advantages, including subsidies through guaranteed, long-term tariffs for electricity, contingent on their purchase and use of solar cells and solar modules of domestic origin,” Washington says in its complaint, arguing that this violates the WTO’s rules on national treatment.

Washington also argues that the measure constitutes an illegal subsidy, due to it allegedly providing a subsidy that depends on the use of domestic goods over their imported counterparts.

Among other concerns, the US claims that the Indian measures at issue have not been appropriately notified, thus violating the Subsidies and Countervailing Measures (SCM) Agreement. In its consultations request, Washington also argues that the policies “appear to nullify or impair” the benefits due to the US directly or indirectly under this agreement, as well as the WTO’s General Agreement on Tariffs and Trade (GATT) and Trade-Related Investment Measures (TRIMS) Agreement.

The upcoming phase of the programme would extend the local content requirement to cover more types of equipment imports, which the Office of the USTR says is also cause for concern.

The planned changes to the scheme would involve expanding the NSM local content requirement to include solar thin film technologies, which make up most of the US’ solar exports to the Asian country. Over half of the projects under NSM have relied on imported thin films, which has been credited for prompting New Delhi to propose bringing these into the local content requirement.

Given that the majority of US solar exports involve solar film technologies, US companies are “not actually bothered by domestic sourcing of solar modules” under the current phase of the programme, one Indian trade official commented to The Hindu. The official speculated that the planned changes could have influenced the timing of the US complaint.

India responds

New Delhi officials quickly responded to Washington’s challenge, arguing that the requirement has not substantially reduced imports of equipment and that its policy is in line with WTO rules.

The domestic content provision has been applied to only “a few projects totaling 350 megawatts (MW),” Tarun Kapoor, joint secretary at the Ministry of New and Renewable Energy, told Reuters. India’s total capacity for solar generation is 1200 MW, compared to 18 MW three years ago when NSM was in its infancy. India is currently building 1000 MW of solar power plants and will soon be building an additional 2000 MW, the official added, noting that this new capacity will not be subject to a local content requirement.

In the past, India has also argued that the scheme qualifies as government procurement and is thus exempt from national treatment requirements, according to Reuters - an argument that New Delhi could potentially try to use if this case reaches the panel stage, some trade observers have speculated.

A similar argument was also made in Canada’s WTO row with the US and EU, only for a dispute panel to find that - while the Ontarian measures at issue were government procurement - it was done with a view for commercial resale. The Ontario scheme was therefore not exempt from the national treatment requirements referred to in the GATT, TRIMS, and SCM Agreements. That finding is currently under appeal by Ottawa.

Dispute panel proceedings do not have precedential effect, however, meaning that the results in the Canada dispute would not necessarily apply in India’s case, should the latter dispute reach the panel stage.

Next steps

The request for consultations is the first step in the WTO dispute settlement process. Should the parties to a dispute be unable to reach a resolution after 60 days of talks, the complainant may request the establishment of a panel to hear the complaint.

ICTSD reporting; “The Solar War Heats Up,” THE HINDU, 11 February 2013; “Widening Domestic Sourcing Net May Hurt India’s Case,” THE HINDU, 11 February 2013; “India to consult its solar sector on domestic content issue,” SEE NEWS, 11 February 2013; “India Denies Violating WTO Rules on Solar-Product Import,” BLOOMBERG NEWS, 07 February 2013; “US Challenges India’s Solar Program Restrictions at WTO,” REUTERS, 06 February 2013.

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No barrier to India biz, says US solar firm

M. Ramesh, Business Line (The Hindu)

Chennai, 1 March2013: In the background of the US government taking India to the World Trade Organisation over India’s ‘local content requirements’ for solar power plants set up under Government of India programmes, US company First Solar has said it is not too bothered by such local content requirements.
(The government has mandated local content requirements for projects set up under the Jawaharlal Nehru National Solar Mission.)

Opportunity Areas

First Solar, which makes thin-film technology based solar cells and modules, and has about 20 per cent of the Indian market, told analysts a few days ago that it did not see the local content requirements as “a significant barrier to our goals for the marketplace.”

Noting that there is hardly any production coming out of local producers, First Solar said that it saw “as much opportunity outside of the state-sponsored (Government of India-sponsored) programmes as much as we do inside those programmes.” “There is very little production currently going on,” James Hughes, CEO, COO and Director, First Solar, told an analyst, answering a question about thin-film module production in India.

Cost Issues

“So we don’t spend a lot of out time and effort fretting about the local content requirements, although we do actively engage the government and make our view known,” Hughes said.

First Solar says local content requirements would “only drive up cost for local markets and ultimately don’t benefit the economy.”

First Solar’s statement seems to be consistent with the stand taken by the Ministry of New and Renewable Energy that the requirements apply to a very small part of the country’s solar ambition — 20,000 MW of grid-connected and 2,000 MW of off-grid plants by 2020.

A large part of the vision comes from the programmes of the various States, none of which has prescribed local content requirements.

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US-India row over poultry, steel shifts formally to WTO

Amiti Sen, Business Line (The Hindu)

5 March 2013: The US and India are all set to begin their formal fight against each other at the World Trade Organisation over a poultry import ban imposed by New Delhi and penal duties on steel charged by Washington.

The panels for deliberating on the two cases have been now finalised and the hearings will begin soon, a Commerce Department official told Business Line.
The decision of the poultry panel would determine if India can continue to stop import of cheap chicken legs from the US citing the risk of avian influenza or bird flu.

The panel on steel duties, on the other hand, would look at the validity of the penal duties imposed by the US on hot-rolled steel sold by Indian companies on the ground that these were subsidised by the Indian Government.

Strengthening arguments

"Both countries had sought the establishment of dispute settlement panels in the middle of last year, but things got delayed due to disagreements over who would be included in the panels," the official said.

The countries involved have to approve the panels as they have to be assured of their neutrality.

India has used the last few months "productively'' to further strengthen its arguments in both cases and has also sought help of other Ministries and Departments, a Ministry official said.

"The Animal Husbandry Department is working on risk assessment studies on individual products to further strengthen our case for banning poultry from countries affected by bird flu," the official said.

The US, which is batting for its domestic poultry industry that sees a market worth $300 million in India, has argued in preliminary discussions with India that its measures are inconsistent with the relevant science, international guidelines and the standards India has set for its own domestic industry.

While the US is currently allowed to export poultry to India, it is not able to ship anything as India's strict avian influenza regulations increase the risk of import curbs and importers don't feel confident to place long-term orders.

The Indian poultry industry will be hit badly if the US starts exporting its cheap chicken legs as it would drive down prices drastically.

India is on a firmer wicket on the steel case where it has complained against the countervailing or penal duties, as high as 500 per cent in some cases, imposed by the US on companies such as Essar, Tata, SAIL and Jindal.

These companies have not been able to export hot-rolled steel products to the US for the past few years due to the levy.

"The US argument that the iron ore sourced by Indian steel makers from NMDC is supplied at subsidised rate because it is a public body is completely baseless as ore is sold at the prevailing market prices. We have enough proof to substantiate our case," the official said.

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U.S. Challenges India's Solar Energy Incentives at WTO: What's at Stake

Metis Energy Insider

7 March 2013: The transition to a clean energy economy is imperative not only to tackle the climate crisis, but also to spur development through new economic opportunities, new investment, and the creation of new green jobs. In seeking to capture these benefits, however, governments are increasingly turning to trade rules to challenge one others' domestic renewable energy industries, thereby undermining the global clean energy transition we all seek. Put simply, all governments must have the ability to develop domestic renewable energy industries to fight climate change and the entrenched fossil fuel industry behind the crisis.

In the most recent example, the United States has filed a case at the World Trade Organization (WTO) to challenge India's use of subsidies and "buy local" rules in its domestic solar program. This case exemplifies the misguided and harmful impacts of these challenges. It is particularly important because of India's potential as one of the world's largest solar markets and because of the local and global benefits to India's transitioning from fossil fuels to renewable energy.

In order to understand the importance of this case, it is important to first understand the progress that the Indian government has made in supporting solar. India's solar mission provides strong support to solar deployment and includes a goal of developing 20,000 megawatts of solar power capacity by 2022. A key objective of the program is to boost the capacity of India to domestically manufacture solar panels. To achieve this objective, the government of India has required Indian developers of solar photovoltaic ("PV") projects using crystalline silicon technology to buy solar modules manufactured in India in order to take advantage of the programs benefits, including subsidies and guaranteed long-term competitive rates for solar power. These requirements to purchase locally manufactured solar panels are referred to as domestic content rules.

The government of India initially exempted thin film solar cells -- lower efficiency solar panels used in large-scale industrial solar projects -- from the domestic content rules because of low domestic capacity to manufacture such cells. This loophole created an opening for foreign countries, including the United States and China, to export thin-film cells to India. The U.S. exports of thin film solar cells to India have been particularly successful thanks to low interest loans from the U.S. Overseas Private Investment Corporation and the Export-Import Bank.

The result is that foreign thin-film panels now dominate India's market. Whereas global thin film installations are a very small portion of total solar deployment, in India they are the vast majority. To correct this imbalance and protect India's solar manufacturers, India is now considering expanding the use of domestic content rules to thin-film technologies in the second phase of its program, which may curtail imports of U.S. solar panels to India.

Concerned about the impact that the potential expansion of India's domestic content rules to thin-film technologies would have on its exports, the United States filed a claim at the WTO. In its claim, the United States asserts that India's domestic content rules appear to have violated trade rules in the General Agreement on Trade and Tariffs, the Agreement on Trade-Related Investment Measures, and the Agreement on Subsidies and Countervailing Measures by allegedly providing more favorable treatment to domestic solar producers and products than to foreign ones.

According to WTO rules, the U.S. and India have 60 days to try to find a resolution. If no resolution is reached, the U.S. can then request the establishment of a WTO panel to determine whether India has violated trade rules. A recent WTO panel ruling which found that Ontario, Canada's domestic content rules in its renewable energy sectors violated trade rules does not bode well for India's case.

What's at Stake

Historically, as countries have industrialized, domestic content rules have been a standard policy tool used to foster, nurture, and grow their new industries. In this process, countries have sought to find the appropriate balance between allowing some degree of foreign competition while still protecting the new industry until it is internationally competitive.

In the case of India, allowing some degree of foreign competition may be important to stimulate its domestic companies to increase their efficiency and competitiveness. But, foreign competition must not undermine the ability of India to grow its own solar industry.

Here's why we think India must be in the driver's seat when it comes to determining the future of its renewable energy industry, and what is at stake in this case.

First, the growth and success of India's solar industry is being undermined by the power of its coal industry, which receives enormous subsidies and enjoys strong political backing in India. One way to challenge the power of the fossil fuel industry in India is to successfully develop a viable domestic renewable energy industry. The use of domestic content rules is one way to develop a domestic solar industry with skin in the game, which is necessary to counter the power of the fossil fuel industry.

Second, the presence of strong renewable energy industries in multiple countries, including India, can help spur competition and innovation that can ultimately drive down the global price of renewable energy technologies in the medium and long-term.

Third, local content rules can help increase the political support for renewable energy programs by generating multiple local benefits, including new investment opportunities in a growth industry, opportunities for technological innovation, job creation, and new sources of tax revenue. For a country like India, with hundreds of millions of people still living in poverty, these added benefits are critical.

And fourth, because our planet is at stake. Our global climate will remain in peril if only some countries develop renewable energy industries while others continue to rely on fossil fuels. There is absolutely no question that in order to avoid catastrophic climate impacts, all countries must be seriously investing in renewable energy technologies and transitioning away from fossil-fuels now. The global solar industry has seen significant gains in the last few years. In 2012, more than 100 gigawatts of solar PV were installed worldwide, breaking new records. Now is the time to encourage countries to keep developing their domestic solar capacity in order to tackle the climate crisis, not to slow this process with trade disputes.

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Anti-outsourcing talks hurt everyone

Seema Sirohi, The Financial Express

8 March 2013: In America, you don't get anything unless you ask for it. But what you can sometimes get without asking is punishment, however inadvertent.

The immigration debate shaping up in Washington contains within it ideas against outsourcing that could come back to bite India, Indians and Indian companies. Unless, of course, they are met with an intelligent counter-strategy.

The debate is mainly about the 11 million illegal immigrants in the US, most of them from Mexico and Central American countries, and how to absorb them into the system without upsetting too many 'vote banks'. A small but important part of the debate is about "high-skilled" foreign workers, H1B visas and green cards, which impacts Indian companies. In other words—it's about outsourcing.

President Obama, unfortunately, made outsourcing a weapon against his rivals in both election campaigns. He used it effectively against Mitt Romney, calling him the outsourcer-in-chief for farming out work to "China and India" through his investment firm, Bain Capital. The often toxic rhetoric worked well, making the

"O word" a false repository of much that is wrong with the American economy and the high unemployment figures. Many of his Democratic party colleagues in the US Congress followed his lead.
But now the campaign is over and it is time to take a realistic view. Outsourcing is a concern but it is not the reason for unemployment in the US. There is a shortage of high-skilled workers and bringing them on temporary visas is a solution. Therefore, penalising Indian IT companies with gratuitous visa fee hikes or specific rules that apply only to them is bad politics. But that is what might happen as various draft bills make their way through the process with senators and congressmen adding their pet provisions before hammering out a comprehensive piece of legislation.

Indian IT majors are particularly worried about what is called the 50-50 rule: if you employ more than 50 people and 50% of those are on H1B or L1 visas, you could be liable for even higher visa fees. Those fees were already raised in 2010 to $4,500 per visa to finance better "border security" against illegal Mexicans under a plan devised by senator Charles Schumer of New York who derisively dubbed Indian companies as "chop shops."

It was about stopping one set of immigrants by squeezing another with what essentially was free money.

The 50-50 rule affects only Indian IT firms, not US companies, because H1B visas are generally less than 50% of their workforce. This is where it all gets murky. Who should lead the fight for the free movement of high-skilled professionals? Should the US Chamber of Commerce take a stand or should NASSCOM be in the forefront? What about CII and FICCI, both of which maintain offices here? And what of the US-India Business Council? Or should the government of India find it necessary to ask for fair treatment for the one industry that launched India on the global stage?

What is not a strategy is humming and hawing and waiting. A serious lobbying effort is necessary to stop other senators from following in Schumer's easy steps. It should be a matter of principle to oppose service sector protectionism especially when it comes from the US, the world's largest exporter of services. Shying away now would only kick the ball down the road.

Eminent economist Jagdish Bhagwati was right when he exhorted the Indian-American community to take the outsourcing bull by the horns and demand an end to the negative rhetoric. His statement at a recent appearance at Carnegie Endowment is worth pondering. "We haven't learned to convey disaffection," he said of the Indian diaspora. President Obama won't do anything unless he is told that anti-outsourcing talk is net negative. Bhagwati blasted the Indian community for not getting into the thick of the immigration debate to demand its due. It should ask for the expansion of the H1B programme. "The President is focused only on the Hispanics. But where is the Indian community?" he asked.

Bhagwati wasn't advocating a confrontation, only an effective articulation of the community's needs. Alas, many of the heavy-weight Indian donors are content with photo-ops and a mere "darshan" of the politicians. Indians in general can't seem to get their heads wrapped around the concept of lobbying despite having seen the US system work. Whether it is the Indian government or Indian companies, there is faint derision and a reluctance to trust lobbyists even after hiring them. The result is a frustrating ambiguity about both goals and the means to achieve them.

It is an almost unknown fact that Indian companies have created thousands of jobs in the US. Even by the reckoning of William Burns, US deputy secretary of state, the number is 50,000 and most of these jobs are thanks to Indian investments which total more than $5 billion. A 2011 CII survey of 35 Indian companies in the US showed they employed 60,000 people of whom 80% were locally hired. The survey was by no means a complete one because neither the CII nor the Indian government has a roster of all the companies operating in the US. The US Commerce Department does but it hasn't made the information public.

A 2012 NASSCOM study said the Indian IT sector in the US created 107,000 jobs and supported 280,000 others over the past 5 years while paying a cool $15 billion in taxes to the US Treasury. Yet, one rarely hears US senators talk about the positive side. There is enough capital for all to get out in the front and engage with each other.

The author is a senior journalist based out of Washington

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U.S. groups criticize India drug, tech, farm policies

Doug Palmer, Reuters News

Washington, 13 March 2013: U.S. industry groups on Wednesday called for the United States to increase pressure on India to reform high-tech, agricultural and pharmaceutical policies they said block U.S. exports and damage patent rights.

"India has essentially created a protectionist regime that harms U.S. job creators" in favor of the country's generic drug manufacturers, Roy Waldron, chief intellectual property counsel for Pfizer, said in testimony to the House of Representative Ways and Means trade subcommittee.

Waldron complained that last year India revoked Pfizer's patent for a cancer medicine, Sutent, "to allow Indian generic companies to manufacture and sell generic copies."

India also abuses compulsory licenses, which governments are supposed to use in limited circumstances to suspend drug patents, for the benefit of its domestic firms, he said.

Waldron urged U.S. government officials to vigorously pursue those concerns in direct talks with India and to "review all available policy tools" to pressure the world's largest democracy to better protect U.S. intellectual property.

The hearing comes as U.S. trade benefits for India are up for renewal under the Generalized System of Preferences program, which waives duties on thousands of goods from developing countries to help them create jobs.

"I want to ensure that U.S. job creators can compete there on a level playing field," said Representative Devin Nunes of California, the Republican chairman of the Ways and Means trade subcommittee, noting India's market of 1.2 billion people should offer huge potential for U.S. companies.

WTO Option

India is the largest recipient of benefits under the GSP program, which expires on July 31. It exported $3.7 billion worth of goods to the United States under the program in 2011, or roughly one-tenth of its total exports to the United States.

It does make sense to examine whether India should be removed from the GSP program given its growth in recent years, but it might be a mistake to portray that as an effort to punish the country, said Arvind Subramanian, a senior fellow at the Peterson Institute for International Economics.

"I would be a little hesitant about using that" since the move is probably not strong enough to change India's behavior, but would be seen in New Delhi as trade retaliation and damage the United States diplomatically, Subramanian said.

A better but more time-consuming option would be challenging more of India's policies at the World Trade Organization in the hope of winning rulings that would increase pressure on the government to reform, he said.

Last month, the U.S. Trade Representative's office filed a WTO case against elements of India's national solar energy program that it said discriminated against foreign producers in violation of a global trade rule.

It has also challenged India's restrictions on U.S. poultry in a case that is to be decided by the end of this year.

Procurement Pains

Meanwhile, U.S. technology companies are frustrated by Indian government procurement policies that favor Indian electronics products over foreign, Dean Garfield, president of the Information Technology Industry Council, told the panel.

"The PMA (preferential market access) policy certainly does not bode well for our industry, threatening to shut us out of a significant portion of the Indian ICT (Information and communications technology) market," Garfield said.

U.S. companies are also disappointed that India is sitting on the sidelines in talks in Geneva aimed at expanding the 1996 Information Technology Agreement, which eliminated duties on scores of high-tech goods, he said.

India also has steep agricultural tariffs and regulatory barriers that keep out many U.S. farm exports, said Allen Johnson, a former U.S. chief agricultural trade negotiator.

Last year, India's agricultural exports to the United States topped $5 billion, a ten-fold increase since 1995, Johnson said. In comparison, U.S. farm exports to India last year were only $900 million, well below their potential, he said.

India's reluctance to reduce its farm tariffs has frustrated the United States in the long-stalled Doha round of world trade talks, Johnson said.

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US doublespeak on solar sops bared

The Times of India

New Delhi, 18 March 2013: The US has dragged India to the World Trade Organization for its scheme to incentivize locally made solar cells, but an analysis shows that there are at least half-a-dozen American states that offer additional sops to equipment made or assembled within their jurisdiction.

The Jawaharlal Nehru Solar Mission (JNSM) requires investors to use locally-made solar modules and source 30% of the inputs from domestic sources, which the US has opposed.

It has also protested against the local manufacturing clause in telecom equipment as well, another issue which may be headed to the WTO's dispute panel.

But US states continue to incentivize local content.

For instance, the Self-Generation Incentive Program offers an additional 20% bonus for California-supplied products.

Similarly, Washington's Renewable Energy Cost Recovery Incentive Payment Program offers higher incentive to locally manufactured equipment.

New Jersey's Clean Energy Program offers an additional upfront incentive to encourage projects that use renewable energy systems or components manufactured or assembled in the state.

An additional $0.25 per watt (of capacity) is available for projects using NJ-manufactured or NJ-assembled equipment, such as inverters, solar PV modules, wind turbines or blades or sustainable biomass system components, says a 2009 document.

In Texas, Austin Energy's Solar PV Program, qualifying equipment that is manufactured or assembled in the utility's service area can earn higher incentive.

There is a similar benefit from CPS Energy, another electricity utility in the state.

The others on that list include Oregon and Massachusetts, said industry players but the information could not be located on the official websites of these states.
"WTO rules cover federal and sub-federal level incentives and subsidies," said Biswajit Dhar, director General of Research & Information Systems, a think tank.

Indian officials did not comment on the issue but from all available indications, New Delhi may confront US officials during a discussion at the WTO's dispute settlement body on Wednesday and Thursday, where the two trading partners are meeting to thrash out a solution to avoid a confrontation.

Officials said a part of the solar energy flows into the grid and helps meet the Millennium Development Goals on improvement in basic standards of living of the poor.

Of the 2.11 lakh mega watt energy in the country, less than 1,500 MW is produces via JNSM.

Double Standards?

US has traditionally preferred local goods through Buy American, Buy America laws. California, Washington, New Jersey, Texas, Oregon and Massachusetts offer sops for green energy goods made in these states.

The Indian government maintained there is nothing wrong with Jawaharlal Nehru Solar Mission.

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'Reconsider decision to drag India to WTO on solar energy'

PTI

Washington, 20 March 2013: A dozen odd eminent American and international organisations have asked the US to reconsider its decision to drag India to WTO over solar energy policy.

In a letter to US Trade Representative (USTR) today, these organisations have said that dragging India to World Trade Organisation (WTO) related to local content in solar panels would not only undercut New Delhi's effort to reduce poverty, but also detrimental to developing a solar energy industry.

"We are troubled that climate policy may increasingly be determined by the WTO and similar arenas based on unfair or inappropriate trade law, rather than on climate science and the real world necessities of building a green economy," these organisations told the USTR.

"We urge the United States to agree to a solution that allows India to support and build its domestic solar industry, just as we do at home," said the letter signed by 12 organisations.

The organisations are 350.org, Action Aid USA, Center for Biological Diversity, Center for Food Safety, Center for International Environmental Law, Earth Day Network, EcoEquity, Friends of the Earth US, Global Exchange, Greenpeace USA, Institute for Policy Studies, Global Economy Project and Sierra Club.

Regarding the case brought by the US at WTO challenging domestic content rules and subsidies in India's national solar programme, the Jawaharlal Nehru National Solar Mission (JNNSM), the letter said challenging this programme undercuts India's efforts to pursue appropriate economic development and reduce poverty and to take urgently needed steps to tackle the pressing and shared challenge of climate change.

"We understand that the Office of the US Trade Representative is concerned about the expansion of India's domestic content rules to thin film solar technologies, which currently comprise the majority of US solar exports to India," it said.

While it is critical to support and build a US solar industry, the development of US solar industry should not come at the expense of India's ability to develop its solar industry, the organisations added.

"Domestic content rules have been a vital policy tool used to foster, nurture, and grow new industries throughout history and can be used today to build and support renewable energy industries.

Particularly in the context of the substantial challenges posed by climate change-- most recently highlighted by President Barack Obama in his inaugural and State of the Union addresses--it is critical that countries have every tool at their disposal to transition to clean renewable sources of energy, such as wind and solar power," the letter said.

India's ability to grow a domestic solar industry is critical for several vital reasons, the organisations said in the letter.

"First, the development of a viable domestic renewable energy industry is a way to increase the share of the energy market available to renewable energy. Currently, the energy market in India, and the financing available to it, is dedicated to fossil fuels.

"The use of domestic content rules can play an important role in developing a domestic solar industry and in diversifying the country's energy portfolio," it said.

"Second, domestic content rules can increase political support for clean energy programmes by generating local benefits such as new investment opportunities and green jobs.

"Ensuring that a significant proportion of these benefits remain in India is critical not only to addressing climate change, but to reducing poverty in India," the letter said.

"Finally, and most important, the ability of India to grow a domestic solar industry is critical to global efforts to tackle climate change. Our global climate will remain in danger if only some countries develop renewable energy industries while others continue to rely on fossil fuels.

"In order to avoid catastrophic climate impacts, all countries must urgently be investing in renewable energy technologies," it said.

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Another US bid to curb H-1B hiring

Shilpa Phadnis, The Times of India

Bangalore, 31 March 2013: The rhetoric against outsourcing and immigration in the US was expected die down after the presidential election. However, a section of US lawmakers is still trying to place immigration hurdles. And the latest bid is from US Senator Charles Grassley, who has introduced a new H-1B and L-1 Visa Reform Act 2013 that would require US companies to pay significantly higher wages to H-1B visa holders over their American peers with similar experience.

Some estimate the recommended wages would be up to 50% higher than the prevailing US wages. Given that Indian IT companies are the biggest users of this visa, the bill, if passed, could substantially increase the costs for these companies.

The bill, put together by a bipartisan group of senators, requires firms to make a good faith effort to hire Americans first over H-1B visa holders. But the biggest impact of the bill will be to make it cost prohibitive and burdensome to hire a foreign national.

In a statement issued last week, Grassley said, "Somewhere along the line, the H-1B programme got sidetracked. It was never meant to replace qualified American workers, but it was instead intended as a means to fill gaps in highly specialized areas of employment. When times are tough, like they are now, it's specially important that Americans get every consideration before an employer looks to hire from abroad."

Rahul Matthan, founding partner at law firm Trilegal, said that if the bill is passed, Indian IT companies would be challenged as their US clients rely heavily on their services for onsite work. "The bill restricts market access, and it's clearly protectionist, fulfilling a political charter."

Rakesh Prabhu, partner, immigration practice, at ALMT Legal, said the move would force IT companies to set up near-shore centres and hire more locals. "It chokes the provision of offering specialized services, playing down India's strength in IT services. They want to fill the gaps with the local talent pool," he said.

The proposed bill prohibits employers from advertising only to H-1B visa holders and outsourcing them to other companies. It has even increased administrative expenses per violation from $1,000 to $2,000 and from $5,000 to $10,000 for willful misrepresentation.

In 2010, the US had raised H-1B visa fees by as much as $2,000 per application and L-1 visas fees by $2,700 to fund its enhanced costs on securing its border with Mexico. India had moved the World Trade Organisation (WTO) against the visa fee hike, saying that it discriminates against employees of Indian companies who are on short-term contracts in America.

The pitch for protecting American jobs began after unemployment rates neared double-digit levels following 2008 sub-prime crisis. It reached a crescendo in the months leading up to the US elections in November last year. Though the US unemployment rate remains high at 7.7% now, the unemployment rate in the technology sector is said to be significantly lower.

Tech companies in the US have been lobbying to significantly increase the number of H-1B visas. The US government currently has a bill before it seeking to raise the H-1B cap from 65,000 to 1.15 lakh. How US lawmakers deal with these conflicting bills will have major implications Indian IT companies.

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India to give first submission to WTO dispute body

Amiti Sen, Business Line (The Hindu)

New Delhi, 1 April 2013: India will put on record its arguments against the penal duties imposed by the US on hot-rolled steel from the country in its first submission to the Dispute Settlement Panel of the World Trade Organisation (WTO) on Tuesday.

The countervailing duties, which are as high as 500 per cent in some cases, affect all major Indian steel producers including Essar, Jindal, SAIL and Tata, who have not been able to export hot-rolled steel to the US for the last few years.

The panel will give its initial report after two rounds of submissions are made by both sides. “We are trying to be convincing in our arguments at the submissions stage itself so that the panel doesn’t find it difficult to make up its mind when it is time for the panel report,” a Commerce Department official told *Business Line*.

The US imposed countervailing duties – a levy to neutralise subsidised exports – on hot-rolled steel from India on the grounds that the public sector NMDC supplied iron ore to Indian steel companies at subsidised rates.

India has rubbished the claims and stated that the prices charged by NMDC were purely market-driven and were comparable to the prices at which it exported iron ore to South Korea and Japan.

“We have the required data with us to prove our case. All this will be included in the submission,” the official said.

There is some way to go before the dispute settlement panel arrives at a decision. After two rounds of submissions, there would be interaction with both parties that could also include third parties interested in the dispute as well as experts.

The process could take up to nine months, following which an interim report would be released which would be finalised after another round of discussions with India and the US.

If US is found guilty, it would be asked to withdraw the duties within a time-frame failing which India would be free to penalise it by imposing higher duties on items imported from that country.

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Shrimp exports to US under anti-dumping scanner

George Joseph, Business Standard

Kochi, 1 April 2013: The US Department of Commerce (DoC) has started a countervailing duty (CVD) investigation against India and six other countries on export of shrimp to that country, covering the period January 1-December 31, 2011.

The other countries are China, Ecuador, Indonesia, Malaysia, Thailand and Vietnam. The investigation was initiated on the basis of a preliminary finding that 21 subsidy programmes extended to seafood exporters in India merit further investigation. This is based on a complaint by the US shrimp industry.

Among the Indian programmes under the scanner are the Duty Entitlement Pass Book Scheme, tax and duty incentives under the Special Economic Zone programme and the export-oriented units programme, duty incentives under the Export Promotion Capital Goods programme, export financing, export credit insurance, subsidised loans to the marine products industry, the Development of Inland Fisheries and Aquaculture scheme, assistance from the National Fisheries Development Board and 13 subsidy / assistance schemes of the Marine Products Export Development Authority (MPEDA). Another 25 such subsidy schemes of China, seven of Ecuador, 14 of Indonesia, 16 of Malaysia, 12 of Thailand and 20 of Vietnam are also being scrutinised.

In February, a US International Trade Commission panel said there was reasonable indication that the US shrimp industry was being materially injured by import of allegedly subsidised shrimp from these countries.

Consumption of warm-water shrimp in the US in 2011 was 1.3 billion pounds, of which 87.6 per cent came through imports. In 2011, the US imported shrimp products worth $4.3 bn from these countries, 86 per cent of the total value of shrimps imported that year.

The move has left Kochi-based exporters concerned. "A high rate of CVD will seriously affect our exports to the US," one of them told Business Standard.

The US is the largest importer of Indian seafood, in value terms. The industry is faced with a drop in exports to other major markets, such as the European Union, Japan, Southeast Asia and China. During April-September 2012, the US imported 45,540 tonnes, valued at Rs 1,947 crore. This is a growth of 11.4 per cent in value terms. The US was the only country with growth in exports during that period, shows data from the MPEDA.

In 2005, DoC had imposed an 11.7 per cent anti-dumping duty on shrimp, causing a steep fall in exports. This was based on a petition filed by the Southern Shrimp Alliance. Around 280 exporters were shipping shrimp to the US during that period; this fell to 68 in 2009. Later, the US dropped the duty to 2.52 per cent.

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Green Groups Urge U.S. to Back Off Indian Solar Trade Case

Doug Palmer, Reuters

5 April 2013: U.S. environmental groups are pressing President Barack Obama's administration to back off a World Trade Organization case against India they say threatens the ability of the world's second most populous country to cut greenhouse gas emissions.

"We're really worried about this proliferation of trade cases on renewable energy," Ilana Solomon, trade representative for the Sierra Club, said in an interview on Thursday.

"With the climate crisis upon us, governments should have every tool at their disposal to incentivize renewable energy" and cut use of fossil fuels, Solomon said.

The U.S. Trade Representative's office in early February asked India for WTO consultations on its national solar program, the Jawaharal Nehru National Solar Mission.

That programme, launched in 2010, appears to discriminate against U.S. solar equipment by requiring solar energy producers to use Indian-manufactured solar cells and modules and by offering subsidies to those developers for using domestic equipment instead of imports, the USTR said.

That violates a core WTO principle that requires countries to treat foreign goods and services the same way they treat domestic goods and services, U.S. trade officials have said.

With the formal 60-day consultation period ending on Sunday and no sign of a deal, USTR could soon ask for a WTO dispute settlement panel to hear its complaint.

Andrea Mead, a spokeswoman for the USTR, declined to comment on the trade office's next step, but said there were better ways for India to support its solar energy sector. "Countries have a wide range of policy tools available to promote increased reliance on clean energy that are far more effective than local content rules, and that do not unfairly discriminate against U.S. workers and businesses," she said.

The Sierra Club, Greenpeace USA and ten other environmental groups sent a letter in March to acting U.S. Trade Representative Demetrios Marantis expressing "deep concern" about the case. "We urge the United States to agree to a solution that allows India to support and build its domestic solar industry, just as we do at home," the groups said.

India has argued that its solar policy measures are legal under WTO government procurement rules that permit countries to exempt projects from non-discrimination obligations.

But cases challenging local content rules have received a boost since the WTO ruled against Canada's requirements for a green energy plan in Ontario province. Canada has appealed that case, brought by Japan and the EU.

"There's a problem with the existing WTO rules from our perspective," Solomon said.

"It is very difficult to design a program with domestic content rules at this point, despite the fact that domestic content rules have been used by industrial countries throughout history to develop new emerging industries," she said.

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U.S. Visa Shortage Balloons Indian IT Costs

Dhanya Ann Thoppil, The Wall Street Journal Blog

5 April 2013: Getting work visas in the U.S. is likely going to be more difficult for India's outsourcing services companies, a prospect which could increase their costs.

Earlier this week, U.S. employers and government officials predicted they may reach a limit on the yearly allotment of applications for skilled-worker, or H-1B visas, by Friday for jobs starting in October or later.

U.S. companies each year can sponsor a total of 65,000 foreigners with at least a bachelor's degree for a H-1B visa. If this limit is breached, the U.S. Citizenship and Immigration Services randomly selects applications to be considered for visas.

While the trend may point to a more buoyant U.S. economy, which is good for Indian firms like Tata Consultancy Services Ltd, Infosys Ltd. and Wipro Ltd. who make the bulk of their profits from American clients and have suffered due to a slowdown in the U.S., it is likely to raise their costs in the short term.

Up to 30% of the H-1B visas allotted each year are sponsored by the U.S.-based offices of Indian outsourcing companies, which employ thousands of Indian workers on technology projects, says India's main software tradebody Nasscom.

"Certainly the demand environment in the U.S. is picking up," says Krishnakumar Natarajan, vice chairman of Nasscom. "So, the demand for visas from Indian IT companies this year is more than last year."

Indian companies say they will have to turn to short-term U.S. hires to fill job vacancies, which will cost more.

"If the visas are not available, we will have to depend on subcontractors in the U.S. in the short term," said a senior executive with one of the top Indian outsourcing companies. "There will be some additional costs, but that's manageable."

Some analysts disagree. The cost of hiring a contract worker in the U.S. is at least twice that of a H-1B visa holder, says analyst Shashi Bhushan of Mumbai-based brokerage Prabhudas Lilladher.

Sub-contracting costs for Infosys, India's second-largest software company by sales, jumped to the highest ever level in the final quarter of 2012, or 4% of revenue, he adds.

Sandeep Muthangi, an analyst with Mumbai-based brokerage IIFL Capital, says hiring sub-contractors in the U.S. may raise the overall cost of operations for Indian IT providers by more than 10% a year.

Executives at India's largest software exporter by sales Tata Consultancy, Infosys and third-ranked Wipro declined to comment, ahead of quarterly earnings, due over the next two weeks.

The likely shortage of H-1B visas comes as India's outsourcing companies have stepped up hiring in the U.S. in the wake of concerns from members of U.S. Congress about foreign software workers displacing Americans from jobs.

However, Nasscom argues Indian IT firms find it hard to find skilled U.S. workers to do these jobs as unemployment in the technology sector in the U.S. is lower than 3%. Those they do find are costly to hire, it adds.

"This shortage will not go away any time soon. In fact, as the economy strengthens, the gap will grow" as competition to hire technology workers in the U.S. increases, says Peter Schumacher, president and chief executive of Germany-based management consulting firm Value Leadership Group Inc.

Fragomen Global Immigration Services LLC, a U.S.-based immigration services firm that advises more than 90% of India's outsourcing services companies, says more Indian companies are sponsoring H-1B visas now in anticipation of a recovery in demand for software services later this year.

"Most companies expect a recovery in demand for software services in the U.S. this year. So they want to be prepared," says Saju James, a partner with Fragomen in India.

Meanwhile, the U.S. Senate is moving closer to a broad immigration bill that is set to revamp a series of work-visa programs, among other things. The Senate bill also includes a proposal to increase the number of H-1B visas granted each year.

But some Indian executives fear a growing climate of protectionism in the U.S. that may end up making it harder to get H-1B visas.

U.S. Senator Charles Grassley, a Republican from Iowa, last month proposed a bill that aims to make it harder for Indian companies to acquire visas for workers they send to America.

The law, some parts of which Indian executives fear could make it into the broader immigration bill, seeks to deny new skilled-worker visas to those firms with more than 50 employees and 50% or more of its employees already on this visa. It also asks companies to pay prevailing U.S. wages to visa holders, ensure more scrutiny and seeks to raise penalties on those companies flouting existing visa rules.

"There are fears that the new immigration bill could bring in some restrictions. So, companies are trying to grab as many visas as they can under the old regime," the executive with the technology firm said.

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WTO's dispute panel to take up India-US poultry row

Nayanima Basu, Business Standard

New Delhi, 12 April 2013: India and the US have finally brought the imbroglio over poultry imports to the doors of the World Trade Organization's (WTO)'s dispute settlement body (DSB), a year after the US filed a complaint accusing India of violating global trading rules.

A consultation process that ended in December 2012 failed to reach a solution. "The US was not satisfied with the consultations. Now, the case has started formally. We are very clear on our position. This is a matter which concerns public health and safety. We are going to retaliate very strongly," a senior commerce department official told Business Standard.

According to WTO norms, after a complaint is filed, consultations are held between the two sides involved. If a settlement is reached, the case is dismissed. However, if consultations fail, both sides are asked to form a panel, after which the case is initiated.

India had imposed a ban on importing chicken legs from countries that had recorded cases of avian influenza. The decision was based on a notification issued by the Department of Animal Husbandry last year. The notification stated the import of poultry products would be restricted from countries that had cases of avian influenza, even if those were under the low-pathogenic category (not serious). However, the notification was country-neutral and didn't mention the US separately.

Till September 2011, the US had recorded low-pathogenic cases.

The notification was termed unscientific by the US; it accused India of violating sanitary and phytosanitary measures. In its complaint, the US said India had imposed a non-tariff barrier on its imports. The Indian poultry industry was apprehensive of the fact that cheaper poultry products from the US might affect its business, as it would be compelled to revise prices, the US said.

Another trade dispute between the two countries, one concerning a solar programme, is yet to be taken up by the DSB, as the consultation process for the dispute has just been concluded. "Now, it is the US that has to decide whether it wants to seek a panel or is satisfied with our explanation," the official said.

Early this year, the US had filed a complaint against India at the WTO, alleging discrimination against American products by India's National Solar Mission. It said under the programme, India was discriminating against US solar equipment manufacturers by offering subsidies to those who procured cells locally.

In March 2012, the US commerce department had imposed countervailing duties of 286 per cent on specific steel rods imported from India, arguing these products were heavily subsidised and, therefore, led to an unfair pricing mechanism. After consultations in this case failed, the issue was taken up by DSB. However, the US has asked for more time to structure its case. India had already informed WTO the US had arbitrarily imposed countervailing duties on its steel products, as the steel manufacturers' lobby in the US wasn't able to compete with India's competitive pricing, the official said.

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India Targets More U.S. State Renewable Energy Programs

Daniel Pruzin, WTO Reporter

Geneva, 19 April 2013: India has identified an additional four U.S. state programs for the promotion of renewable energy that it says might be offering illegal subsidies in violation of World Trade Organization rules.

In a communication circulated to WTO members April 18, India said it was “concerned” that solar energy incentive programs in the states of Delaware, Minnesota, Massachusetts, and Connecticut “have provisions relating to local or domestic content requirements which raises issues of consistency with Article 3.2 (and) Article 3.1 (b)” of the WTO's Agreement on Subsidies and Countervailing Measures (SCM).

India said there were also “issues of consistency” with the WTO's Agreement on Trade-Related Investment Measures (TRIMs) and the General Agreement on Tariffs and Trade.

Two provisions of the SCM Agreement prohibit WTO member countries from providing subsidies contingent on the use of domestic over imported goods.

India's latest claims follow accusations circulated April 17 that incentive programs for the renewable energy sector in the states of Michigan and California and the cities of Los Angeles and Austin, Texas, may also be illegal under WTO rules because of domestic content requirements (75 WTO, 4/18/13).

India also charged April 17 that water utilities in South Carolina, Pennsylvania, West Virginia, and several New England states have been mandating domestic content for equipment use in water projects.

The Indian accusations come in the wake of a U.S. decision Feb. 6 to initiate WTO dispute proceedings to address what Washington charges are illegal domestic content requirements in India's national solar energy program (26 WTO, 2/7/13).

Dispute Follows Ontario Violations

In a separate complaint filed by the European Union and Japan, a WTO dispute panel ruled Dec. 19 that domestic content requirements in the Canadian province of Ontario's Feed-In-Tariff (FIT) program violated WTO rules (244 WTO, 12/20/12). The program requires renewable energy producers to meet a “Minimum Required Domestic Content Level” in the development and construction of electricity generation facilities.

Canada has appealed the ruling; a decision from the WTO's Appellate Body is due by May 6.

India asked the United States to provide information regarding the programs in Delaware, Minnesota, Massachusetts, and Connecticut as well as to provide information on any state, regional or local level renewable energy programs providing incentives contingent upon compliance with domestic content requirements.

The Indian claims are due to be raised at the next meeting of the WTO's SCM committee scheduled for April 22.

India notes that Delaware's Solar Renewable Energy Credits program grants energy suppliers an additional 10 percent credit toward meeting mandated requirements if at least 50 percent of the cost of the renewable energy equipment is sourced in the state.

Minnesota's Xcel Energy-Solar Rewards Program and MN Made PV Rebate Program require that solar photovoltaic module qualifying for incentives be manufactured in the state. Likewise the Commonwealth Solar II Photovoltaic Rebate Program in Massachusetts conditions the granting of rebates on solar modules being manufactured by a company with a “significant” Massachusetts presence.

Connecticut's Residential Solar Investment Program allows the state's Public Utilities Regulatory Authority to provide additional incentives for the use of major system components manufactured or assembled in Connecticut, India added.

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Some solar projects may escape local content rule

Richa Mishra, Business Line (The Hindu)

New Delhi, 21 April 2013: The Ministry for New and Renewable Energy proposes to have two categories of projects under the Jawaharlal Nehru National Solar Mission — one with mandated domestic content and the other allowing use of imported equipment.

To participate in the National Solar Mission, developers have to buy solar cells and modules from domestic manufacturers and sign power purchase agreements with power plants under the mission. In return, they receive benefits including subsidies through guaranteed long-term power tariffs.

US Pressure

By having two categories, the Ministry seems to have found a way to stave off US pressure not to bring in more products under the draft guidelines that mandate use of domestic equipment.

Off-grid projects under Batch I of the second phase began from April 1, and tenders for grid-connected projects will be out next month.

While all approvals are in place to rollout grid-connected projects under the second phase, guidelines spelling out the domestic content requirement still need to be formalised.

The second phase will be in two batches as the capacity is high — 3,000 MW.

The earlier proposal bringing more items, such as thin films and solar cells, under the domestic sourcing requirement had so irked the US that it had filed a complaint with the Dispute Settlement Body of the World Trade Organisation against the mandate that crystalline solar photovoltaic modules had to be sourced locally.

Tarun Kapoor, Joint Secretary (Solar), MNRE, said the Ministry was yet to firm up how much of the 750 MW being tendered would fall under the domestic content norm.

He said WTO norms were not being violated under the Solar Mission.

One of the Mission's main objectives is to promote domestic manufacturing in the sector, which is why certain domestic content requirements were made mandatory in various schemes under Phase I. In the second phase, the domestic sourcing content is being expanded.

At the 4th Clean Energy Ministerial, Prime Minister Manmohan Singh had said that "as we expand our reliance on solar energy, we are keen to ensure induction of the best technology and also encourage domestic production of the equipment needed.

Large Market

"India is potentially a large market for production of such equipment. It is also a potentially competitive attractive production base for supplying to other countries. We, therefore, encourage global manufacturers to set up production facilities in this area."

Following the launch of the mission in 2010, the domestic manufacturing capacity of SPV cells and modules has increased from about 200 MW to 2,000 MW. The sourcing of power generated from projects in the second phase will be done by Solar Energy Corporation, which has been formed primarily to execute the mission.

For the first phase, NTPC Vidyut Vyapar Nigam, the trading arm of NTPC, was designated as the nodal agency for sale and purchase of grid-connected solar power.

The first phase of the mission, which concludes on March 31, has 1,500 MW of installed capacity till now.

This includes States' capacity and migrant projects. An additional 10,000 MW will be implemented by the end of 12th Plan ending 2017.

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US professional visas Bill may fall foul of global trade rules

Amiti Sen, Business Line (The Hindu)

21 April 2013: A Bill by a group of US senators seeking to put curbs on professional visas to foreign workers could be violating global trade rules, a Government official has said. India would take action if needed, the official added.

IT majors including Infosys, Wipro and TCS will be hit if the proposals, including a steep penalty on companies that hire a greater number of workers on H1B and L1 visas compared to local recruits, are implemented.

"The draft Bill is at an initial stage. We do not have to act just now. But the contents certainly seem to be against the provisions of the General Agreement on Trade in Services. We have kept a strict watch on the developments and would take action when required," the official said.

According to the provisions of the Bill, if an employer has 50 or more staff, and if more than 30 per cent (but less than 50 per cent) of them are on H1B or L1 visas, a fee of $5,000 for each additional worker will have to be paid. In case the number of workers on such visas cross 50 per cent, the fee would go up to $10,000. H1B is a work permit for temporary speciality workers, while the L1 visas are issued for intra-company transfers that allow companies to relocate qualified employees to US offices.

Apprehensive

A number of Indian IT companies have publicly expressed their apprehensions, saying the Bill would affect them adversely.

Some trade experts have endorsed the Government's view that the Bill may have violated World Trade Organisation rules. "Under the GATS, the US is obliged to issue 65,000 work visas to foreigners every year. It cannot put conditions on that," pointed out Biswajit Dhar, Director-General, Research& Information System.

Although the draft bill also proposes to increase the number of H1B and L1 visas to 205,000 from the 85,000 issued now, the increased number will not lead to a relaxation of obligations imposed by the WTO. "There are a set of rules governing the issue of H1B visas and L1 visas and these have to be followed uniformly. The US cannot say that it would not penalise companies while issuing 65,000 visas and the penalty would kick in after the threshold," Dhar said.

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India says US cannot point fingers on local input norm

Amiti Sen, Business Line (The Hindu)

New Delhi, 2 May 2013: In a move to counter the US gripe against compulsory local sourcing for solar projects, India is digging up cases where American states have mandated domestic sourcing.

At a meeting earlier this week of the WTO Committee on Trade Related Investment Measures, India said water utilities in many US states — South Carolina, Pennsylvania, and West Virginia among others —have made domestic sourcing of ductile iron pipes and fittings compulsory for use in water projects. New Delhi's charges come two weeks after it sought clarifications from the US at a WTO subsidies committee meeting on local content requirements in renewable energy programmes in Michigan, California and Texas.

India's arguments can play a decisive role in the case the US has lodged against India at the WTO for making it compulsory for all investors in programmes under the National Solar Mission to buy some of the inputs locally.

"It is appalling that the US has raised a dispute against India for local content mandate when it has been using it for so long in multiple areas. New Delhi has patiently prepared its case against all such instances and will now fire from all sides," a Government official told *Business Line*.

Ironically, at the moment India does not have much commercial interest in the areas where the US has set local content norms, but removal of restrictions could open new vistas for business.

"We are mainly trying to point out to the US that we are not the only ones trying to encourage domestic industry through local content norms. It is hypocritical to point fingers at us when they are doing the same," the official said.

India asked the US to explain how these measures could be considered consistent with the TRIMs Agreement that prohibits sourcing restrictions without ample justification.

Interestingly, the US has used the same argument in its case against India for domestic sourcing under the Jawaharlal Nehru National Solar Mission. The Mission, which seeks to promote use of solar energy and also build local capacities, made it compulsory under the first phase for all investors to use solar modules manufactured in India and source 30 per cent of the inputs locally.

India's defence is that since the power will be purchased by an arm of public sector NTPC, it qualified as government purchase and was, therefore, exempt from the TRIMs rules.

The US, however, is determined not to allow India to extend the domestic sourcing norm to solar thin films (exempt so far) in its second phase as American companies are major suppliers of thin films for solar projects in the country.

"Once a larger debate on local content being mandated by various countries in different projects starts at the WTO, it will be easier for India to persuade the US to drop its case," the official said.

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'Mobility is a trade concern, not a political issue'

The Times of India

Bangalore, 4 May 2013: Mobility -- the entire gamut of immigration, visa compliance, people movement -- is extremely critical for tech businesses today. It's a pure trade issue and not a political issue, said Som Mittal, president, Nasscom.

"The US should consult the bilateral clauses available under the WTO and GATT (general agreement on tariffs and trade) before the final wording of the bill is done. Else, it will have devastating implications for both the economies," he said.

Referring to the Comprehensive Immigration bill that is in the making in the US, he said the US should not try to introduce trade restrictions on India. Such a move will eventually lead to trade wars between the two countries. "India is a large retail market that the US can never ignore. Some 70% of IT, hardware and software products that are consumed by India are developed by US companies. Ignoring this will impact the competitiveness of the US economy," he said.

Nasscom has started seriously lobbying with people at the ground level, including closely interacting with people who worked on the bill."The immigration bill is a special charter for us. The government has also taken up the issue.

Together we can make our voice heard by the US administration," Mittal said. "All said and done, it is a serious bill, may be passed eventually as well. We are lobbying hard with authorities to change the discriminatory elements and the language used in the draft.

We are expecting some serious alteration to happen so that more clarity is brought in, else this is going to be a lose-lose scenario for everyone and no one will win. There will be long-drawn debate on the bill," he said."The debate around the Comprehensive Immigration Reform bill is going to be intense," said Eamonn Dornan, a US immigration law specialist.

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US natural gas exports to India, a 'win-win' proposition

PTI

Washington, 8 May 2013: Energy-hungry India, which invested nearly $4 billion in US' tight oil and shale gas sectors from 2008 to 2012, has strongly advocated the export of American natural gas to it, saying it presented a "win-win" co-operation opportunity for both nations.

"As shale gas has become economically viable to produce, the US has emerged as one of the world's most important gas producing countries," Indian Ambassador to the US Nirupama Rao said, while speaking at the American Enterprise Institute (AEI), a Washington-based think-tank.

"Growth in shale gas production in the coming years is now expected to substantially reduce, if not eliminate, the need for the US to import natural gas, and companies are instead looking to reach new markets beyond electric power, industrial and residential uses, both in the US and overseas," she said.

Rao strongly advocated the case for export of US natural gas to India.

"The potential of exports of natural gas from the US, on account of its linkage to the Henry Hub (HH) prices, would imply considerable savings in terms of landed costs in a country like India. We estimate that these savings would be in the range of USD 4-5 per million metric British Thermal Units (mmbtu)," Rao said.

She pointed out that according to the Energy Information Administration (EIA) of the US Department of Energy, in a few years time, around 2020, the total production of natural gas in the US will exceed domestic consumption.

"This scenario opens up the possibility of the export of liquefied natural gas (LNG) cargoes from the US to other energy scarce countries, including India, where there is significant untapped potential for natural gas demand in all end use segments," she said.

"This would result in cheaper electricity, lower subsidies on urea and other nitrogenous fertilizers, and a more economical fuel for a variety of industrial and consumptive gas usages. Thus, there is a clear and present benefit to India, if exports of US natural gas are permitted to India," the Indian ambassador to the US said.

"The point that I would like to stress is that the advantage is mutual and that natural gas exports represent a 'win-win' co-operation opportunity," Rao said.

According to another EIA study, roughly 20 per cent of the USD 133.7 billion invested in US tight oil and shale gas from 2008 to 2012 has come from abroad, with Indian companies accounting for a total investment of nearly USD 4 billion so far.

These investments represent more growth, jobs and progress for the US economy and should, in my view, be welcomed, Rao said.

Meanwhile, influential Congressman Joe Barton voiced support for export of natural gas to American allies, saying it would enhance US' power and influence.

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US bill on H1-B clears first hurdle

Yashwant Raj, Hindustan Times

Washington, 22 May 2013: The US immigration bill that intends to restrict H-1B visa-dependent Indian IT firms‟ ability to hire more foreign workers, including people from India, crossed a key hurdle on Tuesday, making it through the senate committee. The bill now goes for a vote on the senate floor --sometime in June -- which will be neither easy nor quick, with a slew of amendments expected.

If it passes, the House of Representatives will either take it up in its present shape or come up with its own version. The two versions will then be merged for the President's assent.

The bill seeks to make it difficult and costly for companies to bring in non-US workers on H-1B (temporary working permit for high skill workers) and L-1 (intra-company transfers) visas. IT companies such as Wipro, Infosys and TCS, which depend on heavily on H-1B workers, will resultantly find it harder and costlier to operate here.

The bill almost doubles annual cap on H-1B workers from the current 65,000. This should be good news for Indian IT firms, but the bill also makes sure that heavy H-1B users such as the Indian firms are unable to hire more foreign workers, with a staggered system of escalating caps and costs. For instance, no more than 75% workers can be on H-1B or L-1 in 2014, 65% in 2015 and 50% from 2016 -- those over those limits cannot bring more foreign workers.

Indian firms are clearly the target. Commerce secretary S R Rao has written to the US Trade Representative calling these restrictive provisions of the bill protectionist in nature.

Indian techies looking to work in the US could, however, expect to be hired by American companies that are forced to recruit overseas because of a shortage of workers here.

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US Inc Piles Up Gripes Against India Ahead Of High Level Meets

Chidanand Rajghatta, The Times of India

Washington, 8 June 2013: "Okay, you have convinced me. Now go out there and bring pressure on me," President Roosevelt is once reported to have told a business delegation, offering an insight into lobbying in the United States. Abiding by the same broad principle, US businesses, lawmakers, and administration officials on Thursday acted in concert to turn the heat on India, accusing it of unfair, restrictive, protective, and discriminatory business practices against America entities and seeking President Obama's intervention in the matter.

The concerted effort, which involves letters from US corporations and business groups to the president, testimony by Obama administration officials before Congress, and lawmakers' own critiques, came ahead
of US secretary of state John Kerry's trip to India later this month for the annual strategic dialogue, which will precede Prime Minister Manmohan Singh's visit to Washington DC in September. As much as strategic and security issues, the engagement looks certain to zero in on contentious trade issues between the two countries if business lobbies in both countries have their way.

"It is time the GoI ended discrimination against our nation's exporters ... we urge the US government to immediately initiate bilateral engagement at the highest level and to coordinate closely with the European Union and other like minded-economies," a consortium of 16 US business organizations said in a June 6 letter to President Obama after outlining their gripes. "If this engagement is not fruitful," the letter added on a bleak note, "we ask the US government to respond purposefully, using all available trade tools and diplomatic engagement."

The letter complained that over the last year, "courts and policymakers in India have engaged in a persistent pattern of discrimination designed to benefit India's business community at the expense of American jobs ... Administrative and court rulings have repeatedly ignored internationally recognized rights — imposing arbitrary marketing restrictions on medical devices and denying, breaking, or revoking patents for nearly a dozen lifesaving medications."

Meantime, over at the Hill, a key administration official and lawmakers joined the chorus of criticism against New Delhi, accusing it of protectionism and discrimination — the same complaints India too makes against US in some areas as Washington tries to retain jobs and shield its economy from disadvantages that is also part of free trade territory.

"We're very concerned about the innovation and the investment environment in India at the moment," Mike Froman, deputy security advisor on economic policies to President Obama told lawmakers during his confirmation hearing for the position of US trade representative. He listed compulsory licensing, patent issues, preferential market access, localization as some of the issues of concerns, echoing the business organization letter.

Lawmakers were no less agitated.

"We have a lot of concerns about what's going on today in India especially their emerging market access barriers, protectionist measures," said Ohio senator Rob Portman, a former USTR in the Bush administration who was also once a lobbyist for the firm Patton Boggs. "One is the lack of respect for patents. Basic intellectual property protections are being set aside. They've invalidated and broken American drug patents. These actions are in disregard of WTO rules ... They're fundamentally disruptive to innovation."

It is no secret that many US lawmakers have strong ties to the pharmaceutical industry, which benefit from their legislative efforts and pour money into campaign coffers. None of this prevents them from piling on to the Indian drug industry, whose inroads into generics is credited with reducing medication cost in the US and across the world, while affecting the bottom line of western drug giants amid a wrangle about patent protection and patient rights.

Senators Orrin Hatch and Bob Menendez were among those who batted for the pharmaceutical industry, accusing India of inadequate intellectual protection and enforcement. Hatch also alleged that India is increasingly shutting US companies out of its markets through a variety of measures, including restricting its imports of products to force companies to manufacture in India, a policy Washington is also accused of promoting to protect American jobs.

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US immigration Bill may hit American firms more: Nasscom

Business Line (The Hindu)

Chennai, 18 June 2013: The new immigration Bill in the US may not have any adverse effect on India's IT business, observed the IT trade body Nasscom.

Addressing the media on the sidelines of a seminar, Nasscom Emergeout Surge 2013, held here today, Som Mittal, President, said there is a huge shortage of technical resources in the US. There are some positive aspects in it too.

"If this Bill sails through, the biggest impact will be on our customers there in the US, as Indian companies are working for large US corporations that are going through a transformation. They are batting for us there," he said.

He also pointed out that it is only at the beginning of a very long process of the Senate Bill. Also, there is a completely new Bill being developed in the House there which contains many favourable aspects, Mittal explained.

Nasscom hopes that the House Bill will be more moderate and will not have the same amount of discrimination that the Senate Bill has. "Besides, India is also very strategic to the US in a lot of ways. Our IT people go their and sustain the US economy by renting places there and by offering jobs to local people. In the last five years, we have contributed more than $15 billion by taxes and social security there," he pointed out.

Talking about the IT industry's growth, he said, driven predominantly by newer geographies, newer verticals and consumers, it is expected to grow at 12-14 per cent in the next few years and would touch $335 billion by 2020. Of this, the IT services industry alone would be to the order of $225 billion by then, said Mittal.

Emerging Markets

The IT industry is bullish about its growth prospects. The industry, which is currently growing at 10-12 per cent, would focus more on new emerging markets such as Latin America, Asia-Pacific, China, Japan and Africa. However, he said, "The growth in newer geographies will not be at the cost of our exports to existing markets, but will only be in addition to them."

For example, he said, countries such as Japan and China account for only 3 per cent of India's IT services export at present, and "hence there is enormous potential to grow our exports to these markets".

According to him, the US and Europe alone currently contribute 90 per cent to India's exports, while the remaining 10 per cent comes from all other geographies. By 2020, new emerging markets will contribute at least 20 per cent of the increased pie, he said.

Similarly, he said contribution from newer industry verticals such as utilities, transport, healthcare, media and entertainment will also go up substantially. As of now, almost 80 per cent of the export revenues of the industry is from verticals such as banking and finance, telecom and manufacturing.

Bigger Market Segment

Besides, by focusing more on "consumerisation" of technology, the industry can tap a bigger market segment. The ubiquity of connected smart devices has caused an evolution and convergence of four powerful forces - social, mobile, analytics and cloud. These forces have reoriented the business model of traditional IT firms to move towards creative solutions that help clients' businesses grow, he said.

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Adressing mutual concerns can ensure 'win-win' on trade: Kerry

The Indian Express

New Delhi, 25 June 2013: The United States on Monday asked India to remove trade barriers to deepen economic cooperation between the two nations, while India raised concerns over visa problems faced by its information technology companies. India assured the visiting US Secretary of State John Kerry that it would look into the issue of "trade barriers", and that both the sides would need to take into account each-other's concerns to reach a "win-win situation" on trade ties. Kerry is visiting New Delhi to continue the Strategic Dialogue process between the US and India. "We have issues on trade barriers front and we have been reassured that the Indian government will look into it," Kerry said at his joint press conference with Minister of External Affairs Salman Khurshid.

Khurshid said: "We have brought to the Secretary's notice (visa issue) and he has promised he will do whatever he can. Both sides have to factor in concerns of both sides to create a win-win situation in trade ties." Prior to his visit, US companies and lawmakers had urged Kerry to talk tough on policies regarding India's rejection of patent suits against domestic pharma companies manufacturing generic drugs that are sold at substantially lower prices than what multinational companies charge. Since 2008, India and the US have been engaged in bilateral investment treaty negotiations and the last round was held in June 2012. And the US Secretary of State has once again reiterated their desire to push for the treaty.

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India pushes back against US industry's charges

Indira Kannan, Business Standard

21 June 2013: Just ahead of the next round of the strategic dialogue with the United States, the Indian government is pushing back against allegations from American industry groups that it engages in discriminatory trade practices and does not respect global intellectual property (IP) standards. The Indian embassy in Washington, DC, said in a statement on Wednesday that India was fully committed to protecting intellectual property. "India has a complete eco-system supporting a well-settled, stable and robust intellectual property regime. Its three main pillars are comprehensive laws, detailed rules to back them up, and strong enforcement mechanisms, including for dispute resolution," the embassy said. American industry groups representing several major sectors of the US economy, including biotech, pharma, technology products and motion pictures, launched the Alliance for Fair Trade with India (AFTI) on June 18, calling on US President Barack Obama to engage the Indian government in talks to end what they described as India's unfair trade practices against US manufactured exports and innovative products. They have urged US Secretary of State John Kerry to bring up their complaint at the Strategic Dialogue in New Delhi next week. The AFTI is co-chaired by the National Association of Manufacturers and the US Chamber of Commerce's Global Intellectual Property Center (GIPC). In a January 2013 report comparing IP systems worldwide, GIPC alleged India consistently ranked last, behind Brazil, China and Russia, in promotion and enforcement of patents, copyrights and trademarks. "From unprecedented patent revocations and denials to insufficient copyright enforcement, India has established itself as an outlier in the global economy," said Mark Elliott, GIPC's executive vice-president. On Wednesday, the Indian embassy in Washington described the Indian Patents Act as one of the most comprehensive acts and asserted it was rigorously enforced. It noted that American nationals and corporations had received the highest share of all patents granted in India. "India granted 4,064 patents for pharmaceutical inventions during the period from January 1, 2005, to December 31, 2011, and more than 85 per cent were owned by foreign companies in India. This trend shows that the provisions of the Indian Patents Act related to pharmaceutical products are fair and unbiased," the embassy said. The Indian Supreme Court's ruling against Swiss drugmaker Novartis in denying patent protection to its anti-cancer drug Glivec earlier this year had been sharply criticised by the American pharmaceutical industry. AFTI has also alleged that "administrative and court rulings in India have repeatedly ignored internationally recognised rights, imposing restrictions on medical devices and denying or revoking patents for nearly a dozen lifesaving medications".

The Indian government defended its provisions for compulsory licensing of pharmaceutical products, saying they were in accordance with the global TRIPS agreement. An Indian embassy official pointed out that more than 35 compulsory licences had been issued by 15 countries, whereas India has issued only one. AFTI says immediate action is needed to fix the growing bilateral trade relationship, which crossed $60 billion last year. Industry groups also complained to Obama that the Indian government had recently demanded 100 per cent of its market for certain infotech and clean energy equipment had to be met by local production. A bipartisan group of members from the US House of Representatives has also written to President Obama on this issue. In a letter dated June 18, 169 lawmakers from the Democratic and Republican parties singled out problems related to what they called the increasingly challenging IP climate in India. Warning that India was a "thought leader among emerging countries" and that others were already emulating India's IP policies, the lawmakers said, "The US government must send a strong signal to the Indian government that these actions are inconsistent with India's international obligations." Signatories to the letter include members of the India Caucus in the House of Representatives. Meanwhile, on Wednesday, the US Senate confirmed Michael Froman, a senior economic advisor to President Obama, as the next US Trade Representative, succeeding Ron Kirk.

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New U.S. trade chief focused on India, striking deals

Doug Palmer, Reuters

Washington, 21 June 2013 - New U.S. Trade Representative Michael Froman on Friday said he expected growing trade problems with India to be a major early focus of his tenure, but stopped short of saying the United States should cut off benefits for that country. "We have a number of concerns about the investment and innovation environment in India," Froman said in a wide-ranging interview shortly after being sworn into office. "It's something that we're very focused on." Other top priorities are completing trade deals with 11 countries in the fast-growing Asia-Pacific region and with the European Union, and ensuring that countries live up to their existing trade obligations, he said. Froman, who won Senate approval on Wednesday by a vote of 93-4, said he agreed with Senator Elizabeth Warren that the public should have a better understanding of the issues that countries negotiate in trade agreements. "We'll take a look at a number of ideas and proposals that people have about how to improve transparency. But we also want to make sure that we can negotiate a deal that is in the best interests of American workers, farmers and ranchers," he said. Warren's concern that trade talks are overly secretive prompted the Massachusetts Democrat to vote against Froman, even though she is an ally of President Barack Obama on many other issues.

Angst Over India

Members of Congress and business groups have urged the Obama administration to take a tougher line on India's trade policies, including its use of compulsory licenses to suspend patents on U.S. drugs, barriers to U.S. agricultural exports, restrictions on foreign investment and local content policies that discriminate against foreign goods. Froman, who until recently was Obama's chief international economic affairs adviser, said he expected to raise the issues next month in Washington at a U.S.-India CEO Summit, and potentially in a future meeting of the U.S.-India Trade Policy Forum, which has not met since 2010. Some lawmakers have suggested removing India from Washington's Generalized System of Preferences program, which helps developing countries export goods to the United States. Froman treaded carefully on that question, noting that many U.S. companies also benefited from the program, since it lowered their production costs by waiving duties on imports. "We need to take a careful look at that ... This is something we want to work with Congress on," he said. Busy Negotiating Agenda Froman, whose friendship with Obama goes back to their days together at Harvard Law School, takes over the top trade post at one of its busiest times in recent years. The United States hopes to wrap up trade talks with Japan and 10 other countries in the Asia-Pacific region by the end of the year, and will hold the first round of talks on a proposed U.S.-EU agreement the week of July 8. "It's a very full agenda that all revolves around creating jobs in the United States," Froman said. Finishing talks on the proposed Trans-Pacific Partnership, or TPP, by December 31 is "an ambitious timetable, but that is the objective we have set out," he said. One of the TPP countries, Vietnam, complained this week that the United States was continuing to shield the U.S. textile industry from substantial market openings while making tough demands on other participants in the talks. "All I would say is this is intended to be a comprehensive, high-standard agreement, which means there will be hard steps for every country to take," Froman said. "With regard to textiles in particular, we want to make sure we balance the interests of our domestic producers, importers and consumers appropriately," he said. In its separate talks with the EU, the United States is pushing for "the broadest, most comprehensive agreement we can get," despite France's insistence on excluding cultural industries from the negotiations, Froman said. "There are sensitivities on both sides that will have to be addressed in the agreement." When asked if the pact would make it easier for U.S. farmers to sell genetically modified crops in Europe, Froman said: "We think the prospect of a broad and comprehensive agreement gives us our best opportunity for achieving something that has eluded us before." He repeated his intention to work with lawmakers to pass a "trade promotion authority" bill, which would allow the White House to submit trade agreements to Congress for an up-or-down vote without amendments. Many lawmakers want the bill to include a provision requiring the administration to negotiate rules against currency manipulation in trade pacts. Asked about that, Froman said that was an issue that needed to be worked out during discussions. Chinese Investment Froman declined to comment on concerns raised by several senators about Shuanghui International's proposed $4.1 billion purchase of Smithfield Foods, which would be the biggest Chinese takeover of a U.S. company to date. Those lawmakers have argued that the tie-up poses a potential threat to both U.S. food security and food safety, and they want the administration to consider those issues before deciding whether to sign off on the deal. "I would only say as a general matter the U.S. is open to foreign investment provided it meets our overall statutory standard," he said. On another matter, Froman said he expected a decision on whether to suspend Bangladesh from the U.S. Generalized System of Preferences by the end of June, following recent tragedies, including a factory fire that killed more than 100 people, that have raised concerns about working conditions in the Asian nation's garment sector. Most of Bangladesh's garment exports to the United States do not receive duty-free treatment under GSP, so suspending it from the program would be a mostly symbolic move.

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Indian IT industry pins hope on House as Senate passes immigration bill

Business Standard

Bangalore/ New Delhi/ Mumbai, 29 June 2013: With the passage of the Comprehensive Immigration Reforms Bill by the US Senate, the Indian information technology (IT) outsourcing services industry is now pinning its hope on the House of Representatives, which has prepared its own version of the Bill. The House is expected to propose its own version of the Bill that does not have restrictions that have negative impact on both US corporations and Indian companies. According to industry insiders, in case the House decides to stick to its own Bill, they would have to find out a middle path. “I think it is too early to make a judgment. The House, which is dominated by Republicans, is preparing its own version of the bill which does not have any punitive provision. When the provisions of the two bills are different, they would have to find out a middle path, follow the process all over again,” said Krishnakumar Natarajan, chief executive officer (CEO) and co-founder of midsize IT services company, Mindtree. “It is absolutely clear the Senate Bill in its current form will not see the light of the day,” he added. IT industry body Nasscom said it is quite hopeful the final contour of the bill would be much more balanced than it is at present. “We are working on the House side, where the bill language is a less harmful to global companies and the US customers and are confident we would have a more balanced bill in the House,” said Som Mittal, president of Nasscom. The Senate Bill, in its current form, is expected to limit the ability of global IT companies (including Indian) to send employees to the US to service clients. The bill is expected to make it harder and costlier for Indian tech firms to use H-1B workers in their US operations. “The immigration bill has to go through multiple stages. The first stage has been cleared. The whole version of the bill has not been released. The bill has implications for us, but we will have to wait for its final version before we make a comment,” said N Chandrasekaran, CEO & managing director of TCS, India’s largest IT services company.

According to the Senate Bill, if an employer has more than 50 per cent of their employees on H-1B or L-1 visas, they would be required to pay $10,000 fee per additional worker. So, it is expected to affect most of the large Indian IT services companies including TCS, Infosys and Wipro. Nasscom has said provisions of the senate Bill have arbitrarily singled out a group of multinational IT companies which amount to punitive treatment of this industry. “This fails to recognise the vital services global IT services companies deliver; the innovation and competitiveness they have spurred in thousands of US businesses, and the investments these global IT services companies make in the US,” said Mittal.

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US solar industry urges India to remove trade barriers

PTI

Washington DC, 29 June 2013: Seeking a sizeable pie in India's fast emerging solar energy market, the American solar industry has asked it to remove the trade barriers which discriminate against US solar exports. Testifying before a Congressional committee, Solar Energy Industry Association Vice-President John Smirnow alleged that India's local content requirement "discriminates against US solar exports and, thereby, provides an unfair competitive advantage to India's domestic solar manufacturers... Explosive growth With some of the best solar resources in the world and the cost of solar continuing to decline, India's solar sector is poised for explosive growth, providing an important export opportunity for US solar manufacturers, he told lawmakers. However, India's growing use of an industrial policy discriminates against US solar exports, thereby providing an unfair competitive advantage to India's domestic solar manufacturers, Smirnow had said yesterday during the Congressional hearing on .A Tangle of Trade Barriers: How India's Industrial Policy is Hurting US Companies convened by the Commerce, Manufacturing, and Trade Subcommittee of the House Energy and Commerce Committee. Local content needs while local content requirements may provide some protection for domestic manufacturers, they also stifle innovation, limit a country's access to next-generation technologies and increase costs, not to mention the fact that local content requirements are explicitly prohibited by global trading rules, he explained. "Returning to the specifics of India's solar industrial policy, the national solar mission is divided into three phases. Under the first tranche of phase one, India required that eligible products. Projects based on crystalline silicon technology that's the other half of the solar panel industry versus thin film," he said. "That is where the US has a technological advantage in this first phase India required that one half meet a local content requirement for cells, and solar cells are the heart of a solar panel for this technology," Smirnow said.

"So while US companies could sell cells into India or they could sell modules but they weren't able to sell cells, US-origin panels were thus barred from competing. For the second tranche of phase one, India broadened this local content requirement to mandate that national solar mission products use only crystalline silicon cells and panels manufactured in India, a significant lost opportunity for US exports," he alleged. Looking forward, the US solar industry is concerned that India will expand its local content requirement yet again to cover thin film technology, effectively targeting hundreds of millions of dollars of US exports. "Our only hope is that the US Government's recent decision to initiate a WTO case against India will eventually cause India to reverse course," he said. "The US-India dispute follows on the heels of a recent WTO finding that Ontario, Canada's local content requirement for solar goods, substantially similar to India's, violated Canada's WTO obligations. In response, Canada has indicated that the solar programme will be brought into compliance with the WTO decision, which we presume means that Canada will remove the local content provision," he said. Smirnow said that India should follow Canada's lead and remove the local content provision from its national solar mission.

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WTO refuses Indian request to throw out U.S. trade dispute

Reuters

Geneva, 1 July 2013: India has failed to persuade the World Trade Organization (WTO) to dismiss a trade complaint brought by the United States, according to a preliminary ruling published on the WTO's website on Monday. The United States launched the legal challenge at the world trade body in March 2012, contesting Indian restrictions on imports of poultry, pigs and related products. India says its checks on U.S. imports are justified by concerns about bird flu, but the United States argues the rules are a "disguised" illegal restriction on foreign trade and not backed by science. India tried to have the U.S. complaint dismissed on technical objections, including that the allegation was not precise enough and did not spell out the legal argument. But according to the preliminary ruling published on Monday, the WTO's adjudicators dismissed India's technical arguments, saying "there can be no uncertainty on India's part". This leaves the original U.S. complaint intact, with a ruling likely later this year. The WTO's decision strengthens the hand of the new U.S. Trade Representative Michael Froman, who told Reuters last month that growing trade problems with New Delhi would be a major early focus of his tenure. India and the United States are also at loggerheads over several other trade issues, ranging from fees charged on U.S. business visas to India's support for the solar power sector. Friction between the two countries is a major obstacle to a global trade deal being negotiated by all of the WTO's 159 members. The deal aims to slash red tape that is costing trade hundreds of billions of dollars a year.

The WTO hopes ministers will sign the agreement at a meeting in Bali in December, but the United States and India are championing rival visions for the future of trade reform, splitting the trade body's membership and making it hard to reach a consensus. The Bali deal is widely seen as the last chance to revive global trade negotiations after the failure of the Doha round of trade talks in 2011.

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Chidambaram, Sharma woo investors in US

Chidanand Rajghatta, The Times of India

Washington DC, 13 July 2013: Two senior Indian cabinet ministers double-teamed in New York and Washington to talk up India to American business, allaying their apprehensions about rulings they feel discriminate against them, while assuring them that New Delhi remains open for business and profit-taking.

In moves aimed at arresting the slide in foreign investment in India and reversing the perception that India is resorting to protectionist measures, finance minister P Chidambaram and commerce and industries minister Anand Sharma met American investors and other interested parties in Washington and New York respectively on Wednesday to put out a conciliatory message that New Delhi will offer a level playing field.

"The finance Minister mentioned that while some concerns have been expressed about the current business environment in India, the policies adopted by the Government of India are pro-growth and WTO compliant," the Indian Embassy said in a statement about his meetings with Senator Max Baucus, chairman of the Senate Finance Committee, among others on first day of his four-day visit. Chidambaram, it said, stressed that the Government of India is committed to ensure a "transparent, fair and non-discriminatory investment environment for foreign investors seeking to do business in India."

Officials said Chidambaram also met CEOs and top management officials of a number of American companies with substantial investments in India, including Microsoft, Lockheed Martin, Boeing and International Lease Finance Corporation (ILFC). While there were broad discussions on the current business and investment environment in India, the finance minister took up US gripes about transfer pricing and taxation issues, explaining recent government rollbacks that suggested a more reasonable approach than what was seen by Americans as a confrontational line that had riled foreign investors.

Indian officials said the US companies were "appreciative of the measures taken to address concerns relating to Transfer Pricing," even as the US-India Business Council welcomed the slew of concessions from New Delhi ahead of the twin ministerial visits. Chidambaram also apprised the companies of the recommendations of the Arvind Mayaram committee on enhancing FDI caps in many sectors, and the steps being taken to implement the recommendations, although there is plenty of internal political debate within India about the wisdom of fully opening up the markets to predatory western companies, particularly in sensitive sectors.

In New York meantime, Sharma spoke about the slew of measures the government was rolling out to address the complaints of foreign investors: National Investment and Manufacturing Zones (NIMZ) being set up across India; the single window approval mechanism for investments; the fast-tracking of critical infrastructure projects; use of technology to minimize paperwork for investment proposals; the efforts to tackle the emotive issue of land; and the establishment of a Cabinet Committee on Investments chaired by the Prime Minister, were cited as some of the steps the government has taken to spur business and investments in the country. But on one issue both ministers pushed back: The adverse impact in India of the Comprehensive Immigration Bill recently passed by the US Senate which will essentially hinder free movement of India's biggest asset — skilled professionals.

Times View

Cabinet ministers going on road shows abroad to try and attract investments to India should realise that hard sell alone cannot do the job. No amount of impassioned appeals is likely to yield any results if potential investors do not see the prospects of attractive returns. On the other hand, if India becomes an investment destination that promises ease of doing business and reasonable returns, investors will make a beeline for the country without anybody having to exhort them to do so. What our ministers really should be focusing on, therefore, is getting the government's act together. The rest will follow more or less automatically.

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India ready for investment treaty talks with US: Anand Sharma

Reuters

Washington, 13 July 2013: Government is ready to begin talks with the United States on a bilateral investment treaty as part of its effort to reinvigorate ties with a valued trade partner, the commerce and industry minister of India said on Friday.

"We have said that 'yes, we are ready for it. We are in favor,'" Anand Sharma told reporters after meetings with US Trade Representative Michael Froman and other US officials.

Sharma said there was no date for the first round of talks on the pact, which would set terms and condition for US and Indian investment in each other's country.

"No, it was discussed today, and we have signaled our acceptance," Sharma said.

The United States and China agreed this week to restart talks on a bilateral investment treaty, a move welcomed by the US business community as a sign of new Chinese President Xi Jinping's commitment to economic reform.

US business groups have been anxious for a similar commitment from India and were disappointed when a date for talks was not announced after Secretary of State John Kerry visited the country in late June.

Although the United States runs a far larger trade deficit with China than with India, India has in some ways replaced China this year as the No 1 target of complaints from the US business community and members of Congress.

In recent months, there has been a stream of letters from business groups and lawmakers complaining about Indian policies they say discriminate against American firms or undermine US intellectual property rights, especially for pharmaceuticals.

Sharma told reporters that India was far more welcoming of American business than the current perception, but admitted it must do more to get that message across.

He also said there was no reason the United States and India could not meet the US-India Business Council's goal of boosting bilateral trade in goods and services to $500 billion annually by 2020 "if we make a real effort."

Current two-way trade of about $106 billion annually is much below the potential, Sharma said.

On other issues, Sharma said the United States and India had agreed to work together to ensure that the December meeting of the World Trade Organization in Bali was a success.

"We have agreed to put together a work program. Our chief negotiators, senior officials and our ambassadors in Geneva will meet to discuss so there is a broad consensus around the key issues of trade facilitation and food security," he said.

"We will work very closely with all our partners ... with the United States of America, other principle stakeholders, the key countries, to ensure the outcome is a positive one."

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Tougher times ahead for exporters

Sidhartha, Times of India

New Delhi, 11 July 2013: There is more bad news for Indian exporters with the preferential access to the US, known as generalized system of preferences (GSP), set to expire at the month-end.

Expiry of the benefits are expected to hit small scale and labour-intensive industries the most, prompting commerce and industry minister Anand Sharma to once again take up the issue when he meets US trade representative Mike Froman later this week. But given Froman's strong stance against imports from emerging market economies such as India and China, an extension is not going to come easily, said officials.

Even before he was nominated for the trade negotiator's job, Froman had taken a strong anti-India stance on the WTO trade talks and blamed India for blocking negotiations on issues such as trade facilitation.
In any case, Indian officials see growing signs of protectionism in the US, as manifested in the visa restrictions and attacks over the labour regime. Besides, the US is exerting pressure on India over its intellectual property regime, although New Delhi has maintained that steps such as patent waiver in public interest and checks on unwarranted patents are in line with the legal provisions and Trips. Besides, India is often blamed by the US for initiating "protectionist measures" such as local procurement for solar energy and telecom equipment.

The US is expected to use extension of GSP benefits to get India to address some of its concerns amid a growing clamour for canceling the sops that were started in 1976. On June 18, 14 US business groups launched the "Alliance for Fair Trade with India" that called upon the US government and Congress to press India on issues of concern to them. Companies such as IBM have advocated linking these issues to GSP benefits.

What is GSP?

The scheme provides preferential duty-free treatment for over 3,500 products from 127 developing & poor countries.

Goods such as textiles and apparel, watches, footwear, handbags, luggage, flat goods, work gloves and leather apparel are not entitled for GSP treatment. No sops are given for import of sensitive steel, glass and electronics.

The benefit is reviewed annually, programme lapsed in 2010. It was reauthorized in October 2011 and the current congressional authorisation expires on July 31, 2013. In 2011, India was the second largest beneficiary.

Times View

The government needs to take immediate steps to make Indian industry, including the small scale sector, more competitive so that it does not have to lobby for getting preferential access for Indian exports. The emphasis should be on supplying uninterrupted power and better road, rail and port connectivity so that Indian companies are not burdened with a high cost of operations. At the same time, transaction costs need to be reduced and industry should be freed from bureaucratic red tape. For a country which is pitching hard for a place on the global high table, nothing can be more embarrassing than finding itself in a situation in which it is lobbying for concessions meant to go to the poor and least developed countries.

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India’s farm products face US import hurdles

Sidhartha, Times of India

New Delhi, 12 July 2013: After claiming a major victory in "mango diplomacy" with the US, the government has realized that it was sold a lemon.

Despite the US agreeing to import Indian mangoes after irradiation to cut the risk of fruit flies and stone weevil, the quantity of the fruit shipped from India has not climbed significantly. The government blames the prohibitive cost which it has to pay according to the agreement reached with Washington.

With a little over 1,300 tonnes exported from India, the average cost per ton works out to $318, which is nearly 12% of the cost of a mango and its transportation cost, said an officer. The government has suggested that the National Plant Protection Organization (NPPO) could be asked to do the job to help reduce costs and boost exports.

Instead, the US has suggested that local inspectors be hired by the US Embassy, which will reduce the cost of pre-clearance programme by about around $25,000 a season. It isn't just mangoes — the same story is repeated across various farm products with the Indian shipments facing restrictions.

Indian basmati has been put on an import alert by the USFDA, which says that a fungicide, tricyclazole, was detected in some consignments. This can lead to detention of the rice without examination.

Similarly, in case of pomegranates, the US recently allowed imports from India but the details of the irradiation treatment are yet to be finalized. In the case of grapes, India had sought market access in March 2008 and provided information on the pest risk analysis, but the US now wants information on the economic losses caused by some pests.

For litchis, exports have not been allowed as the US Environmental Protection Agency has not cleared the maximum residue limit (MRL) of sulphur dioxide, an issue which is being discussed for two years now. Indian officials said there has been little progress in farm trade, and commerce and industry minister Anand Sharma is expected to flag the issue during his meetings with his US counterparts.

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WTO hearing on India-US poultry import dispute this week

Amiti Sen, Business Line (The Hindu)

New Delhi, 21 July 2013: India and the US are set to lock horns on the validity of import restrictions by New Delhi on poultry and poultry items from areas afflicted by the bird flu virus at the first panel hearing at the World Trade Organisation this week.

Senior officials from the Commerce Department and the Animal Husbandry Department, with a supporting team of top advocates, will give a presentation to the WTO Dispute Settlement Panel explaining why restrictions on poultry from areas afflicted with even mild strains of the avian infulenza virus were necessary to protect the country from the disease.

The decision of the panel will determine if India can continue restricting import of cheap chicken legs from the US – which poses a serious threat to the domestic poultry industry – citing bird flu fears. “Since this is the first panel hearing, we have to argue our case with conviction, as it would contribute hugely to the panels’ final verdict,” a Commerce Department official told *Business Line.*

The hearing on July 24-25, where both sides will present their case and answer queries, will be followed by a second hearing at the end of the year, after which the panel will give its draft report.

Once the draft report is discussed and argued by both sides, the panel will give its final judgement. The US had disputed India’s decision last year for banning import of poultry and poultry products on unscientific grounds.

It had argued that the ban imposed on countries' reporting outbreaks of low pathogenic notifiable avian influenza had no basis in science and was not supported by the World Organisation for Animal Health.

While there is no ban on import of chicken or poultry products from the US at the moment, there is a high risk of low-pathogen virus getting detected in one of its remote farms that would trigger the ban once again.

Because of the unpredictability of supply, Indian buyers are not willing to source US chicken despite the fact that it is available at less than half the domestic price.

According to estimates by the US poultry industry, including the National Chicken Council, National Turkey Federation and USA Poultry & Egg Export Council, the potential market in India for US poultry products is over $300 million a year.

India, on the other side, has argued that its restrictions were completely scientific and low pathogen virus also posed a serious risk.

The Animal Husbandry Department has worked on risk assessment studies for individual products to establish how the virus threatens different products at different levels.

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Biden for liberalized trade regime, sets $500bn trade target with India

PTI

Mumbai, 24 July 2013: US Vice-President Joe Biden on Wednesday said New Delhi should take fresh initiatives to help remove trade barriers and inconsistencies in tax regime and this could propel annual bilateral trade to $500 billion.

He said the target was achievable if both countries made the "right choices".

Biden, however, welcomed relaxation in FDI norms in certain sectors including telecom, defence and insurance and hailed India as a "rising power".

While not setting a deadline for this massive rise in bilateral trade, which is currently driven by software services, Biden, the first US vice-president to visit India in three decades, noted that the two-way trade grew five-fold in the last 13 years to touch $100 billion.

"Our bilateral trade has increased five-fold to touch $100 billion in the past 13 years. We see tremendous opportunity and there is no reason if our countries make the right choices trade cannot grow five fold or even more," he said delivering a lecture on "US-India Partnership" at the Bombay Stock Exchange.

Welcoming the recent relaxation in the FDI regime by the government, Biden, however, called for more such measures, saying "we still have a lot of work to do on a wide range of issues, including caps on FDI, inconsistent tax system, barriers to market access, civil nuclear cooperation, bilateral investment treaty and policies protecting innovations."

"A lot more is needed to be done to remove trade barriers" because India has "risen exponentially" over the past decade primarily due to the "bold steps" it took in 1991 towards liberalization.

The US vice-president also said those economic reforms have helped boost the country's overall exports from USD 20 billion then to over $300 billion in FY13.

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India not to join US-led electronics trade pact for duty free products such as cellphones, tablets and flat-panel TVs

Jochelle Mendonca & J Srikant, Economic Times

New Delhi/Mumbai, 26 July 2013: India has ruled out joining negotiations to expand a US-backed trade pact that could pave the way for consumer products such as cellphones, tablets and flat-panel TVs to be traded duty-free among member countries.

The refusal by Asia's third-largest economy to budge despite strong lobbying by the US comes amid a visit by Vice-President Joe Biden for strategic trade talks between the countries. India's pushback also comes a week after the US blamed China for the breakdown of talks to expand the 1996 Information Technology Agreement backed by the US and European Union that could cover international trade worth about $800 billion, or Rs 48 lakh crore.

"We are not in favour of joining ITA-II. The first version itself has not been very beneficial to us," said Ajay Kumar, joint secretary in the department of electronics and IT. He added that signing up in 1997 was a "mistake".

Talks among the US, EU and 20 member countries of the World Trade Organisation to expand the list of products that can be traded tariff-free stalled a few weeks ago. The negotiations are expected to restart in September.

US lawmakers and trade lobbies were hoping that Biden would be able to convince India to join the talks in September. India's demand for electronic goods is forecast at $400 billion (Rs 24 lakh crore) by 2020, by when it would be the single-largest item on the import bill. "It is puzzling to hear some in the Indian government express 'buyer's remorse' for joining the initial agreement in 1997. The ITA has played a pivotal role in building India's IT-enabled services industry by providing access to myriad innovative and affordable ICT equipment through tariff elimination," Robert Hoffman, senior vice president for government affairs at the Information Technology Industry Council, told US lawmakers at a recent hearing in the US House of Representatives.

The ITIC, which represents IBM, Microsoft, Google and other tech multinationals, was banking on the bilateral trade talks between US secretary of state John Kerry and Indian foreign minister Salman Khurshid, as well Biden's visit, to smoothen their path.

The government was seen as buckling under pressure from the US when, earlier this month, India said it has suspended implementation of the so-called Preferential Market Access policy, which was perceived as a thorn in the flesh by US technology companies.

The policy would have made it mandatory for government agencies to procure telecom equipment from domestic manufacturers, placing MNCs at a disadvantage unless they had local manufacturing facilities. Industry body US-India Business Council declined to comment on the issue.

According to experts, the main problem with ITA-1, and any possible negotiations to expand the agreement, lies with the fact that the Indian government failed to consult industry when it signed up for the pact.

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US to probe India for selling steel pipe at unfairly low price

Lalit K Jha, PTI

Washington, 30 July 2013: The US Department of Commerce has opened a probe into allegations that India and eight other countries are illegally selling steel pipe at an unfairly low prices in America.

"Domestic steel pipe producers are being crippled by an onslaught of foreign competitors illegally dumping imports in the United States," Senator Sherrod Brown said, days after the Commerce Department launched a probe against South Korea, India, Vietnam, the Philippines, Saudi Arabia, Taiwan, Thailand, Turkey, and Ukraine of unfair and illegal trade practices.

Brown and Senator Rob Portman yesterday called on the US International Trade Commission (ITC) to protect domestic producers of Oil Country Tubular Goods (OCTG) from foreign competitors that use unfair and illegal trade practices.

"The International Trade Commission must commit to Ohio's workers and businesses and crack down on countries that sell their products at unfair prices. As our trade deficit widens, levelling the playing field is the only way to protect local jobs, and in the future, create them," Browne said after sending the joint letter to US ITC.

Noting that Ohio-based companies that produce Oil Country Tubular Goods (OCTG) support many good-paying jobs in the state, Portman said if the ITC does not stand up for these American manufactured goods and punish foreign companies who are flooding US our markets with unfairly imported cheap products, businesses and thousands of American workers are at risk.

"American manufactured goods must be allowed to compete with their global competitors on a level playing field," Portman said.

OCTG are used for domestic oil exploration, particularly in the shale industry, and are produced in Ohio by companies including US Steel in Lorain, Wheatland Tube Company in Warren, Vallourec Star in Youngstown, and TMK IPSCO in Brookfield.

Each is among the plaintiffs accusing South Korea, India, Vietnam, the Philippines, Saudi Arabia, Taiwan, Thailand, Turkey, and Ukraine of unfair and illegal trade practices.

The two Senators said OCTG imports from these countries have increased from 840,000 net tons in 2010 to more than 1,770,000 net tons in 2012, with the number continuing to rise.

Despite historically high level of demand for steel pipe, its domestic industry in the United States has deteriorated due to imports, which data shows, have consistently and substantially undersold the market.

This has resulted in petitions that allege dumping margins of at least 30 percent, and in most cases, significantly more, the lawmakers said.

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India asks US to tighten patent regime to curb misuse

Amiti Sen, Business Line (The Hindu)

New Delhi, 31 July 2013: Turning the tables on the US that has been criticising India for lax intellectual property rules, New Delhi has asked Washington to tighten its own laws to discourage increasing practices of 'ever greening' and 'trolling' by US drug companies which lead to wrongful profiteering and patent extension.

Commerce and Industry Minister Anand Sharma, during his recent visit to the US, took up the issue of patents misuse by US companies in his meetings with US Trade Representative Michael Froman and US Commerce Secretary Penny Pritzker.

Trolling is a process through which an individual or a company buys a patent, often from a bankrupt company, and threatens to sue other companies manufacturing a product similar to the patented one without itself manufacturing the product.

Ever-greening, on the other hand, is a process through which patent holders try to extend patents beyond its normal life by making minor changes in the product.

"The Minister stressed on the need for the US Government to strengthen patent laws in his meeting with officials. Even the US courts have given verdicts against the process of trolling," Commerce Secretary S.R. Rao told *Business Line*.

India also said that it would not make any changes in its intellectual property regime to make it more favourable for patent users as urged by the US because it was in compliance with the global agreement on patents also known as the Trade Related Intellectual Property Rights (TRIPS).

"We said that India is already TRIPS compliant and has no intention of going TRIPS plus," Rao said. The US industry has been complaining against India's decision to grant a compulsory licence to Indian company Natco to manufacture an anti-cancer drug produced by patent holder Bayer as it was priced prohibitively high in the country.

The Supreme Court's decision upholding the Indian Patent Appellate Board's rejection of a patent application made by Swiss company Novartis on the ground that it was not a substantial improvement over its older drug for which patent protection had run out also came in for heavy criticism from multinational drug companies.

The US Trade Representative, in its special report on countries with low patent protection, has been consistently placing India in the Priority Watch List.

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