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Rising exports to US, EU clouded by order dip from other regions

Amiti Sen, Business Line (The Hindu)

New Delhi, 2 September 2013: There is an upside to the falling rupee. Exports are up thanks to that and more orders from the US and the EU. But the party poopers could be the rising input costs and a fall in demand from Latin America, Asia and Africa.

The Commerce Ministry's disaggregated export data for the first quarter of this fiscal reveal a small increase in dispatches to the US and the EU that account for a third of exports. However, exports to Latin America, and parts of Asia and Africa, that together also account for a third of the total orders, fell.

India's exports grew 11.64-per cent in July after dipping for two months; the disaggregated numbers for the month becomes available only with a lag. Overall exports during the first quarter fell 1.64 per cent. "Orders are certainly going up, especially from the EU and the US. But the bounce back in exports has been affected by a fall in demand in other important markets in Asia, North Africa, East Africa and Latin America," a Commerce Ministry official told *Business Line*.

While six of India's top 10 export items such as textiles and garments, drugs and pharmaceuticals and petroleum products posted a growth in the first quarter, other important sectors such as engineering goods, gems and jewellery and electronics, continued to fall. Engineering export, which was a top performer less than two years ago, has taken a hit due to a fall in demand from Africa. "Orders from Africa are now mostly going to China that offers credit for a much longer period and at lower rates than we do," pointed out Anupam Shah from the Engineering Export Promotion Council.

Rising Prices

Availability of high quality steel, too, is affecting the sector as international steel production has been stagnant and prices have been rising.

Apart from steel, rising prices of other inputs such as petroleum and chemicals will also affect exports, says Ajay Sahai from the Federation of Indian Export Organisations.

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Coffee exports fall 5.3% on low demand from US, EU

Mahesh Kulkarni, Business Standard

Bangalore, 30 September 2013: India's coffee exports fell 5.34 per cent to 2,99,266 tonnes in the year ended September 30, as demand from the US and the European Union (EU) remained subdued. In the previous coffee year (October 2011 to September 2012), India had exported 3,16,164 tonnes.

“The decline in exports was mainly due to weak demand from European nations such as Italy, Spain, Greece and Portugal, as buyers were looking for cheaper coffees,” exporters said. Realisation from exports declined 1.3 per cent to Rs 1,51,379 a tonne between October 2012 and September 26, 2013, against Rs 1,49,459 a tonne in the previous coffee year. In value terms, total coffee exports fell 4.1 per cent to Rs 3,530 crore, against Rs 4,725 crore in the previous year, according to the Coffee Board.

A sharp drop in the prices of the arabica variety last financial year contributed to the decline in exports, as a large number of farmers withdrew sales, exporters said. Arabica prices declined 20-25 per cent.

“Arabica coffee prices ended within a cent of a more than a four-year low on Thursday, as big supplies of the beans and tepid demand encouraged selling. Prices were down about 20 per cent for the year; roasters appear to be waiting for even lower prices due to large supplies, particularly from Brazil. LIFFE robusta coffee futures hit an almost three-year low last Thursday, as expectations of a large crop from top grower Vietnam weigh on prices. LIFFE robusta coffee futures for November delivery settled $43 lower at $1,663 a tonne,” the Coffee Board said. India primarily exports coffee to Italy, Germany, Russia, Belgium and Spain.

The outlook for exports in 2013-14 isn't very promising. The Coffee Board has said in 2013-14, production would be at least 10 per cent lower than post-blossom estimates. In its post-blossom estimates earlier this year, it said production would stand at 3,47,000 tonnes. In 2012-13, production stood at 3,18,200 tonnes.

“Based on the conditions in February and March, when the growing regions received good blossom showers, we had estimated we would record 3,47,000 tonnes. However, due to a drought in the two subsequent months and the heavy rains in June, July and August, we anticipate a drop of about 10 per cent against the post-blossom estimates,” Coffee Board Chairman Jawaid Akhtar had told Business Standard earlier this month.

This means for 2013-14, India's bean production could be about 3,12,000 tonnes. However, growers estimate it at 70,000-2,90,000 tonnes. Exporters said low production would hit exports in the next crop year, too.

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EU Parliament panel may raise FTA issue with Anand Sharma

PTI

New Delhi, 14 October 2013: India-EU free trade agreement is expected to be a major issue that will come up in the meeting between a high-level delegation of European Parliament's panel on international trade and Commerce Minister Anand Sharma.

The seven-member delegation led by Maria Badia, a member of European Parliament.

"One of the main areas of interest expressed by the delegation is India-EU free trade agreement. On October 29, they will meet Sharma and likely to discuss the pact," a commerce ministry official said.

The delegation would also share views on India's position at the forthcoming meeting of WTO members at Bali in December.

India and the 27-nation bloc EU had failed to reach a consensus on the proposed pact in May here. Both the sides had failed to bridge substantial gaps on crucial issues, including insurance and data security status for IT sector.

Launched in June 2007, the negotiations for the proposed broad-based bilateral trade and investment agreement (BTIA) between India and the EU has witnessed many hurdles.

The EU side has been pressing for hiking FDI cap to 49 per cent in the insurance sector. India has expressed its inability to do so without an approval from Parliament.

Besides demanding significant duty cuts in automobiles, EU is also demanding for tax reduction in wines and spirits and dairy products and a strong intellectual property regime.

On the other hand, India is asking for granting data secure nation status by EU. The matter is crucial as it will have a bearing on Indian IT companies wanting market access. It also wants liberalised visa norms for its professionals and market access in services and pharmaceuticals sector.

The two-way trade between India and EU stood at USD 91.3 billion in 2010-11.

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India slaps $9/kg anti-dumping duty on a bulk drug from EU

PTI

New Delhi, 20 October 2013: India has slapped anti-dumping duty of up to USD 9 per kg on import of a bulk drug from the European Union to protect the domestic industry.

The Revenue Department has imposed the duty - a levy to discourage cheap imports - on bulk drug Cefadroxil Monohydrate originating in or exported from the EU for five years. It has been levied following recommendations by the Directorate General of Anti-dumping and Allied Duties (DGAD). The duty "shall be levied for a period of five years (unless revoked, amended or superseded earlier)," a notification by the Central Board of Excise and Customs said.

Depending on different factors, the duty will be USD 7.88 and USD 9.03 per kilogramme on import of bulk drug.

The DGAD had carried a probe in the imports and concluded the bulk drug entered the Indian market from EU below normal value resulting in dumping and thus causing "material injury" to the domestic industry. The investigation was done after DGAD received an application from pharma major Lupin, Mumbai, on behalf of the domestic industry, alleging dumping of the bulk drug "originating in or exported from the European Union". Hyderabad-based Aurbindo Pharma had supported the application.

Bulk drug Cefadroxil Monohydrate is an active pharmaceutical ingredient (a raw material) used for the manufacturing of pharmaceutical formulations.

Countries initiate anti-dumping probes to check if domestic industry has been hurt because of a surge in below- cost imports. As a counter-measure, they impose the duty, which is WTO compatible.

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India slaps duty on US, EU imports of chemical used in perfume

PTI

New Delhi, 27 October 2013: India has imposed anti-dumping duty of up to USD 0.36 a kg on import of a chemical, used in manufacture pharmaceuticals and fragrance products, from EU, US and Korea to protect domestic players from cheap shipments.

"The anti-dumping duty imposed (on Methylene Chloride) under this notification shall be levied for a period not exceeding six months...," said the Central Board of Excise and Customs (CBEC) in the Revenue Department.

The duty has been imposed to discourage the import based on recommendation of the Directorate General of Anti Dumping and Allied Duties (DGAD).

Acting on the complaint of Chemplast Sanmar and Gujarat Fluorochemicals, the DGAD had carried out a preliminary probe into the imports and concluded that "subject goods (Methylene Chloride) have been exported to India from the subject countries (EU, US and Korea) below its normal value...(and) the domestic industry has suffered material injury".

The initial probe found that material injury has been caused by the dumped imports of the chemicals.

Countries initiate anti-dumping probes to check if domestic industry has been hurt because of a surge in below- cost imports. As a counter-measure, they impose the duty, which is WTO compatible.

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EU may push for deeper auto tariff cuts, insurance FDI hike

Dilasha Seth, Economic Times

New Delhi, 29 October 2013: A visiting EU parliamentary delegation is likely to push for deeper auto sector tariff cuts and raising of the foreign direct investment (FDI) cap in insurance at a meeting with commerce and industry minister Anand Sharma.

This follows EU chief negotiator Ignacio Garcia Bercero's stand last month that progress on the India-EU free trade agreement would be difficult without "significant commitment" from India. "It is not possible to imagine the EU concludes an agreement with India with tariffs on some key sectors, such as cars at 60-100%. There will have to be substantive efforts to bring this down," Bercero said at the EU-India FTA discussions in September. "Again, without key outcomes on sectors such as banking, and insurance, then it will not be possible to conclude the negotiations."

The EU parliamentary delegation is expected to reinforce this stand at the meeting, expected this week. Negotiations for the broad-based investment and trade agreement (BITA) between India and EU began in 2007, and the two sides have had 15 rounds of talks over the last six years. However, agreement on some contentious issues remains elusive. For instance, the EU wants auto-sector tariffs to eventually become zero, but India is reluctant as it sees such a move hurting domestic industry.

Analysts say the upcoming elections in India and several EU countries could also delay in any such pact. The EU has also been demanding a hike in the foreign direct investment (FDI) limit in insurance and banking.

The Indian Cabinet has cleared the increase in the FDI limit in insurance to 49% from 26%, but it still requires parliamentary approval.In banking, India has set a cap on the number of branches a foreign lender can operate.

"To be clear, the current situation is that the European banks established in India have limited opportunities to open new branches. The EU hopes the new policy announced by the Reserve Bank of India is going to be implemented quickly," Bercero said.

The Reserve Bank of India is expected to relax norms for entry of foreign banks into the country. BITA will be India's first bilateral agreement (including services) with a large trading partner and EU's first comprehensive agreement with a large emerging economy.

India, on the other hand, is seeking 'Mode 4' of the proposed pact, which will allow Indian professionals to work in EU member states, a segment where India sets to gain the most. After the economic crisis and the ensuing impact on employment in Europe, the EU added a safeguard clause under Mode 4,which will clock in when 20% of the limit is touched. Since these safeguards are sectoral, the safeguard clause will impact IT companies the most.

"The EU has offered its greatest flexibility on Mode 4, than it has done for any of its previous negotiations with other trading partners," Bercero said.

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A little BTIA give and take

T S Vishwanath, Business Standard

6 November 2013: Members of the International Trade Committee of the European Parliament were in New Delhi recently to assess the status of the negotiations for a bilateral trade and investment agreement (BTIA).

The visit was motivated by the fact that the European Parliament plays an important role in framing the trade policy of the European Union (EU), and the Members of European Parliament (MEPs) wanted an update on why the progress between the two sides has been slow. The MEPs met with different stakeholders including members of Parliament in India. The European members were keen to understand the importance of the agreement for India.

Following the consultations they were of the view that except for some critical areas of interest for both sides, the majority of negotiations were already wrapped up, and with a bit of political will on both sides the agreement could be signed soon. However, it is important to note that with elections on the horizon, India is unlikely to accept some of the demands of the EU, including an agreement on public procurement and opening up of financial services to the extent the Europeans have demanded. It was clear the Europeans were keen on fast-tracking the process, though they realised that for both the sides some critical areas still remained unresolved.

The EU has been in the process of negotiating agreements with a majority of its partners. For instance, it has recently signed an agreement with Canada after four years of negotiations. According to reports, Brussels views the agreement with Canada as a forerunner to the agreement it is negotiating with the US. The Canada-EU agreement will remove tariffs from 99 per cent of products and it will provide a liberal regime for services in sectors such as telecommunications and financial services including banking.

The real gains for the EU, according to reports, come from the last minute agreement by Canada with regard to beef and dairy that allows for a 50,000-tonne increase in the EU's quota for beef imports. Canada has also signed off on doubling its quota for dairy imports to an additional 17,700 tonnes.

According to a report by the Geneva-based Bridges, the deal is also slated to open up public procurement markets at all Canadian levels of government, both sub-federal and federal. Interestingly, the EU is also keen in opening up both federal and sub-federal public procurement markets in India under the BTIA. In the EU-Canada agreement, geographical indications - products that are specific to a region such as champagne - will also be protected for various EU products ranging from wine to cheese to other products, an issue that also finds place in the India-EU negotiations.

Brussels is also involved in negotiations with another important partner - Japan. The two sides have already held three rounds of negotiations, and if things go according to plan then an agreement is expected to be in place by next year. As with India, with Japan, too, the EU is having problems in the area of liberalising the market for automobiles. Japanese automakers have also not been very keen to open up the market to the EU. However, the EU is not just targeting tariffs in Japan for auto but also non-tariff barriers.

The EU, as is evident, is keen on completing all its current negotiations by next year, as the current commission will end its term at the end of 2014. However, with India, the roadblock is primarily because first, India goes to polls by the middle of next year and by the time a new government comes into place with the mandate to negotiate the current Commission at Brussels would be on its way out.

Therefore, it is important for the two sides to look at taking forward the progress achieved so far to try and reach an agreement at the earliest. However, for India the two un-resolved issues of being declared a data secure nation and a good offer on movement of professionals would be important to achieve before moving forward on the agreement.

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EU protests against India's penal import duties

Amiti Sen, Business Line (The Hindu)

New Delhi, 31 October 2013: The European Union has accused India of imposing higher penal duties on imports of certain products such as steel and rubber chemicals than what the situation may warrant to protect its domestic industry.

While claiming that its penal duties were in response to aggressive exports by some countries, India conceded that it would look into complaints made on the initiation of safeguard investigation on steel pipes and tubes.

India has initiated the highest number of safeguard investigations in 2013 and half the products being investigated are already subject to anti-dumping duties, the EU pointed out at a recent meeting of the World Trade Organisation's (WTO) Safeguards Committee.

The WTO allows members to impose penal duties called anti-dumping duties if it can be proved that the imports are being dumped into the country at lower prices than those prevailing in domestic market of the exporting country.

A second penal duty known as safeguard duty can be imposed by a member in case there is a sharp increase in imports of a product over a period of time leading to disruption in the domestic market. Recently, India notified four safeguard investigations – on seamless pipes, tubes and hollow profiles of iron or non-alloy steel, on sodium nitrate, on methyl acetoacetate, on phthalic anhydride, and on PX-13 (a rubber chemical).

The safeguard initiation on steel products has led to protests from a number of WTO members including the EU, Russia and the US.

The EU said that it was very concerned that in the steel case, imports had decreased and that there was no evidence of injury caused by imports on the domestic industry.

Russia shared EU's concerns in the steel case, and pointed out that the increase in imports was caused by just one country – China. Japan also expressed concern.

India's representative said that the concerns would be conveyed to the Government and a reply would be given.

On India's investigation on PX-13, the EU said that the extension of the safeguard measure would not be warranted, as this product was already subject of an anti-dumping duty.

The US, too, sought clarification regarding the investigation. India said it would forward the questions to New Delhi.

Over the last few years, India has resorted to imposition of safeguard duties on cheap imports instead of anti-dumping as it is more difficult to prove that dumping has actually happened.

While most of the safeguard duties are imposed to protect Indian producers against cheap imports from China, other countries, too, get affected as these duties are applicable to all.

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Quid pro quo: EU offers to ease visa curbs if India opens up insurance, Govt procurement

Amiti Sen, Business Line (The Hindu)

New Delhi, 4 December 2013: The European Union has said it could convince its member states to commit to more visas for Indian professionals as part of the proposed bilateral free trade agreement (FTA). But this will be possible only if India does its bit: open up insurance and Government procurement and lower duties on automobiles and alcohol.

India has been upset with the 27-member trade bloc for introducing a clause in the FTA — still under negotiation — that would limit the benefits for professionals seeking freer movement in Europe. “We could dilute the visa safeguard once India agrees to deliver in the areas where our interests lie,” a senior official in the European Commission told *Business Line*.

The India-EU bilateral trade talk, formally known as the Broad-based Trade & Investment Agreement (BTIA), is stuck as the EU is not satisfied with India’s offers in insurance, Government purchases and market access for automobiles and wines and spirits.

New Delhi, on the other hand, is insisting on more professional work visas and recognition as a data secure country to attract more off-shore business from Europe.

Although the EU had offered 40,000 additional professional visas for entry into the EU every year, a caveat introduced recently allows members to impose curbs once 20 per cent of the number committed by an individual EU country is breached.

Talks stalled

Some EU parliamentarians, however, are not very upbeat on the future of the talks, which have almost reached a stalemate.

“It all depends on whether the Indian Parliament gets to pass the Insurance Bill in the Winter Session. Otherwise, it could take three years before the two get another opportunity to conclude a deal as both sides face elections next year,” said a parliamentarian, who did not want to be identified.

The EU wants India to raise the FDI limit in the insurance sector to 49 per cent from 26 per cent now. But it could happen only if the Insurance Bill gets passed.

And even when that happens, it remains to be seen if the Government can take binding commitments as it would be difficult for it to roll back the policy later if needed.

In the area of Government procurement, too, a Bill is pending in Parliament and India is not in a state to offer much till that is passed.

In the areas of automobiles and alcohol, where tariffs are very high, India has made offers for substantial cuts which it may find difficult to improve.

The BTIA is expected to create additional markets that would almost double bilateral trade to an estimated €150 billion ($200 billion) from about $110 billion last year.

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EU ends sops for Indian textile, engineering exports

Sidhartha, Times of India

New Delhi, 13 December 2013: In a twin blow to local exporters, the European Union has given special preference for imports from Pakistan, which will allow duty-free access into 27 markets, while withdrawing the concessions for several Indian goods, including textiles and engineering. And, it's the Indian government, not EU, to be partly blamed, for creating this disadvantage for exporters.

While India had managed to block similar concessions nearly a decade ago after a challenge at the World Trade Organization, this time the sops have been given to deal with floods that hit Pakistan and have been given after the move was backed by New Delhi. The GSP-plus benefits will kick in from January 1.

The new concessions to Pakistan, known as GSP-plus or those above the Generalized System of Preferences, come at a time when the Indian textile sector was looking up, with exports and employment on the rise.

"Pakistan stands to gain on products on which it gets duty concessions and to that extent the competitivenss of Indian products gets eroded," said Abhijit Das, who heads the Centre for WTO Studies. While Apparel Export Promotion Council chairman A Sakthivel said garment exports will not be hit, Das identified products such as bed linen where Indian exports may be impacted.

The list of 75 goods on which Pakistan will enjoy duty concessions was not immediately available but exporters said textiles will be a major product. Although the concessions have been discussed for several weeks now, the European Parliament approved the package for Pakistan on Thursday, raising expectations of a $1 billion gain for India's neighbour.

From the same date, Indian exporters of several products ranging from chemicals, textiles, leather goods, motor vehicles, bicycles, aircraft parts and shipbuilding and components will lose 6-12% advantage. "When it comes to bicycles, GSP benefit to China too has been withdrawn. So, we can compete there but life will be tougher for several other segments," said Anupam Shah, chairman of the Engineering Export Promotion Council.

Sources in the textiles industry said some Indian companies would look to invest in countries such as Bangladesh to claim concessions under schemes such as Everything Bur Arms (EBA).

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Fresh blow to car exports to EU; import duties to go up from January

Gireesh Chandra Prasad & Roudra Bhattacharya, Financial Express

New Delhi, 13 December 2013: India's export of cars to Europe, which has already slowed down in the last two years because of the economic slowdown, may face another blow from January next year with the European Union (EU) about to raise customs duty on them from 6.5% at present to 10%.

The move, which is expected to lead to a significant cost increase of around Rs15,000 per car, comes even as auto makers grapple with declining demand and profits at home. EU's decision is part of its new policy of denying preferential tariff to exports from developing nations that have become sufficiently competitive that they no longer require a tax incentive.

EU is the single-largest trade block in terms of car exports from India. In FY13, about 40% of India's total passenger vehicle (PV) exports of 5.54 lakh units went to the EU, 80-90% of which were small cars. Nissan-Renault, Hyundai and Maruti Suzuki, followed by Ford and Mahindra, are currently among the largest exporters of passenger vehicles from India to the 28-nation union.

EU's decision is to graduate a host of exports from India such as motor vehicles, bicycles, aircraft, mineral products, chemicals, raw hides, skins, leather, ships and boats from its Generalised System of Preferences (GSP) as imports of each of these products from India have crossed 17.5% of overall import of these items into EU from developing nations.

In the case of textiles, the threshold for denying duty benefit is kept at 14.5%. Preferential customs duty to exports from developing nations under GSP is an exception to the WTO obligation of member states to give every other member equal and non-discriminatory treatment under the 'Most Favoured Nation' status.

A Maruti Suzuki executive told FE that though the share of EU in its total exports has come down to 35% from 70% four years back, it still remains the single-largest trade block. "Of course there will be an impact of higher duties. EU sales are down because of the economic slowdown and the move will hurt margins further," he said.

Hyundai Motor India director (finance) R Sethuraman added, "There will be obviously impact because our costs will rise and EU is a very important export market for us. We are trying to de-risk our exports by developing other markets in Africa, South-East Asia and Latin America." For Hyundai, India's largest car exporter with about 40% of production meant for global sales, around a third of exports go to the EU. Nissan Motor India's CFO Sunil Rekhi confirmed that the impact will be significant as the company's cost per car will go up by 150-175 Euros (about R15,000) on average. However, he said that Nissan will be able to absorb the higher costs because of the gains from the recent depreciation of the rupee versus the Euro.

"We cannot increase our prices because the EU market is very tough right now, but we have enough room to absorb it within our margins. With the higher import duty, EU is trying to encourage local manufacturing and blocking imports from developing countries. The good thing is that our exports to EU are up 20% in value terms in FY14 because of rupee depreciation," he said.

For Nissan's India unit, EU accounts for up to 20% of total sales. Nissan exports the Micra from its plant near Chennai, which is sold as the 'March' across Europe, while alliance partner exports the 'Duster' compact SUV from the same plant to the UK. Interestingly, Nissan has already decided to make the next generation Micra for Europe out of Renault's plant in France from 2016.

Small cars have traditionally dominated India's PV exports to the EU, though the trend is now changing in FY14 as exports of compact SUVs like the Ford EcoSport and Renault Duster have gained strength. In fact, the growth in India's total passenger vehicle exports, which were up 9% in FY13, has increased to 13.5% in April-October FY14 largely because of the SUV exports the addition of new companies like Honda, Toyota Kirloskar and Volkswagen to the list of car exporters from India.

Puneet Gupta, principal analyst at IHS Automotive said, "The EU has been putting pressure on India to reduce import duties, so this may be seen as a negative reaction from them. This may force companies to look at other global manufacturing destinations for European exports, especially since margins on small cars are low."

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EU takes India’s curbs on marble imports to WTO

Amiti Sen, Business Line (The Hindu)

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

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

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

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

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

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

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

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

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

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

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

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India mulls export incentives for sectors ineligible for EU sops

Amiti Sen, Business Line (The Hindu)

New Delhi, 11 January 2014: With the European Union (EU), India's largest export market, withdrawing its preferential import duty scheme for some Indian products from 2014, the Commerce Ministry is considering fresh incentives to help these sectors retain their competitiveness.

"We are looking at some domestic schemes to help the affected sectors stay competitive in the EU market," said a senior Commerce Ministry official, speaking to *Business Line*.

The products that are no longer eligible for lower tariffs under the preferential duty scheme are: textiles, chemicals, minerals, raw hides & leather and automobiles, including road vehicles, bicycles, aviation, space, boats and their parts.

Until now, the EU's Generalised System of Preferences scheme provided duty-free or low-duty access to these products in all 27 of its member countries.

'Globally competitive'

The affected products have "graduated out" of the scheme as they have become globally competitive. They will now attract normal import duties of 6-12 per cent.

"The EU is the biggest market for Indian products and losing the preferential duty advantage for key commodities is a big blow," said the official.

The issue was discussed at a review meeting held by Commerce and Industry Minister Anand Sharma earlier this week, the official added.

The Ministry is looking at the option of providing cash incentives to the affected sectors under the existing Market Linked Focus Product Scheme.

Under this scheme, cash benefits are given to exporters of specific products to specific markets, generally ranging between 2 per cent and 5 per cent.

Biggest export market

The EU accounts for 16 per cent of the country's total exports. In April-November 2013, India exported goods worth $33.27 billion to the 27-member bloc, posting 3.5 per cent year-on-year growth.

India, together with China, is among the top beneficiaries of the EU scheme, which provides preferential market access to exports from 90 developing and least-developed countries.

A number of countries, including Argentina, Brazil, Cuba, Uruguay, Venezuela, Russia, Kazakhstan and Malaysia, have graduated out of the scheme this year.

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Data protection norms in EU may hurt Indian IT sector: Nasscom

PTI

New Delhi, 13 January 2014: Even as outsourcing demand from Europe revives after the debt crisis, data protection regulations in the region governing trans-border data flows could hurt the $108 billion Indian IT-ITeS industry, sectoral body Nasscom today said.

"Challenges that I see are the US Immigration Bill and the data security in Europe. These are areas that we are working on...I had gone (there) in September and had conversations with EU."

"...security in Europe has the potential of going into directions which will not be conducive for (those) countries as well as our (IT) industry. They will get hurt and we will also get hurt," Nasscom President R Chandrasekhar told reporters on the sidelines of the 3rd annual Action for India forum.

He added that engagement is a continuous process and Nasscom is in talks with concerned authorities across the globe on issues facing the industry.

The EU Data Protection Directive governs trans-border data flows and lays down conditions for transferring of personal data of EU citizens outside the region. These legal instruments, together with the enforcement mechanisms across member countries, put too much obligations on businesses. Because of this, they are often considered as unfriendly to businesses especially small and medium-sized service providers.

According to a Nasscom-DSCI (Data Security Council of India) survey, there is a significant opportunity loss for the IT-BPO industry on the account of data transfer related issues as clients hesitate to offshore work to India because of stringent data protection requirements in the EU.

Nasscom and DSCI, along with Department of Commerce (DoC) and Department of Electronics & Information Technology (DeitY), have been working on this trans-border data flow issue between EU and India.

Europe, which accounts for close to 20 per cent of the Indian IT exports, is witnessing a revival in demand for outsourcing services following the debt crisis.While growth is returning to traditional markets like the UK, newer markets like Germany are also opening up.

Interestingly, Nasscom expects growing demand for outsourcing services from Europe to drive the sector in 2014, even though North America accounts for the lion's share of the industry's IT exports.

The Immigration bill in the US, which proposes higher visa fees and enhanced audit by US agencies, is also a challenge that the industry is carefully monitoring.

Talking about the year ahead, Chandrasekhar said FY15 would be good as demand increases from markets like Germany and Japan.

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India-EU free trade pact ‘likely by early 2015’

Business Line (The Hindu)

New Delhi, 17 January 2014: India and the European Union (EU) are likely to have a free trade agreement (FTA) most likely in the first part of 2015, the EU Ambassador to India Joao Cravinho said on Friday.

Speaking to the media, the envoy said the reason the agreement was unlikely to be finalised in 2014 was because not only were general elections due in India, but elections were also due in the European Parliament and European Commission.

“These are not the ideal circumstances to finalise an agreement. It (the FTA) is not round the corner but will definitely happen (and) could happen at the end of year because both sides will be in fully operational order by the end of year or more likely first part of 2015,” he said.

Asked whether a change of Government in India or EU could see a rethink on the FTA, the envoy said “I will be very surprised if the next Government which comes into office (will have a rethink on the FTA). The European Union (is India’s) biggest trading partner,” the Ambassador said.

Pointing out that most of the chapters of the FTA were “pretty much closed”, the envoy said there were some issues that needed to be sorted, such as on wines and spirits, automobiles and car parts, services and, to a lesser degree, procurement.

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Give our textiles also duty-free access: India to Germany, UK

Amiti Sen, Business Line (The Hindu)

New Delhi, 2 February 2014: India is seeking duty-free access for its garments and textiles into the European Union, in line with what is on offer to competing countries such as Pakistan and Bangladesh. The Textiles Ministry is already in talks with Germany and the UK for zero duty access for garments and some other textile items, Textiles Minister KS Rao told *Business Line*.

"We are negotiating Government-to-Government. We want them (EU countries) to give us the same dispensation as Pakistan and Bangladesh," the Minister said. It is important to ensure a level-playing field for Indian exporters. The Ministry has also asked the Finance Ministry for an interest rate subvention (lower interest rate) of 3-4 per cent for textile exporters. "This will help them compete in the export market better and exports would go up," Rao said.

Preferences scheme

The Minister said that the Textile Ministry would set an ambitious export target of $60 billion for the textiles sector for the coming fiscal, which is almost 50 per cent higher than exports of $41 billion estimated this year.

But the fact that the country has graduated out of the Generalised System of Preferences (GSP) scheme offered by the EU under which it was getting preferential access to the European market (by paying lower import duties) could make the going tough. EU is India's largest market for textiles.

While Bangladesh and Sri Lanka have been taking advantage of a duty-free regime for their textile items for some time, Pakistan too has been made eligible for zero-duty access since January this year under the EU's GSP Plus scheme. Rao said that Indian garments and textiles were getting affected because of the double blow. "In a market like Germany, while Pakistan does not have to pay any duties for readymade garments, Indian exporters are subject to a duty of 9.36 per cent," the Minister said.

Under the GSP Plus Scheme, Pakistan is allowed to export textile goods to the 27-member EU duty free till 2017.

As per estimates made by the Pakistani Government, the textile industry would earn additional profits of $930 million per year because of the scheme.

With Chinese textiles becoming uncompetitive due to rising labour cost and Bangladeshi textiles facing quality issues, India is hopeful that several European countries will take the country's request seriously. "EU imports 95 per cent of its textile requirements. It is giving concessions to Pakistan and Bangladesh for political reasons. We are requesting the same," Rao pointed out.

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Groundnut exports to be hit on strict Malaysia, EU norms

Dilip Kumar Jha, Business Standard

Mumbai, 19 February 2014: Groundnut exports are likely to take a hit due to the stringent norms of the European Union (EU) and Malaysia to controlaflatoxin levels.

The two largest importers that account for 40 per cent of exports have asked Indian traders to procure a health certificate for every consignment. The Export Inspection Council of India (EIC), under the commerce ministry, is issuing certificates.

This is required in addition to other certificates, including hazard analysis and critical control points (HACCP).

“We have been appointed as the only agency for issuing health certificates for groundnut exporters to Malaysia and the EU,” said an official.

After getting complaints from the two regions, Agricultural and Processed Food Products Export Development Authority (Apeda) had told the commerce ministry repeatedly about exporters not adhering to global norms. The official said importers had warned the Apeda a suspension of shipments could kick in.

Between April and December 2013, exports fell 14 per cent in volumes to 361,642 tonnes against 420,640 a year ago. Falling global prices of oilseeds have also lowered realisations 13 per cent. The groundnut realisation fell to Rs 66,000 a tonne in the first nine months of the current financial year from Rs 76,000 a tonne a year ago.

APEDA on December 31, last year, had asked recognized exporters including processing and milling units to obtain a provisional HACCP certificate for groundnut shipment after showing documentary evidences for their capability.

For determining aflatoxins levels in groundnut and its derivatives it would be mandatory that all public private partnership (PPP) consignments meant for export to the EU will compulsorily be vacuum packed only and no other type of packing will be used. The sampling will be done in gunny bags and after clearance from the laboratory, the consignment will be vacuum packed under the supervision of the authorized laboratory, APEDA said.

“The entire trade gets affected because of a couple of errant exporters as importers set stringent norms, difficult to adhere to. Hence, exporters should always maintain global quality specification for not to spoil entire exports fraternity from India,” said Kishore Tanna, chairman of Indian Oilseeds and Produce Export Promotion Council (IOPEPC) under Ministry of Commerce.

India's output is estimated at six million tonnes this year, a rise of 10 per cent on a year ago.

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EU to ban Indian mangoes, vegetables

The Hindu

Brussels, 27 March 2014: European Union member states, on Wednesday, decided to ban the import of five types of fruits and vegetables from India, after several batches were found to be contaminated by pests such as fruit flies, the bloc's executive said.

The prohibition, which goes into effect in May, covers mangoes, aubergines, the taro plant and two types of gourd. These represent less than 5 per cent of the bloc's fresh fruit and vegetable imports from India, according to the European Commission.

Pests that are not native to Europe were found in 207 fruit and vegetable consignments from the subcontinent last year, the Commission said, adding that they "could pose a threat to EU agriculture and production." The EU's executive also said there were 'significant shortcomings' in the certification systems that prevent contaminated goods from being exported. The ban, agreed by a committee of experts representing member states, is to be reviewed by the end of 2015.

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US, EU oppose India’s local sourcing norms in telecom

Kalyan Parbat, Economic Times

Kolkata, 14 April 2014: India's local sourcing and testing rules aimed at tightening network security and spurring domestic telecom manufacturing have ruffled feathers in the US and Europe.

Barely hours after a powerful US trade body accused the country of encouraging protectionism in the telecom arena, the European Union (EU) has questioned India's plans to locally screen network gear from July 1 despite it having been cleared in globally certified labs. Both say such a move to double test the same equipment will not just delay supply of critical products but also increase cost of telecom services, hurting consumers.

In a recent internal meeting, the EU said testing should be repeated only if a telecom product undergoes significant changes that impact its core safety properties.

It has demanded that India must also drop "the in-country security testing requirement", for those products not covered by Common Criteria Recognition Arrangement (CCRA), a top industry executive aware of the discussions told ET. That is in addition to EU's opposition to India locally testing IT products which are already CCRA-approved.

The CCRA is the top global agency that defines testing rules to certify IT products used in telecom networks and counts the US, UK, Canada, Germany, France Japan and India as among its members.
In this light, EU has sought clarifications on whether India would allow certified labs in Europe to also test pure network gear not covered by CCRA. The opposition is especially since India is yet to develop a telecom gear testing ecosystem on a global scale. It has, in fact sought "an update on India's lab capacity to conduct local testing", another official familiar with the EU meeting said.

The EU's concerns stem from DoT's decision to locally screen all telecom network elements, including IT products used by telecom operators in India from July 1. More so, since DoT is yet to spell out the non-IT network devices that will be screened locally.

Mainline telecom equipment used in mobile networks includes base stations, mobile switching centres, network management & billing systems and transmission devices. But DoT also plans to locally test pure IT systems such as routers, switches and storage devices that go into modern mobile and broadband networks.

The EU has also exhorted "India to frame local testing norms aligned with prevailing global standards for 3G networks", the official quoted above added. Neither the EU nor the European Commission replied to ET's email queries in this light.

The EU's views mirror concerns voiced by the Telecommunications Industry Association (TIA), a leading US trade body representing manufacturers and suppliers of high-tech communications networks, which recently said India must not embrace telecom policies that "rely on protectionism".

"There is no evidence that location of an internationally accredited testing lab corresponds with the level of security assurance provided to it or the product itself," the TIA recently wrote in a letter to the US International Trade Commission.

"There are long-standing, internationally accredited labs conducting such testing and location does not have a bearing on the accuracy of the test as long as the lab has achieved appropriate certification," it added.

The TIA had also warned that India risked supply chain disruptions and increased costs for telecom service providers (TSPs) and their vendors as it currently lacked the requisite "lab testing capacity". It said the local testing deadline should be deferred, failing which, potential supply chain disruptions could hit consumer pricing.

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India tightens certification norms for fruits, veggies to pacify EU

Amiti Sen, Business Line (The Hindu)

New Delhi, 22 April 2014: Exports of all perishable items to the European Union from India will now be routed through recognised pack-houses under the vigilance of plant protection inspectors to minimise quality glitches.

The move is aimed at convincing the EU, that recently banned export of five fruits and vegetables from India as pests were found in some consignments, to reverse its decision.

"We have asked the EU to send its team of experts to see our improved inspection and quality certification process and lift its export ban," a Commerce Ministry official told *Business Line*.

The EU's Standing Committee on Plant Health imposed a ban on Indian mangoes, bitter gourd, taro, egg plant and snake gourd, as pests and insects were detected in a number of consignments shipped from the country.

Ban may be extended

The ban, which will be applicable from May, could be extended to other perishables if EU is not satisfied about India taking genuine steps to improve its sanitary and phyto-sanitary certification process, the official said.

Although only about 5 per cent of India's total exports of perishables to the EU have been affected at the moment, there is much more at stake as the country exports fruits and vegetables worth over €400 million to the region.

Indian officials from the Commerce Ministry and the National Plant Protection Organisation (NPPO) under the Agriculture Ministry recently met officials from the EU's Directorate General for Health and Consumer Affairs in Brussels to discuss the ban.

"We informed the EU that India had already decided to put in place an improved inspection and quality certification process when the ban was announced and the EU should have waited for it to be implemented. Now that we have gone a step forward and are getting the packaging process supervised by NPPO inspectors, there shouldn't be any more problems," the official said.

The Agriculture and Processed Food Products Export Development Authority (APEDA), in its notification, has specified that it is not only essential for pack houses to follow complete procedure for export of fruits and vegetables to the EU laid down by it, it also has to maintain records of arrival of material and actual shipped quantity and report it daily to the Government.

Improved inspection

"The number of rejection of consignments at the pack houses has gone up significantly after the stricter inspection and certification process was put in place this month. We are confident that the EU will have less to complain about now," the official said.

The EU, however, has not given any commitments on when it would lift the existing ban.

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EU decision to ban Indian mangoes imports is pre-mature: Rajeev Kher

PTI

New Delhi, 1 May 2014: India today said the European Union's decision to ban import of vegetables and mangoes was "pre-mature" and shocking and asked the 28-nation bloc to lift the restrictions. "EU's action of banning vegetables and mangoes in our view is pre-mature and it shocked us...," Commerce Secretary Rajeev Kher said here.

He said that EU's agency on sanitary and phyto-sanitary, and India's National Plant Protection Organisation and Agricultural and Processed Food Products Export Development Authority (APEDA) were already discussing the quality issues.

Concerned agencies from both the sides had reached at an understanding and India had already initiated the process to put in place the proper mechanism to deal with the matter related with exports of vegetables and mangoes from India to EU, he told reporters. "For all exports, we have specified a procedure which would necessarily have to involve pack-home before the shipments are made and in our estimation that would have taken care of the problem," he added. Kher said that India has urged the EU's director general for trade to arrive at an early solution for the issue.

Commerce Minister Anand Sharma has already written a letter to EU Trade Commissioner Karl De Gucht on the matter saying that the ban has caused considerable apprehensions and alarm in the country. "It is surprising that the EU Commission has chosen to take this unilateral action without any meaningful official consultation," Sharma's letter has said. It has said that India has mandated strong (SPS) sanitary and phyto-sanitary (related with plants and animals) standards and those norms are enforced by state-run regulatory body, which ensures appropriate compliance. The EU's decision is "unfair" and it would potentially jeopardise India-EU agri trade.

On Monday, the EU banned the import of Alphonso mangoes, the king of fruits, and four vegetables from India for the period from May 1 to December 2015 after authorities found consignments infested with fruit flies. The ban was imposed on Alphonso mangoes, eggplants, the taro plant, bitter gourd and snake gourd to tackle "significant shortcomings in the phytosanitary certification system of such products exported to the EU." Imports have been restricted as 207 consignments of mangoes and some vegetables shipped from India in 2013 were found to be contaminated by pests.

The UK imports almost 160 lakh mangoes from India and the market for this fruit is worth almost 6 million pounds a year.

India, the world's largest mango exporter, sells about 65,000-70,000 tonnes of all varieties of the fruit overseas out of its total production of 15-16 lakh tonnes.

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EU mango ban to leave bitter-sweet taste

Sohini Das & Kalpesh Damor, Business Standard

Ahmedabad, 30 April 2014: As the European Union (EU) bans mangoes from this country starting 1 May, it could leave a bitter-sweet taste in Indians' mouths. While mango lovers would have the tastiest alphonso and kesar varieties at more affordable rates, traders and exporters stand to lose a few hundred crores.

Local prices have been down 15 per cent for the last few days. Traders expect a further fall of 25 per cent in 15-20 days, as excess supplies start coming. While the EU is not a major market for Indian mangoes (accounting for less than 10 per cent of total exports), nonetheless, any ban hits traders who have to struggle to find new markets to divert excess stocks. Traders say losses could be Rs 100-120 crore.

The Agricultural and Processed Food Products Export Development Authority (Apeda), however, is not panicking. Sudhanshu, western in-charge, says, "Of the 55,000 tonnes of exports in 2012-13, 3,890 tonnes went to the EU. This year, too, exports were allowed till April 30. The season for alphonso, major part of exports, lasts till mid-May. Already, 50 per cent has been exported." Apeda does not compile export data by categories.

While exporters would have a tough time cracking new markets, exports to the existing markets of the US, West Asia, China and Southeast Asia would increase. West Asia is a traditional market for Indian mangoes. It accounts for 50 per cent of exports.

Abhijeet Bhasale, managing director of Pune-based import-export house Rainbow International that is also into e-tailing through mangowale.com, said, "With the EU banning imports, exporters will not immediately be able to switch to other markets." He added India was likely to double exports to the US to 620 tonnes this year due to the capacity increase of the irradiation unit at Lasalgaon in Maharashtra.

Bhasale said overall export figures were higher than Apeda ones as many exporters were not registered with the latter. "Exports to EU were 6,000 to 7,000 tonnes last year."

Data from the National Horticulture Board show wholesale prices of alphonso having fallen from Rs 68-92 a kg on April 1 to Rs 40-50 a kg on April 30 in Mumbai. A Surat-based exporter said mango prices had come down 15 per cent in a week.

Nanjibhai Patel, a Junagadh-based trader said prices were likely to be down 25 per cent in 15 days as the season began. He added as traders attempted to divert excess supplies to other markets, they might end up getting lesser prices in the export market, too. The kesar variety is likely to take a hit in exports, as the season starts May on. Traders said kesar mango, produced mainly in Gujarat, was the second-most exported after alphonso, followed by the Banganapalli, Rajapuri and Dussehri.

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India threatens to drag EU to WTO on mango

Asian Age

3 May 2014: India on Friday threatened to take European Union (EU) to the World Trade Organisation (WTO), if it did not lift its ban on the import of Indian mangoes and vegetables. “We do hope that the EU will see sense, considering the strength of the economic partnership between India and EU, and not precipitate the situation any further, which leads us to go to the WTO,” said Union commerce and industry minister Anand Sharma.

He termed EU’s move to ban Indian mangoes as an “arbitrary action without any consultation.” The minister said that government has invested in creating world-class laboratories throu-gh the Agricultural and Processed Food Products Export Development Authority (APEDA) and their certification processes are acceptable to the EU, the US and other countries.

Mr Sharma noted that he had already written a letter on the matter to EU trade commissioner Karel De Gucht. “The EU has no justification and I have said in my communication that it will definitely have a very negative fallout in respect of our economic relationship,” Mr Sharma said.

EU has banned the import of Alphonso mangoes and four vegetables from India for the period from May 1 to December 2015 after authorities allegedly found consignments infested with fruit flies.He said APEDA has the mandate of certification of agri produce exports and that is acceptable to all countries. “That is why APEDA and the commerce ministry have taken up this matter," he said, expressing hope that the issue would be resolved. On Thursday, commerce secretary Rajeev Kher said that the issue should be addressed through consultation and not preferably at WTO.

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India needs to modify IPR regime to attract FDI: EU

PTI

New Delhi, 7 May 2014: India needs to modify its Intellectual Property Rights (IPR) regime and fast-track legal system to attract foreign investments, a report said Wednesday. "India must sort out some contours of its IPR regime. The legal system must be fast-tracked and the use of compulsory licensing (CL) for essential pharmaceutical drugs must be the exception and not the norm," it suggested. The report has been released by the Europe India Chamber of Commerce (EICC) and European Business and Technology Centre (EBTC) in co-operation with the European Business Group.

The US industry too has raised concerns over India's IPR laws particularly in the pharmaceuticals sector. However, Indian government has maintained that its IPR laws are in compliance with WTO norms and rules.

The report also said that over the last two years, Indian Government has taken several steps to remove FDI barriers in a range of sectors but "it calls for swift implementation" of those measures. It said: "Modalities such as land acquisition, revenue sharing and others must be discussed and debated by the states and the Centre before a formal policy decision is taken."

"Many EU companies find out that the actual market scenario in India is distinctly different from their original understanding." Reforms also need to be initiated in trade facilitation and export promotion, it added.

"Companies that invest in India need to have lot of patience and deep pockets to sustain cash flow uncertainties. They should focus on the potential and not the short-term challenges," EICC's Research Head Adith Charlie said.

Further, it claimed that European companies had spent USD 198 billion in India during the last 10 years.

"In the same period, Japanese and US firms channelised USD 138 billion and USD 50.7 billion respectively into their India units. This gives EU enterprises the distinction of being the largest inbound investor into India," it said. EU firms have spent USD 118 billion on 2,566 greenfield (new) projects and also acquired interests in 1,442 companies for USD 80 billion.

"Tactical Greenfield investments, landmark acquisitions and steadfast dedication through uncertain economic cycles have been the key ingredients of the success enjoyed by European companies in India," it said quoting EICC Secretary General Sunil Prasad.

The study found that despite the challenges facing the Indian economy, EU firms are optimistic about the next 5 years.

"The common consensus is that the next government would usher in a fresh round of growth," Prasad added.

The report titled 'European Companies in India: Reigniting Economic Growth', said that EU companies collectively provide direct employment to 1.5 million Indians. Of this, about 562,335 new jobs were added in the last 10 years alone through the greenfield route, the report added.

"To ensure continued high levels of FDI, essential to India’s future economic growth, government and industry alike must engage in novel thinking and disciplined implementation - only then will the so urgently required paradigm shift happen," EBTC Director Poul Jensen said.

It said that huge potential is there in sectors such as education, energy, food processing, life sciences, advanced engineering and infrastructure.

Meanwhile, Ambassador of EU Delegation to India Joao Cravinho said in the report's foreword: "The sheer scale, diversity, and regulatory and tax complexity of India can be overwhelming for a foreign company.

"Companies have to be patient and committed to experience sustainable growth in the country over the longer term."

He added that the EU is committed to strengthening trade relations with India and "we are confident that the conclusion of the EU/India Broad-based Bilateral Trade and Investment agreement is possible in the near future".

The total India-EU bilateral trade was USD 94.43 billion during April-February, 2012-13. It was USD 109.86 billion for the entire 2011-12 fiscal.

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