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Lead Article

International Services Agreement:

New Development in Services Trade or Old Wine in New Bottle?

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1. Background

Services are increasingly becoming an important constituent of global trade. A distinguishing characteristic of services trade is that the barriers affecting services trade are generally in the form of regulations, unlike tariffs in the case of goods. These regulations are mostly qualitative in nature. Regulatory barriers are decisive elements for foreign service providers entering another country to provide their services. However, information on these regulations is not readily available. Sometimes these regulatory barriers are explicitly mentioned by the host country regulatory authorities but often they are not. The General Agreement on Trade in Services (GATS) of the World Trade Organization (WTO) reduces this unpredictability in the regulatory environment affecting services by mandating WTO members to schedule their commitments in services of their choice. The GATS also talks about 'progressive liberalization' as every WTO member may not be in a position to bind or schedule all services at a given point of time as regulations in services are of an evolving nature.

The Doha Development Agenda ("Doha Round"), launched in 2001, was an attempt to further the 'progressive liberalization' objective of the GATS wherein members were requested to submit initial and revised offers containing new sectors of commitments, and improved commitments in the already committed sectors. Services were included as a part of the 'single undertaking' under the Doha negotiations. However, the Doha Round has stalled and has not yet been completed due to differences on issues, such as agriculture subsidies, non-agricultural market access issues, etc. Hence, the progressive liberalization of services has not been achieved within the GATS framework, though WTO members have undertaken partial or full liberalization of services either autonomously or in their free trade agreements (FTAs) with various countries.

The stalling of the Doha Round has led some WTO members to think of alternative approaches for the liberalization of services markets across countries. The International Services Agreement (ISA), in early 2012, is such an attempt, by a coalition of WTO members led by developed countries. The US, the EU and Australia, along with

In this issue

some other like-minded members, called the Really Good Friends (RGF) of Services, have proposed this new plurilateral approach to services[1]. The RGF members[2] have deliberated on whether to depict this new approach as an outcome of the Doha Round or as an independent services FTA that is permitted under Article V of the GATS.

There has been opposition by India and other emerging economies such as China, Brazil and South Africa on portraying this RGF-led initiative as an outcome of the Doha Round of negotiations at the WTO. Nonetheless, the RGF intends to pursue an ambitious International Services Agreement amongst themselves through this plurilateral approach. The RGF members started discussing the architecture and modalities of the ISA during the fall of 2012. The negotiations were expected to start in 2013. Though the ISA initiative is led by the RGF, they have left a window open for other WTO members, especially emerging economies such as f India and China to join this agreement at a later date.

2. Architecture of the ISA

Though the framework for the ISA agreement has not been finalized, various approaches are being discussed with respect to the architecture of the proposed agreement. Some RGF members, such as the US, are in favour of an ambitious agreement even if it is not in accordance with the GATS provisions. Others, like the EU, are arguing for a GATS-compatible approach so that it can be multilaterized easily in the future.

In October 2012, the RGF members agreed on several key elements of the proposed agreement[3]. These are enumerated below:

• Incorporating provisions of the GATS into the ISA agreement;

• Adopting a 'hybrid' approach for scheduling of commitments, i.e., a 'negative list' approach for national treatment commitments and a 'positive list' (GATS) approach for market access commitments; and

• Special focus for discussing new and enhanced disciplines on the domestic regulation of services in the proposed ISA agreement.

The RGF members also agreed to open this agreement to all WTO members at a later stage, i.e., the 'multilateralization' of the future ISA agreement. They discussed the possible mechanisms to multilaterize the ISA. Some of the mechanisms discussed included an accession clause, a 'critical mass' approach, and others.

The proposed ISA agreement also has a new provision, called 'ratchet mechanism'. The ratchet mechanism is proposed for the national treatment commitments. It implies that when a country improves its national treatment provisions in a given service sector or sub-sector, the new level of treatment will become binding with no backsliding. Thus, any future autonomous liberalization as well as improvement in bilateral or regional trade agreements with regard to the national treatment provisions will be automatically locked-in and will be binding for the concerned ISA member. As far as the market access commitments are concerned, though the ISA agreement proposes a positive list approach, it states that countries should bind 'autonomous liberalization'. This implies that the existing measures and regulations in members will become binding irrespective of the level of liberalization committed in their GATS schedule of commitments.

The RGF invited proposals on various trade in services issues such as domestic regulations, export subsidies, government procurement etc. to develop a common understanding on these issues. The RGF members have accordingly submitted proposals on important issues pertaining to trade in services. These are discussed in the following section.

3. ISA Proposals on Select Services Trade Issues[4]

3.1 Disciplines for Domestic Regulations

It is understood that the proposal on domestic regulations specifies possible elements for enhanced disciplines on domestic regulations. The key

[1] See, 'Negotiations for a Plurilateral Agreement on Trade in services', http://europa.eu/rapid/press-release_MEMO-13-107_en.htm

[2] The RGF presently consists of 21 members – Australia, Canada, Chile, Chinese Taipei, Colombia, Costa Rica, the EU, Hong Kong, Israel, Iceland, Japan, Mexico, New Zealand, Norway, Pakistan, Panama, Peru, South Korea, Switzerland, Turkey and the US .

[3] See, 'Negotiators Eye Early-December Deal On Framework for Global Services Pact', http://www.sccwto.net/ webpages/ WebMessageAction_ viewIndex 1.action?menuid=e36db09f-3dbc-4f2d-b815-46aa90d25174&id=8f2acb9a-1302-4a93-a00a-5f6f08841935

[4] The discussion in this section is based on an informal understanding of the RGF members' proposals. As some of these proposals are not publicly available, the actual proposals may differ from what is discussed in this section.

elements of the domestic regulation disciplines could include: (a) General provisions regarding 'Scope and Objectives' (such as measures relating to licensing requirements and procedures, qualification requirements and procedures, and technical standards); (b) Transparency (provisions regarding the publication and availability of information on laws, regulations, and administrative rulings of general application); (c) Licensing requirements and procedures (provisions regarding how requirements for licensing and applications for licences should be dealt with including impartiality of decision making in the process; timeframes for submitting applications; format of applications; procedures on handling incomplete applications, rejection and resubmission of applications; timeframes for processing an application; and fees charged);

(d) Qualification requirements and procedures (provisions regarding how qualifications should be verified and assessed as well as how applications for qualifications should be dealt with); and (e) Technical standards (provisions regarding how technical standards should be formulated and conformity assessment should be performed, taking into account international and domestic standards for trade in services).

3.2 Information and Communication Technology (ICT) Services

It is understood that the proposal on ICT services argues for updating the GATS along with its Annex on Telecommunications and the Reference Paper by incorporating 'GATS plus rules', adopted in some regional trade agreements (RTAs). It also makes a case for adopting new principles on ICT services that may serve as 'GATS plus rules'. These new principles include (a) Unbundling of network elements; (b) Cross-border information flows; (c) Non-discriminatory treatment of digital products; and (d) International co-operation.

3.3 Government Procurement

The proposal on government procurement of services suggests setting up a framework for such procurement. The framework proposed includes general principles on transparency and non-discrimination. The possible directions to be explored by members could include (a) Transparency rules for the award of procurement services contracts (such as advertisement of tendering, objective technical specification or qualification requirements for bidders and the existence of domestic review procedures); (b) Principle of non-discrimination between domestic and foreign bidders in tendering procedures; (c) Modes concerned (different modes of services supply covered by any such across the board obligation); (d) Sectoral coverage (non-discrimination rules to be applied across the board to all services or certain reservations to be imposed for specific services); and (e) Coherence between the WTO Government Procurement Agreement, the GATS and a procurement component in the ISA.

3.4 Temporary Entry Procedures of Business Visitors and Business Services Sellers

This proposal seems to argue for removing unnecessary bureaucratic hurdles and discriminatory treatment for visa applications of (a) Business visitors (natural persons working in senior position and responsible for setting up a subsidiary, affiliate or branch in the territory of any other member) and (b) Business Service Sellers (natural persons representing service suppliers of a member and seeking temporary entry into the territory of any other member for negotiating the sale of services or entering into agreements to sell services on behalf of that service supplier). It is understood that the proposal also advocates for removing discrimination in visa decisions and procedures by members on the basis of nationality and for making the reasons for visa denial publicly available.

3.5 Professional Services

For enhancing trade in professional services, two possible approaches that seems to figure in the proposal on professional services are (a) Disciplines on recognition and creation of a working party on professional services to act as a forum to discuss mutual recognition agreements; and (b) An 'Understanding' on professional services that is forward-looking in nature, however, not binding on all members but only on those who voluntarily agree to it (like the 'Understanding' on financial services in the GATS)[5].

[5] The GATS has an 'Understanding on Commitments in Financial Services' and some WTO members have made commitments in accordance with this 'Understanding'. It is worth noting that the 'Understanding' is an optional and alternative approach to making specific commitments on financial services. Thus, it is voluntary and not mandatory for WTO members to be a party to this 'Understanding'.

3.6 *Export Subsidies*

The proposal on export subsidies in services trade calls for discussion on subsidy rules for trade in services given the trade distortive impact of export subsidies. The proposal further suggests that such rules could be a part of an Annex on Export Subsidies. According to this proposal, a 'subsidy' is deemed to exist if there is a measure by a member (a) in the form of a financial contribution (direct transfer of funds, potential direct transfers of funds or liabilities, government revenue that is otherwise due but foregone or not collected, goods or services other than general infrastructure that are provided, or purchases of services; or (b) in any form of income/price support to any service supplier of that member; and (c) a benefit is thereby conferred.

4. International Services Agreement: Old Wine in a New Bottle

Conceptually speaking, the proposed approach of the ISA negotiations is somewhat similar to the history of the GATS negotiations. In the Uruguay Round, services were discussed outside the main negotiations as many developing countries resisted negotiations on trade in services. The process took its own course and eventually members reached a consensus and thus the GATS came into existence as part of the 'single undertaking' and the establishment of the WTO in 1995. Discussions on the proposed ISA agreement are also happening outside the Doha negotiations and are expected to take some time before any consensus may emerge.

In the Uruguay Round services negotiations, the major players were the US, the EU, and developing countries whose position was mainly articulated by India and Brazil. The US and the EU were pushing for a services agreement within the GATT/WTO whereas India and Brazil were not in favour of it. In the present ISA negotiations, the same players are the main actors with almost similar roles. While the US and the EU pushed for the GATS in the Uruguay negotiations, they are also the force behind the ISA agreement. Similarly, India and Brazil are among the main opponents of the proposed ISA agreement.

The basic idea behind both the GATS and the ISA agreement also seems to be the same, i.e., to seek market access for trade in services and to ensure predictability of the regulatory environment affecting services in members through binding commitments. The GATS required members to submit their schedule of specific commitments and bind any limitations on market access and national treatment applicable to their chosen service sectors or sub-sectors. The ISA agreement goes one step further by proposing not only to bind the existing liberalization but also to lock any future opening of services in members through the ratchet mechanism.

Thus, the basic approach and conceptual understanding behind both the GATS and the ISA negotiations seem to be similar. However, the difference lies in the institutional set up for global services trade that exists today vis-a-vis at the time of the GATS negotiations. During the GATS negotiations, there was no formal multilateral agreement dealing with services whereas for the ISA negotiations, we already have the GATS. Hence, not only does the GATS act as the starting point for the ISA agreement, but also the ISA agreement has to be compared with the GATS to see how it is compatible with the provisions of the GATS and how it improves upon the GATS.

5. GATS Provisions and the ISA

A comparison of the suggested proposals for the ISA agreement with the existing GATS provisions indicates that the proposed services agreement tends to further liberalize services trade and hence could be an improvement over the GATS in the following ways[6]:

• The ISA proposal includes liberalization for national treatment across all sectors, i.e., it suggests an approach which is like 'horizontal commitments'[7]. However, it may also have a provision to allow members to negotiate exceptions for specific sectors. Thus, there is a negative list treatment for national treatment whereas the GATS follows a positive list approach. By definition, the negative list

[6] Based on Vastine, J.R. (2012), 'A New Form of Services Trade Agreement Moving Ahead in Geneva: The International Services Agreement', Economic Policy Vignette

[7] Under the GATS, a horizontal commitment applies to trade in services in all scheduled services sectors unless otherwise specified.

approach has more liberalization as compared to the positive list approach.

• The ISA also talks about applying a 'ratchet' mechanism for national treatment. As explained earlier, it implies that any future improvement in national treatment will be automatically binding. The GATS does not have any such provision for binding the future opening up of services by a member.

• For market access, the ISA proposes to capture 'autonomous liberalization' undertaken by a member. Though the GATS talks about progressive liberalization, it does not require the members to bind their 'autonomous liberalization'. In fact, the GATS explicitly recognizes that the scheduled commitments guarantee the minimum levels of treatment, but do not prevent members from being more open (or less discriminatory) in practice. Thus, whereas the GATS aims at guaranteeing the minimum, the ISA is seeking to achieve the highest or maximum level of commitments.

• The ISA agreement provides for negotiation of new market access as compared to the GATS. This includes scheduling of new sectors as well as improving current GATS commitments and removing existing restrictions.

• The ISA also aims at achieving an improvement over the GATS by bringing new issues to the negotiating table like state-owned enterprises, cross-border data flows, government procurement etc. These new issues are to be discussed on the basis of proposals by the RGF, as discussed in the previous section.

It is worth noting that Australia and the EU have submitted a joint paper that suggests ten issues that should be a part of new and enhanced commitments under the proposed ISA agreement. These ten issues are Mode 4 (cross-border movement of professionals), domestic regulation and transparency, financial services, professional services, information and communications services, transport and logistics services, maritime services, environmental services, energy services, and government procurement[8]. Enhanced commitments on these issues, if and when agreed, would improve upon the GATS provisions in these areas.

6. Possible Approaches to make ISA Architecture GATS Consistent

One of the key questions with regard to the proposed ISA is whether the proposed agreement is within the GATS ambit. There are three possible approaches by which this agreement may be considered compatible with the GATS provisions. These approaches and are discussed below:

6.1 MFNising the Benefits of ISA to all WTO Members

This approach entails MFNising or providing the benefits of additional commitments undertaken by the RGF members in the ISA agreement to all WTO members, irrespective of their membership to the ISA. However, such an approach will inherently have the problem of 'free riders', i.e. those who are not party to the ISA will enjoy the benefits of greater market access in the ISA members' services market without committing any extra market access themselves. It is to be noted that the US has voiced its opposition to 'free riders'. If this approach is adopted for the ISA, which is very unlikely, it will suit developing countries as it will give them an opportunity to join this agreement at a later stage after having suitable domestic regulatory reforms in their services sector. For ISA members, this approach will ensure access to the WTO's Dispute Settlement Understanding (DSU).

6.2 As an FTA under Article V of the GATS

The other approach could be to have an FTA type Services Plurilateral Agreement under Article V of the GATS which would be open to all countries to join but the benefits would be restricted to the participating members only, i.e., the benefits will not be MFNised to other WTO members. This approach requires the ISA to have substantial sectoral coverage[9] and to provide for the absence or elimination of substantially all national treatment discrimination among the parties, in the sectors covered. The US is pushing for this approach as it seeks a highly ambitious agreement. However, this may not gel well with developing countries' interests as significant sectoral coverage, with no a priori exclusion of any service sector or mode of supply, may not be

[8] See, 'Negotiators Eye Early-December Deal On Framework for Global Services Pact', http://www.sccwto.net/ webpages/ WebMessage Action_ viewIndex1. action?menuid=e36db09f-3dbc-4f2d-b815-46aa90d25174&id=8f2acb9a-1302-4a93-a00a-5f6f08841935

[9] This condition is understood in terms of number of sectors, volume of trade affected and modes of supply. The agreement should not provide for the a priori exclusion of any mode of supply.

appropriate for them at this point of time. Article V of GATS provides flexibility in the sectoral coverage in accordance with the level of development of the member.

It may be noted that if the ISA is negotiated as an FTA type Services Plurilateral Agreement under Article V of the GATS, then the WTO DSU would not be available for resolving disputes under the ISA. Therefore, in this case, the RGF members would have to devise a dispute settlement mechanism for resolving any disputes among themselves and have to incorporate such a mechanism into the proposed ISA Agreement.

6.3 As a Plurilateral Trade Agreement

Article X:9 of the Marrakesh Agreement Establishing the WTO ("WTO Agreement") covers plurilateral trade agreements in the WTO. However, in order to be incorporated as a plurilateral trade agreement, in Annex 4 of the WTO Agreement, consensus is necessary. Given the opposition by India, China, Brazil and others, a consensus for the ISA agreement appears unlikely.

7. ISA: Some Unanswered Questions

Though the RGF members are discussing pertinent issues related to services trade and targeting an ambitious agreement, there are some unanswered questions that need to be addressed before any such agreement can come into existence. These are highlighted below:

The proposed ISA agreement mentions multilaterization in the future. One possible approach discussed for such multilaterization is a 'critical mass' approach. However, it is not clear what the measure of this 'critical mass' is. Possible measures could be in terms of services GDP, services trade, or anything else. One proposal was to have approximately 90% of global services trade covered. At present, the negotiating RGF members account for only around two-thirds of the global services trade. A critical mass based on the 90% figure cannot be reached without including India and China.

An analysis of the GATS commitments reveals that of the close to 160 services sub-sectors under the GATS, developing members have, on average, around 40 committed sub-sectors whereas the average is over 100 for developed economies[10]. Many of the developed members have undertaken full commitments in various services, whereas the developing economies have undertaken only partial commitments in a number of these services. In such a scenario, if an ambitious ISA agreement comes into existence, it inherently means that developing members will give away more as compared to the developed economies. But, whether the developing countries are ready to match the high ambitions of the ISA is questionable given the fact that regulations in services sector in these economies are still evolving. Services regulations in these countries are either not present, outdated or not clearly written in their legislation.

The proposed ISA agreement also talks about binding the existing autonomous liberalization and at the same time the ratchet mechanism compels them to bind any future national treatment liberalization in their services sectors. It virtually takes away most of the policy space from members as they are not only binding their existing regulations but also any future changes in such regulations. Hence, members will not be able to experiment with policy changes. Developed economies have a relatively mature services sector. However, the same is not true for developing countries. Therefore, the flexibilities the ISA agreement provides to developing countries for any adverse fallout of binding future policy changes also requires attention of negotiating and prospective members.

8. Conclusion

The ISA agreement is in its nascent stage and its architecture and modalities are still under discussion. However, the way it is projected resembles the history of the GATS negotiations. However, a significant difference between this agreement and the GATS is that whereas the GATS provides adequate flexibilities to developing countries, the same is yet to be decided for the ISA agreement, given its ambitious nature. There is also a potential risk of losing significant policy space if a country joins this agreement as it binds market access through autonomous liberalization and national treatment through the ratchet mechanism. However, as Hoekman[11] has argued, participation in

[10] WTO Trade Policy Review (2012) of Israel.

[11] Hoekman, B. (1993), 'Developing Countries and the Uruguay Round: Negotiations on Services', The World Bank Policy Research Working Paper Series 1220.

an international agreement imposes certain disciplines and constraints for national policy formulation that may help governments to bring in desired policy changes which otherwise could not be introduced due to demands from politically influential interest groups. Participation in the ISA discussions may also enable developing and emerging economies introduce domestic regulatory reforms to unleash their services sector from archaic rules and regulations.

Activities & Events (January - March 2013)

1. Sensitization Programme on WTO and Related Issues

Chennai, Tamil Nadu

Group Photograph: Participants and faculty of Anna Institute of Management and CWS/IIFT.

A seminar on WTO issues of interest to Tamil Nadu was held on 9-10 January 2013 at the Anna Institute of Management, Chennai. Twenty four participants comprising government officials from the Departments of Agriculture, Industries & Commerce, Cooperative Societies, Fisheries, MSME and the Office of the Controller of Patents, Trademark and Designs attended the programme. Resource persons for this activity were Prof. Sajal Mathur and Ms. Shailaja Singh from the Centre for WTO Studies (CWS), IIFT and Dr. N. Rajalakshmi from the Department of Economics, University of Madras. The programme provided an overview of WTO and FTAs and their relevance to states; specific initiatives taken by the State Government to promote international trade; industrial and fisheries subsidies; and the WTO Agreements on Agriculture, Anti-dumping, Safeguards, GATS and TRIPS (with focus on geographical indications).

From (L) to (R): Ms. Shailja Singh, CWS/IIFT; Prof. Sajal Mathur, CWS/IIFT; Prof. V. Vidyasagar, AIM; Prof. D. Ponnuswamy, AIM.

2. Specialized Course on Select WTO Issues

IIFT, New Delhi

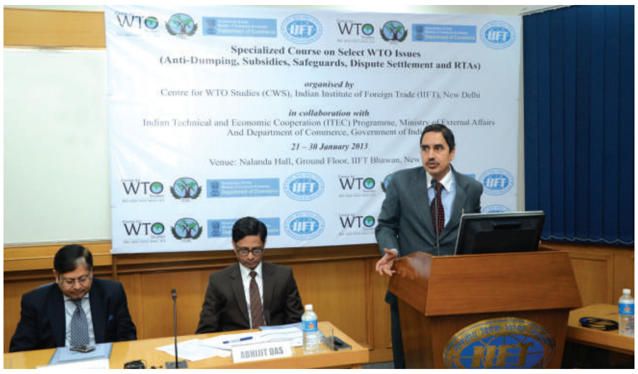
The CWS conducted a 10 day "Specialized Course on Select WTO Issues: Anti-Dumping, Subsidies, Safeguards, Dispute Settlement and RTAs" from 21 to 30 January 2013 at the Indian Institute of Foreign Trade (IIFT), New Delhi. The training programme was organized for international participants in collaboration with the Indian Technical and Economic Cooperation (ITEC) Programme of the Ministry of External Affairs and the Department of Commerce, Government of India.

Group Photograph: Participants and IIFT/CWS faculty at the Specialized Course on Select WTO Issues.

The programme was targeted at senior and middle level government officials working in the trade, finance or foreign affairs ministries in developing and least developed countries, with specific interest and knowledge in the identified areas. Eighteen participants from thirteen countries attended the training programme. The participants were from:

Afghanistan, Bhutan, Ethiopia, Cambodia, Gambia, Kenya, Mali, Mauritius, Russia, Serbia, Togo, Turkey and Yemen.

The inaugural session of the programme was addressed by Dr. Surajit Mitra, Director, IIFT; Prof. Abhijit Das, Head, CWS and Prof. Shashank Priya, CWS. The training programme comprised mainly of classroom sessions focused on WTO issues. The training methodology was a combination of classroom training, practical hands-on exercises, mock negotiation exercises, presentation from participants and a field visit.



From (L) to (R): Dr. Surajit Mitra, Director, IIFT; Prof. Abhijit Das, Head, CWS; Prof. Shashank Priya, CWS.

In addition to the faculty of the CWS and the IIFT, experts specializing in the identified areas were especially invited as resource persons for the training. These included Mr. U. S. Bhatia, former Ambassador of India to the WTO and currently Appellate Body Member, WTO; Mr. Atul Kaushik, Joint Secretary, Department of Justice; Mr. Rajan Sudesh Ratna, Economic Affairs Officer, UNESCAP, Bangkok; Ms. R.V. Anuradha, Partner, Clarus Law Associates; and Mr. R.K. Gupta, Former Chairman, Settlement Commission, Customs and Central Excise.

A visit to the Delhi Custom House and Air Cargo Complex was organized during the training. During the visit, a customs official made a presentation on the modernization initiatives of the Indian Customs. This was followed by a visit to import and export sheds of the Air Cargo Complex where the cargo clearance procedures were explained by field officers.

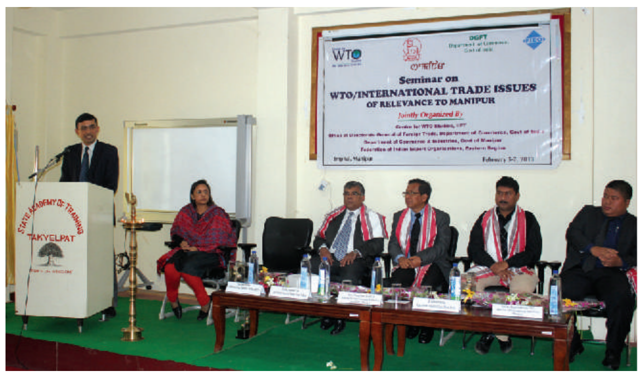
3. Seminar on WTO & International Trade Issues of Relevance to Manipur

Imphal, Manipur

At the request of the Department of Commerce & Industry, Government of Manipur, a three-day seminar was jointly organized by the CWS, IIFT, Directorate General of Foreign Trade (DGFT) and the Federation of Indian Export Organizations (FIEO), Kolkata, Regional Office from 5 to 7 February 2013 at the State Academy Training College, Imphal, Manipur.

Group Photograph: Participants and resource persons at the Seminar in Imphal, Manipur.

The programme benefited from the presence of resource persons from the DGFT (Mr. Agneshwar Sen, Jt. DGFT, Kolkata), FIEO (Ms. Debdatta Nandwani, DDG, FIEO, Kolkata and Mr. R N Mishra, FIEO faculty), Customs (Mr. Sudip Mondal, Superintendent of Customs, Petrapole Land Customs Station (LCS) and Mr. R.K. Debendra Singh, Superintendent, Imphal/Moreh, LCS), and Prof. Sajal Mathur, CWS, IIFT.



From (L) to (R): Prof. Sajal Mathur, CWS/IIFT; Ms. Debdatta Nandwani, DDG, FIEO; Mr. Agneshwar Sen, Jt. DGFT, Kolkata; Mr. O. Nabakishore Singh, Principal Secretary, Dept. of Commerce & Industry, Government of Manipur; Mr. Sudip Mondal, Petropole LCS, Customs, GoI; and Director, Dept. of Commerce & Industry, Government of Manipur

Over sixty participants representing the relevant government departments, business, traders and academic institutions participated in this activity. The seminar provided an overview of WTO, FTAs, trade procedures, India's foreign trade policy and export promotion activities of the DGFT/FIEO, customs procedures and a discussion on border trade at Moreh, LCS. The sessions were interactive and much appreciated by participants.

4. Specialized Training Programme to Facilitate the WTO Accession of Afghanistan

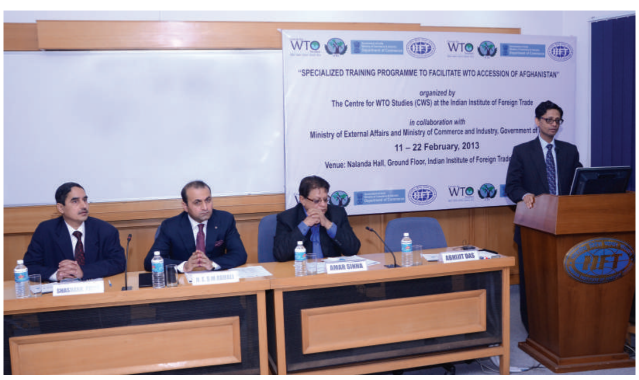
IIFT, New Delhi

The CWS conducted a "Specialized Training Programme to facilitate the WTO Accession of Afghanistan" from 11 to 22 February 2013 at the IIFT, New Delhi. The training programme was organised in collaboration with Ministry of External Affairs and Ministry of Commerce and Industry, Government of India.

Group Photograph: Participants and Dignitaries from the Inaugural Session of the Specialized Training Programme.

The programme was tailor-made, targeting 27 officials from Afghanistan's Ministry of Commerce. The inaugural session was addressed by Mr. Y K Sinha, Additional Secretary, Ministry of External Affairs and Mr. Rajeev Kher, Additional Secretary, Ministry of Commerce and Industry, Government of India; Mr. Mohammad Ashraf Haidari, Deputy Ambassador of Afghanistan to India; and Prof. Shashank Priya, CWS, IIFT.

The twelve-day training programme comprised of sessions on various issues related to the WTO membership negotiations. The training methodology was a combination of classroom training, practical hands-on exercises, and mock negotiation exercises.



From (L) to (R): Prof. Shashank Priya, CWS/IIFT; H.E. Mr. Shaida Mohammed Abdali, Ambassdor of Afghanistan to India; Mr. Amar Sinha, Joint Secretary, Department of Commerce, GoI; Prof. Abhijit Das, Head, CWS/IIFT at the valedictory function.

As Afghanistan is in the process of acceding to WTO, Mrs. Khemmani Pholsena, Chief Negotiator and Vice Minister, Ministry of Commerce, Laos addressed participants to share experiences and best practices from Lao PDR's recent membership to the WTO.

During the valedictory function, H. E. Mr. Shaida Mohammad Abdali, Ambassador of Afghanistan to India, Mr. Amar Sinha, Joint Secretary (TPD), Department of Commerce, and Prof. Abhijit Das, Head, CWS addressed the participants. The participants suggested giving scholarships for long-term training programmes on WTO. They saw this as an opportunity to learn and then train others in Afghanistan. They also suggested that Indian experts should come and teach Afghan officials in Kabul.

5. Brainstorming on Integrating South Asia in Regional Supply Chains

IIFT, New Delhi

Group Photograph: Participants at the brainstorming meeting.

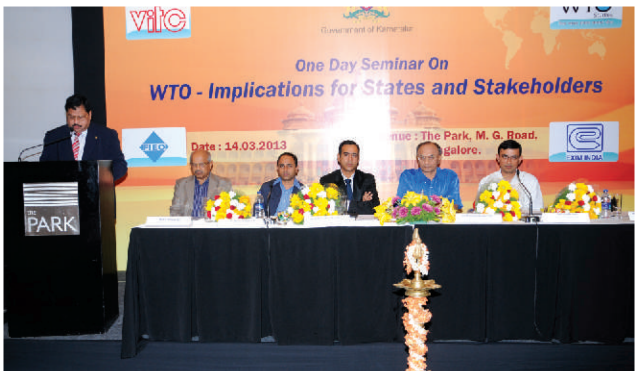
The CWS organized a brainstorming meeting on "Integrating South Asia in Regional Supply Chains: New Directions for Research and Sharing Experiences". The meeting was held at the IIFT, New Delhi on 7-8 March 2013. The main objectives of the meeting were two-fold: firstly, to find whether there is an economic rationale for integrating South Asia into regional supply chains and to ascertain the ways to achieve this; and secondly, to find out the appropriate methodologies for quantifying the value added as well as income generated by different activities across the entire value chains and accordingly to explore the empirical tools that are required for this purpose. Apart from economists from the South Asia region, trade experts from UNDP, UNESCAP, UNCTAD, UNECA, COMESA, Fung Global Institute (Hong Kong) and GIMPA Business School, Accra participated in the meeting.

6. Seminar on WTO: Implications for States & Stakeholders

Bengaluru & Mysore, Karnataka

The CWS, in collaboration with Visvesvaraya Industrial Trade Centre (VITC), held one-day seminars in Bengaluru and Mysore on 14 and 15 March 2013, respectively. The programme mainly targeted representatives from the private sector, including chambers of commerce, exporters and importers. Senior officials of the Government of Karnataka, faculty and students of academic institutions, and media representatives were also in attendance.

In Bengaluru, Mr. M N Vidyashankar, Principal Secretary, Government of Karnataka; Mr. Maheshwar Rao, Commissioner of Industries, Government of Karnataka; Mr. K Shiva Shanmugam, President, Federation of Karnataka Chamber of Commerce & Industry (FKCCI); Prof. Sajal Mathur, CWS and Mr. K S Shivaswamy, Managing Director, VITC were present for the inaugural session.



From (L) to (R): Mr. K.S. Shanmugam, President, FKCCI; Mr. K.S. Shivaswamy, Managing Director, VITC; Mr. Altaf H. Jahangir, QED India; Mr. Maheshwar Rao, Commissioner of Industries, Government of Karnataka; Mr. M.N. Vidyashankar, Principal Secretary, Commerce & Industries, Government of Karnataka; Prof. Sajal Mathur, CWS/IIFT at the Inaugural Session in Bengaluru, Karnataka..

The inaugural was followed by technical sessions covering the relevance of WTO and FTAs for states; agriculture and WTO; TRIPS; trade in services, anti-dumping and safeguards with focus on the business implications for states. Resource persons for the sessions were Prof. Sajal Mathur, CWS, IIFT; Prof Altaf H Jahangir, CEO, QED India; Dr. D R Agarwal, Director, ITAG Business Solutions; Mr. D P Mohapatra, Director, Directorate General of Anti-Dumping & Allied Duties (DGAD), Ministry of Commerce, Government of India and Mr. Pranesh, Regional Manager, EXIM Bank, Bengaluru. The Seminar in Mysore was also structured to cover these technical

From (L) to (R): Prof. Sajal Mathur, CWS/IIFT; Dr. D.R. Agarwal, ITAG; Mr. M. Shiva Shankar, Joint Director, DIC, Mysore, Mr. Sudhakar S. Shetty, President, Mysore Chambers of Commerce & Industry (MCCI); Mr. K.S. Shivaswamy, Managing Director, VITC; and Mr. A.S. Satish, Vice-President, MCCI at the Seminar in Mysore

sessions. In addition, there was a session on geographical indications of relevance to Karnataka. Dr. D S Leelavathi, Prof. & Chairperson, Department of Economics, Manas Gangothri University was also a resource person in Mysore.

Over one hundred participants attended the seminars held in Bangalore and Mysore and there was a high level of interaction and discussion on the implications of the WTO and its agreements for stakeholders in Kartnataka.

7. International Training Programme on WTO & Doha Round Negotiations

IIFT, New Delhi

The CWS conducted a "Specialized Training Programme on WTO and Doha Round Negotiations" from 11 to 20 March 2013 at the IIFT, New Delhi. The programme was organised in collaboration with the Indian Technical and Economic Cooperation (ITEC) Programme of the Ministry of External Affairs and the Department of Commerce, Government of India.

Group Photograph: Participants and IIFT/CWS faculty at the ITEC Training Programme.

Twenty six participants from fourteen countries participated in the training programme. The participants were from: Afghanistan, Algeria, Bangladesh, Egypt, Ethiopia, Honduras, Kenya, Malaysia, Nepal, Serbia, Sudan, Turkey, Uganda and Zimbabwe.

From (L) to (R): Dr. Surajit Mitra, Director, IIFT; Prof. Abhijit Das, Head, CWS; Prof. Shashank Priya, CWS.

The inaugural session of the programme was addressed by Dr. Surajit Mitra, Director, IIFT, Prof. Abhijit Das, Head, CWS and Prof. Shashank Priya, CWS. The training methodology was a combination of classroom training, practical hands-on exercises, and mock negotiation exercises. In addition to the faculty of the CWS and the IIFT, experts specialising in the identified areas were also invited as resource persons for the training. These included Ms. Anu Mathai, Director, Trade Policy Division, Department of Commerce, Government of India (GoI); Ms. R.V. Anuradha, Partner, Clarus Law Associates; Mr. M.S. Srikar, Deputy Secretary, Department of Commerce, GoI; Mr. Mukesh Bhatnagar, Additional DGFT, GoI and Mr. Kumar Tuheen, Joint Secretary, Ministry of External Affairs, GoI.

The valedictory function was addressed by Mr. Kumar Tuheen, Joint Secretary, Ministry of External Affairs, Mr. Shashank Priya, Professor, CWS and Ms. Neha Sharma, Training Coordinator, CWS. All participants were also awarded certificates by Mr. Kumar Tuheen, during the valedictory function.

8. Seminar on WTO and International Trade Issues of Relevance to Rajasthan

Jaipur, Rajasthan

A sensitization and awareness generation seminar on WTO and international trade issues of interest to Rajasthan was held at the HCM-Rajasthan Institute of Public Administration (HCM-RIPA), Jaipur on 21-22 March 2013. Over 20 participants comprising state government officials, representatives of the private sector and civil society attended the programme. Mr. Rajeev Arora, Chairman, Rajasthan Foundation; Mr. Rohit R. Brandon, Director, HCM-RIPA and Prof. Sajal Mathur, CWS, IIFT inaugurated the seminar.

The programme included classroom-sessions and interactive panel discussions. The topics covered were: Overview of WTO and India's engagement in FTAs: role/impact on states; WTO Agreement on Agriculture and ongoing trade negotiations: challenges and potential for the agriculture sector in Rajasthan; Intellectual property with focus on geographical indications and the opportunities and challenges for international trade in Rajasthan's handicrafts; GATS and international trade in services: importance and the potential of tourism, IT sector in Rajasthan; Subsidies and trade remedies: issues related to anti-dumping, safeguards, countervailing duties (based on experience of Rajasthan); and public-private partnerships to boost international trade.

Group Photograph: Resource Persons and Participants at the Seminar in Jaipur, Rajasthan.

Participants appreciated this activity and the presentations made. In addition to the faculty from the CWS, resource persons for this activity were: Dr. Kamal Mathur, Director, NIAM, Dr. S.P Sharma, Dept. of Agriculture, Government of Rajasthan, Mr. K.L Jain, Secretary General, Rajasthan Chamber of Commerce and Industries, Mr. Rohit R. Brandon, Director, HCM-RIPA, Mr. Purushottam Agarwal, Principal Secretary, Government of Rajasthan, Mr. Vikram Joshi, Rangotri (Sanganeri Prints), Mr. Gyan Prakash, FICCI, Prof. Alpana Keteja, Department of Economics, University of Rajasthan and Ms. Archana Jatkar, CUTS, Jaipur.

Faculty Participation in Outreach Programmes (January – March 2013)

	Participating Faculty	Outreach Activity/Topic	Date	Location
1.	**Prof. Abhijit Das**	Chaired session on "WTO and Free Trade Agreements: A Developing Economic Analysis" organized by the Gujarat National Law University, Gandhinagar, Gujarat	2 March	Gandhinagar
		Speaker on "State of Play in Doha Round: WTO Issues" at conference organized by the Confederation of Indian Textile Industry (CITI)	12 March	Chandigarh
		Panelist at the Annual Conference on Normalizing India-Pakistan Trade organized by ICRIER	14 March	New Delhi
		Speaker on "Procuring the World's Goods and Services BRIC by BRIC: Crossing Continents" at the Procurement Week 2013 organized by the Institute for Competition & Procurement Studies, Bangor University	20 March	Wales, UK
2.	**Prof. Madhukar Sinha**	Participant at a Panel Discussion on "Emerging Patterns of RCI in 2013 and Beyond" organized by the Research and Information System for Developing Countries (RIS)	8 January	New Delhi
		Invitee at Meeting of International Experts of the Inter-Governmental Committee on Traditional Knowledge, Traditional Cultural Expressions and Genetic Resources organized by the Department of Industrial Policy & Promotion, Ministry of Commerce & Industry, at Hotel Ashoka, New Delhi	28- 29 January	New Delhi
		Participant at the 2nd Steering Committee Meeting on "Post-TRIPS IPR Regime in India" organized by The Energy & Resources Institute (TERI)	5 February	New Delhi
3.	**Prof. Sajal Mathur**	Invitee at Meeting with DG, WTO on "Trade, Competition and Development" organized by CUTS International and Global Development Network	30 January	New Delhi
4.	**Dr. Murali Kallummal**	Presentation of paper on "Imbalance in Doha Round Market Access Outcomes in Trade in Agricultural and Allied Sectors: Evidence from Selected Developed and Developing Countries" at the National Seminar on WTO, FTAs and Impact on Indian Agriculture, organized by Department of Agriculture (WTO Cell), Government of Kerala	17- 18 January	Thiruvananthapuram
5.	**Dr. Sachin Kumar Sharma**	Presentation of paper on "Agreement on Agriculture and Domestic Support in India" at the National Seminar on WTO, FTAs and Impact on Indian Agriculture organized by Department of Agriculture (WTO Cell), Government of Kerala	17-18 January	Thiruvananthapuram
		Presentation of paper on "Competitiveness of Indian Agriculture Sector: A Case Study of Cotton Crop" at the International Conference on Trade, Markets and Sustainability organized by the Symbosis Institute of International Business, Pune	22-23 February	Pune
		Speaker on "Trade liberalization and Export Competitiveness of Wheat" at the National Conference on "Paradigm for Sustainable Business: People, Planet & Profit" organized by the Department of Management Studies, IIT - Roorkee	8-9 March	Roorkee
6.	**Dr Pralok Gupta**	Resource Person at the 3rd Conference on "Empirical Issues in International Trade & Finance" organized by IIFT, Kolkata	10-11January	Kolkata
		Speaker at the Roundtable on "Liberalization of India's Legal Services Sector" organized by The Law Society of England and Wales, UK	22 February	London

	Participating Faculty	Outreach Activity/Topic	Date	Location
		Panelist at the Workshop on "Rules Based Governance" organized by the Observer Research Foundation (ORF)	15 March	New Delhi
		Speaker at the Roundtable on "Strengthening Regulatory Framework and Enhancing Capacity in India's Legal and Accountancy Services Sectors" organized by Confederation of Indian Industry (CII)	24 March	New Delhi

News Roundup

Trade Figures

1. Trade Portals

The Commerce Department has launched a trade portal enabling exporters to access information related to various trade deals struck with countries and regions that could help them target potential markets. The portal has an online database of preferential tariff of top 25 destinations with which India has entered into regional or bilateral agreements or variants of them. It also provides the normal tariffs existing in these countries so that the exporters know the margin of preference and the advantage they would enjoy in each market.

Information on various technical details including the Rules of Origin that define the minimum value addition required for a product to qualify as one originating in the exporting country, quality norms prescribed under Sanitary and Phytosanitary Measures and Technical Barriers to Trade or technical requirements of various products in different countries is also provided in the portal. It provides a search criteria based on HS Code and/or product names.

India has signed trade agreements with Asean, Singapore, Malaysia, Japan, South Korea, Sri Lanka, a number of Latin American countries and the SAARC region.

In addition the Directorate General of Commercial Intelligence and Statistics (DGCIS), which compiles India's foreign trade data, and the Central Statistics Office have submitted recommendations for creating an inter-state trade database, after conducting a pilot project to track trade flows between four states — Tamil Nadu, Kerala, West Bengal and Sikkim. The Thirteenth Finance Commission had stressed on the need to compile inter-state trade data, especially in the context of the proposed goods and services tax regime which requires such transactions to be 'zero rated.'

Business Line (1 February) and The Economic Times (13 March 2013)

2. Export Data Errors

Errors in reporting of export data could be a thing of past, with the Commerce Ministry streamlining the system to ensure smooth and correct flow of shipment figures from different ports in the country. The error happens due to several reasons, including wrong classification, double counting and problems in the computer software. This follows a series of steps taken by the Department of Commerce to ensure timely reporting and collating of export data by different agencies, including Directorate General of Commercial Intelligence and Statistics (DGCI&S) and the RBI.

One of the main reasons for discrepancy in the bilateral trade figures is lack of computerisation at minor ports. Out of about 300 ports, 180 ports are still non-EDI (electronic data interchange). Errors are also reportedly happening because exporters do not enter correct country or product code in their documents. Quite often country/product name does not match with country/product code. In such cases, exports are categorized under the 'unspecified' head. In fact, unspecified was India's fifth largest export destination, accounting for exports of $16.4 billion, and the country's 14th largest trade partner with $17.5 billion of bilateral trade in the fiscal year ended 31 March 2012.

Moreover, major irregularities have surfaced in the country's external trade with about 65%-96% of export data found not matching against their corresponding banking transactions. A recent check was conducted by the central bank which revealed that the unmatched data is worth more than Rs 2 lakh crore of exports. Bringing all export transactions under the scanner of the Reserve Bank of India (RBI), the government has asked the central bank to set up a monitoring cell that will coordinate with banks to track all banking transactions of exporters.

Mint (5 February), PTI (10 February) and Times of India (10 March 2013)

3. Trade data for December 2012 to February 2013

December 2012:

Contraction in global demand hit Indian exports for the eighth consecutive month, with outbound shipments falling 1.9% to $24.9 billion in December against $25.4 billion in the corresponding period of FY12. Imports, however, increased 6.3% to $42.5 billion last month, widening the trade deficit by 20 % to $17.7 billion in December 2012, compared to $14.7 billion in the year-ago period.

While oil imports rose 23.5 % to $14.4 billion, non-oil imports declined marginally by 0.9% to $28.1 billion, indicating industrial production still remained low in December after a 0.1 % contraction in November.

Cumulatively, exports declined 5.5% to $214 billion in the April-December period, compared to $226.5 billion in the corresponding period in the last financial year. Imports contracted 0.7% to $361 billion, compared to $364 billion over the period. As such, trade deficit rose 7% to $147 billion against $137 billion. The growing trade deficit has put pressure on India's current account deficit (CAD), which increased to an all-time high of 5.4% of GDP in the July-September quarter.

The pace of contraction of exports has slowed down, raising hopes that these would pick up in the last quarter of this financial year. Commerce Secretary S R Rao said, "All sectors have slightly improved except for textiles in December. With the incentive package coming into effect from January this year, we are hopeful that the exports' performance would improve." He conceded that it would be difficult to achieve the target of $360 billion in exports with just three months to go in the current financial year.

Business Standard (12 January 2013)

January 2013:

After declining for eight consecutive months, merchandise exports rose 0.8% to $25.6 billion in January, compared with $25.4 billion a year ago, official data showed. The data provided hope to policymakers that exports would improve in February and March, too.

Imports rose 6.1% to $45.6 billion in January, against $43 billion in the corresponding month last year, widening the country's trade deficit to $20 billion. After narrowing to $17.7 billion in December 2012, the deficit rose 13.8% year-on-year, as imports of petroleum, as well as other products, rose.

The rise in exports was despite the International Monetary Fund (IMF) cutting growth projections for India's two largest trading partners, the Euro zone and the US, for 2013. While the forecast for Euro zone was cut by 0.3 percentage points to (-) 0.2 %, that for the US was lowered by 0.1 percentage points to 2%.

"I hope with exports growing marginally in January, we can narrow the trade gap at the close of the financial year," Commerce Minister Anand Sharma said, in Mumbai on 14 February 2013.

In January, the rise in exports was aided by the basic chemicals, engineering goods, textiles and gems and jewellery segments. Exports of basic chemicals rose 8.1%, petroleum products 6.6%, engineering goods 0.7% and gems and jewellery 0.6%, according to Commerce Secretary S R Rao. The engineering goods and gems & jewellery segments had seen exports fall in the previous months. Rice, tobacco and oil mill exports rose in January. Among bulk sectors, drugs and pharmaceuticals registered high growth in exports.

In January, oil imports rose 6.91% to $15.90 billion. In December, these had contracted to $14.42 billion. Non-oil imports increased 5.71% to $29.68 billion, providing hope the economy might be recovering. As the government didn't disclose the break-up of imports, it was difficult to gauge whether gold was exerting pressure on imports. To curb gold imports, the government has already raised customs duty on branded gold from 4% to 6%.

Business Standard (14 February 2013)

February 2013:

India's merchandise exports grew for a second consecutive month in February by an annual 4.23% to $26.26 billion (around Rs.1.43 trillion) after contracting for eight months in a row. Exports are looking up and the trend is expected to continue as shipments to Europe have increased and the US market continues to do well, according to Commerce Secretary S.R. Rao.

"Most heartwarming is that sectors which have the largest weightage, such as engineering, have started doing better," Rao said. "Textiles and refined petroleum exports have arrested the slide and are making up for the deficit." In the first 11 months of the financial year to 31 March, engineering exports were down 3% to $51 billion. Other sectors that performed well include rice, oil meals, pharmaceuticals and chemicals.

Imports in February increased 2.6% to $41.18 billion, leaving a trade deficit of $14.92 billion. While oil imports continued to expand at 15.45% to $15.1 billion, non-oil imports contracted 3.57% to $26 billion. Gold imports, which have been pushing the trade deficit, fell 7.6% to $52.4 billion in the 11 months to February. In the same period, exports shrank 4% to $265.95 billion, while imports grew marginally by 0.25% to $448.04 billion.

The WTO has projected global trade to expand 4.5% in 2013, while export demand from developing countries will rise only 3.3% during the year.

Mint (11 March 2013)

4. Export target missed?

India is likely to miss the export target of $350 billion it had set for 2012-13, according to Union Minister for Commerce, Industry & Textiles Anand Sharma. "Exports will instead be around $300 billion for the fiscal year ending March 2013. The year 2012 was full of turmoil owing to the euro crisis. This impacted Indian exports adversely," he said on the sidelines of a conference organised by the Confederation of Indian Industry (CII).

Mr. Sharma said the share of manufacturing in India's gross domestic product (GDP), currently at 16%, should go up to 25-26% in a decade to create a minimum of 100 million skilled jobs. The national manufacturing policy announced earlier is a key instrument to achieve this, he said.

Mr. Sharma also pointed out that the trade deficit with China was a matter of concern. "We are seeking more access for our industries, particularly in the information technology industry in China and their public healthcare system for our pharmaceutical industry."

The Hindu (20 February 2013)

Foreign Trade Policy / Strategy

5. Economic Survey

Even as export growth has surpassed the pre-crisis level in 2010-2011, the adverse impact of the global recession seems to be showing only now, with exports falling drastically in 2012-2013. According to the Economic Survey 2012-2013 presented by Finance Minister P Chidambaram in Parliament on 28 February 2013, growth in exports can only be achieved with greater diversification of products.

For the first 10 months of the current financial year (FY13), exports declined in eight months. It revived slightly by posting growth of 0.8% in January 2013 year-on-year. The trade deficit reached a peak of $184.6 billion in 2011-12 from $118.6 billion in 2010-11, with the highest growth of 55.6% since 1950-51. The trade deficit of $167.2 billion for 2012-13 (April-January) was 7.9% higher than $154.9 billion in 2011-12 (April-January).

According to the Survey, the recent global slowdown has thrown up new challenges for India with its export growth being continuously negative since May 2012, compared to high growth rates of even above 50 % in some months of the previous year. It suggests that more focus should be given on export of products such as electronic, electrical, engineering, textiles, iron and steel and ores, among others. The Survey also notes that India should focus on gaining its market share in the exports of some traditional items such as textiles and leather.

Moreover, the survey has called for a proper tax and tariff structure for exports and infrastructure projects, and the setting up of innovative finance models. The survey says many micro, port-specific and sector-specific issues related to infrastructure, trade facilitation, tax and tariffs and credit need attention. "Addressing these issues... can exponentially promote India's export growth," it said.

Hindustan Times (27 February) and Business Standard (28 February 2013)

Bilaterals

6. India- Africa

Notwithstanding the gloomy global economic environment, India and Africa on 18 March 2013 revised upwards their bilateral trade target for 2015 to US$ 100 billion. The decision to revise the target was taken at the India-Africa Ministers Round Table conference held in New Delhi. The conference was chaired by Commerce, Industry & Textiles Minister Anand Sharma.

"We are upwardly revising the target to at least US$ 100 billion by 2015...We may end up achieving it by the end of 2014 if we continue working together in the same spirit in which we have been working," said an official release quoting Sharma. Trade between India and Africa totalled US$ 70 billion in 2011-12.

Business Line (14 January) and PTI (18 March 2013)

7. India-ASEAN

The Free Trade Agreement between India and the Asean (Association of South East Asian Nations) is set to become a more comprehensive one. A pact on trade in services, as well as investment, is to be signed in the next few months.

An official of the Ministry of Commerce and Industry, said negotiations between the Indian Government and Asean (Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Vietnam) are over and an agreement to this effect would be signed in August. "We hope this would open up a huge opportunity in the services and investment relations with these countries," he said.

Besides, pointing out that the trade with these countries in the first nine months of the current financial year has clocked over $55 billion, he said this is expected to go past $80 billion by the end of the year. Total trade between India and the member countries of Asean has been growing at a compounded annual growth rate of 20.64 %, from 2005-06.

Meanwhile, according to an official of the Asian Development Bank Institute (ADBI), India stands to gain more if it takes its South Asian neighbours along in its plans to integrate with Southeast Asia through processes such as the Regional Comprehensive Economic Partnership (RCEP). India's participation in the Asian integration process "will bring big gains to both parties" but "if India takes the rest of South Asia with it everybody gains more...the neighbours are very important in this regard," said Ganeshan Wignaraja, Director, ADBI.

Mint (8 January), Business Standard (22 January) and Business Line (6 March 2013)

8. India-Australia

Australia is eager to negotiate a comprehensive economic partnership to intensify and diversify the trade partnership with India, said Patrick Suckling, Australian High Commissioner. There is strong political commitment on this and four rounds of negotiations have been held, Suckling said while addressing the 23rd annual day of the Indo-Australian Chamber of Commerce in Chennai on 11 March 2013.

Goods tariffs have already been exchanged and services will be discussed soon, he said. A fifth round of negotiations will be held in May in Australia. Bilateral trade between the two countries stands at $22 billion and has the potential to double in a few years. Last year, India invested $11 billion in Australia. Indian exports to Australia doubled to $3 billion, in the last few years.

"Economic relations will be the bedrock of the relationship growing forward," said Suckling. Four top Australian banks, infrastructure, education, agri-business and biotech companies from Australia are in India. Indian interest in Australia encompasses aircraft technology, medical, IT and education, he said.

The G20 forum of which both India and Australia are members is looking to promote a quick economic recovery. "We are working closely with India on a sustainable global growth and trade agenda." The high commissioner said security cooperation, especially maritime security, will also be deepened between the two countries. Australia is committed to negotiating safeguards with India to sell uranium, which is currently not exported as India is not a signatory to the non-proliferation treaty, said Suckling.

Business Line (11 March 2013)

9. India-Bangladesh

Bangladesh has replaced Sri Lanka as India's largest sub-continental trading partner. India's better ties with Bangladesh have seen an increase in agricultural exports to and textile imports from that country. New Delhi has even allowed concessional tariff rates on textile products from Bangladesh.

Between April and January in the fiscal year 2012-13, India's trade with Bangladesh rose to $4.5 billion from $3.3 billion in the year earlier.

India is looking for better ties with Bangladesh as a means to develop its North-East. Growth in the region should lead to jobs for the young.

Mint (8 March 2013)

10. India-Brazil

Brazil's trade with India has witnessed a 10-fold increase in the last decade with exports worth $5.04 billion and imports of $5.58 billion, and is expected to reach $15 billion by 2015. "These numbers include $2 billion in export of diesel and $3.4 billion Indian import of crude oil. So in 2012, $5.4 billion is on account of oil trade out of the total $10.6 billion. Crude oil, sugar and soya made up 76% of India's imports from Brazil," an official in the Indian embassy in Brazil said.

Brazil's Ambassador to India, Carlos Duarte has at various fora highlighted the growing cooperation between the two developing powers in various fields including agriculture, science and technology, energy, education, defence and environment.

According to former Indian Ambassador R Viswanathan, "India's trade with Brazil 20 years ago in 1992 was just $177 million. Then 10 years back, in 2002, it was $1.2 billion, with India's exports to Brazil declining in 2012 to $5.04 billion dollars from $6 billion in 2011." Current data indicate that 41% of India's exports ($2.1 billion) in 2012 were diesel and the fall in India's exports in 2012 is due to the 33% decline in exports of the fuel.

Financial Express (23 March 2013)

11. India-Chile

Eyeing stronger economic ties, India and Chile are looking at a Comprehensive Economic Partnership Agreement (CEPA) even as Santiago has agreed to liberalise the business visa regime for Indians.

Economic relations was one of the focal points of External Affairs Minister Salman Khurshid's Latin America visit, which also took him to Argentina. Both India and Chile agreed to further strengthen cooperation in diverse sectors and to expand existing institutional frameworks. This is the first ever visit of an Indian foreign minister to Santiago.

Chile is the only country in Latin America that has a PTA with India. The Chilean side expressed their keenness to elevate the PTA into a CEPA and the discussions are expected to commence soon. Chile also agreed to liberalise their business visa regime for Indian businessmen. A law for enacting changes in the consular policies in Chile is expected to be considered in the Chilean parliament.

The Ministry of Commerce has negotiated a preferential tariff agreement with Chile and is preparing to negotiate similar agreements with other Latin American and Caribbean (LAC) countries.

Financial Express (11 February 2013)

12. India-China

After posting impressive growth in the past few years, India-China bilateral trade declined by 10.1% to $66.47 billion in 2012. According to the figures released by the Chinese commerce ministry, India's trade deficit mounted to $28.87 billion due to steady decline of export of iron ore.

The bilateral trade touched $61.74 billion in 2010 posting a high growth at 42.66% followed by 19.71% in 2011 with $73.9 billion. This is the first time in recent years the bilateral trade registered negative growth.

Indian exports to China declined by 19.6% to $18.8 billion in 2012 compared with $23.41 billion in 2011 and $20.86 billion in 2010. Significantly, China's exports to India, which in the past had a high volume of growth, declined by 5.7 % to $47.67, the data showed. China's exports touched $50.49 billion in 2011 from $40.88 billion in 2010.

While the two countries were confident that the trade volumes would pick up, there is a great deal of skepticism about Indian exports making much headway as China has not opened up on IT and pharmaceuticals front despite efforts by India. On the other hand, top Chinese leaders also have been acknowledging that the high trade Indian deficit is a matter of concern for bilateral trade, which is aimed at reaching the $100 billion target in 2015.

PTI (20 January 2013)

13. India-Egypt

Egypt wants to double its trade with India in the next few years from the current $5.4 billion and has invited more investments from the country in areas such as energy, agriculture, bio-technology and information technology.

Egyptian President Mohamed Morsi, in an interaction with Indian industry, promised investors all the required facilities and conducive investment environment in his country. "One of our focus areas is attracting foreign direct investment. Both countries can cooperate in areas like ICT, space science, energy, agriculture and nano technology," Morsi said at an event organised by industry chambers FICCI, CII and Assocham in March 2013.

The trade surge between India and Egypt has emboldened the Government to set up more ambitious goal of doubling this volume within the coming few years, Morsi said, adding that his country could start importing grains from India.

Speaking to the media on the sidelines of the event, Commerce and Industry Minister Anand Sharma said India was in talks with Egypt for exporting wheat, but the terms were yet to be decided. Sharma urged Indian companies to look at Egypt more seriously and invest in various sectors. "Indian companies can also partner with Egyptian firms in sectors like infrastructure, biotechnology, energy and pharmaceuticals," he said.

Business Line (20 March 2013)

14. India-EU

India and the European Union (EU) chief negotiators are meeting in Brussels to carry forward the bilateral free trade agreement and iron out critical issues before the ministerial-level talks begin in April.

The Broad based Trade and Investment agreement (BTIA), which is being negotiated since 2007 and has missed several deadlines, will not only reduce tariffs on goods, and liberalise services and investment provisions, but will also open the 27-nation EU bloc for Indian exports.

Commerce and Industry Minister Anand Sharma expressed hope for early conclusion of the BTIA and said, "Offer on the table is very strong and largely we have meeting of minds." He added that both the sides should focus on the big picture and the benefits that would accrue out of the agreement.

The two sides have not been able to conclude the negotiations due to differences on the level of opening of the market. India has been seeking visas for its professionals on short-term contractual visits to the European Union; while the EU has been asking for significant reduction in customs duty on cars, wines and spirits. EU has also demanded for stronger implementation of intellectual property protection norms that might affect India's generic drugs industry which exports 67% of its produce to other developing countries.

Business Standard (7 February) and ENS Economic Bureau (22 March 2013)

15. India-Iran

Indo-Iran trade stands affected in view of the recently reported modified sanctions on Iran, which mandate 100% payment in the currency of the importing country for Iranian products.

Banks and other financial institutions have to carry out stricter due diligence on corporates, their counter-parties and traders before processing any payments. This will affect even traders whose activities are unrelated to Iran. In short, the risk of doing business with Iran will be high. However, the 'challenge' that the recent sanction provides is, in fact, an "opportunity" for greater bilateral commercial cooperation between India and Iran.

The immediate implications for India are — all imports, most of it being in crude oil, of about $15 billion (Rs 79,500 crore) — will be paid in "rupees only", instead of the rupee/euro ratio of 45:55 finalised under the 2012 Agreement with Iran.

Likewise, Iranian urea will also be accessed under 100% rupee payment, instead of UAE's dirhams, as was the past practice. Massive rupee payments will be credited in India's UCO Bank account held in the name of Central Bank of Iran, from which Indian exports will continue to be financed. This is subject to Iran's acceptance of 100% payment of their crude, fertiliser or other items in Indian rupees.

Annual Indian export is around $2.5 billion to Iran, which may be stretched to a maximum of $4 billion (Rs 21,200 crore) in a year's time. This will mean a surplus credit balance of $11 billion (Rs 58,300 crore) for Iran. Iran has reportedly sought permission of the Government to invest its surplus funds (arising out of India's rupee imports) in government securities and for financing its imports from third countries. India is reported to be examining this request. Meanwhile the excess may be mitigated by additional Indian exports, for which both India and Iran have to promptly fix—proactively increasing commodities in the export basket.

India's current export composition includes rice, corn, soyameal, sugar, tea, pharmaceuticals, and iron steel products worth $2.5 billion.

However, under the modified dispensation, Iran can buy and India can sell everything from pin to cotton, textiles, garments, automobiles, trucks and construction equipment in rupees. Iran may also source goods or commodities which India can import in hard currency as "quid pro quo". Uncertainty of payment is extremely critical for restoring confidence in dealing with Iran. Disbursal arrangements of export payments by UCO Bank are risky, dilatory and financially painful.

Business Line (4 February 2013)

16. India-Japan & South Korea

Amid growing concerns of steel companies arising out of free trade agreements (FTAs) with Japan and South

Korea, apex industry body Assocham has sought immediate exclusion of steel products under Chapter 72 of the International Trade Centre (ITC) code from the Indo-Korea and Indo-Japan Comprehensive Economic Partnership Agreement (CEPA).

"Reinstate import duty rates for exports of all steel products from Republic of Korea and Japan to India under Chapter 72 of the ITC code as per the normal prevailing import duty rates," appealed the industry body in a communication to the Union Steel Minister Beni Prasad Verma.

Assocham has also recommended the exclusion of steel products under Chapter 72 from negotiations of the ensuing Indo-Australian FTA.

Times of India (7 February 2013)

17. India-Latin America

Trade between India and Latin America is likely to double in the next five years with direct shipping, air connectivity, visa on arrival and free trade agreements on the cards. ''At the rate at which it is growing in about five years, we should be able to double it (from current level of $30 billion). If not, it will be $50 billion,'' said Dammu Ravi, Joint Secretary (Latin America and Caribbean) in the MEA.

Indian firms have so far invested $16 billion in the region, while more companies are exploring opportunities in trade, investment and mining. Today, 60% of the current bilateral trade is in oil, hydrocarbons, minerals and agriculture commodities. But now it is moving into niche areas like pharma and IT services.

While transportation costs and the lack of familiarity with each other's markets were previously cited as the big impediments, the government is planning to improve connectivity to the region and a direct flight is expected to be launched next year. ''Indian airlines can perhaps have direct connection to Panama, where we have large Indian community and a hub connecting North and South America,'' he said .

Underlining the need for direct shipping, he pointed out that presently it takes about 45 days due for shipments to reach Europe and Singapore. The government is working on direct shipping, which will not take more than 30 days.

Financial Express (7 March 2013)

18. India- Mauritius

India has decided to formally suspend negotiations to finalise a trade liberalisation pact with Mauritius. It has cautioned Mauritius the negotiations will not resume till the island nation expedites revision of its double-taxation avoidance agreement (DTAA) with India. The two sides have failed to amend DTAA due to differences over capital gains tax, especially the definition of 'enterprise' and the treatment of 'shell companies'.

Mauritius has been insisting on separating the two issues of trade liberalisation through comprehensive economic cooperation and partnership agreement (CECPA); and revision in DTAA. Mauritius is also keen to act to position itself as a preferred route for channeling outward Indian FDI to Africa. At a meeting in New Delhi, Arvin Boolell, Mauritius' Minister for Foreign Affairs, Regional Integration and International Trade, had urged Commerce Minister Anand Sharma to separate talks on CECPA and DTAA revision.

The revision of India-Mauritius DTAA is a long-pending issue between the two countries. Article 13 on 'capital gains' of the India-Mauritius DTAA provides for taxation of capital gains only in the country of residence of the investor. The Indian side proposed to amend the treaty to provide the source-based taxation of such capital gains to plug the misuse of the treaty by shell companies formed by third countries' corporate entities.

Foreign direct investment from Mauritius to India from April 2000 to October 2012 stood at $71 billion, the most from any country. In 2011-12, FDI from Mauritius stood at $9.942 billion, 27.25 % of the total FDI into the country, according to data provided by the Department of Industrial Policy and Promotion.

Later in February, Mauritian Minister for Trade and Industry Sayyad Abd-Al-Cader Sayed Hossen while discussing the country's free port policy with Commerce and Industry minister Anand Sharma offered a zero customs duty regime for Indian firms to gain easier access to European Union and Africa. Sharma said India and Mauritius have initiated steps towards setting up Mauritius-India Joint Business Council and a Joint Working Group (JWG) on trade and investment.

Business Standard (14 January) and The Economic Times (16 February 2013)

19. India-Pakistan

Commerce secretaries from India and Pakistan are expected to meet to take stock on the progress made in trade normalisation between the two neighbours. The MFN issue is expected to figure prominently. In 2012, it was decided that Pakistan would expand the number of items traded though the Attari-Wagah border from the current 137, while India would reduce the number of items in the sensitive list under the South Asian Free Trade Area (Safta) agreement and allow more goods from Pakistan. However, nothing concrete has taken place so far.

"We will bring down the sensitive list to 100 tariff lines soon, out of which 75 tariff lines will have agricultural goods while the remaining 25 will consist tobacco and liquor items. Our peak tariffs have already come down to 5%," said Indian Commerce Secretary S. R. Rao. At present, there are 614 items that are under the Safta sensitive list. These cannot be imported from any of the South Asian countries. Rao added that the agreement on relaxing the visa regime for Pakistan businessmen, which was signed last September, would be notified soon.

Commerce and Industry Minister Anand Sharma said that the only way for enduring peace and stability in the region was through economic partnership. "India is of this considered view that there is no alternative way other than building an atmosphere of confidence and trust. This is the only way for enduring peace and stability. And for that the only way is strengthening economic partnership," Sharma said while speaking at the CII Partnership Summit held in Agra towards the end of January 2013.

The Hindu (29 January) and Business Standard (15 March 2013)

20. India-Singapore

Singapore recently made certain changes to its Employment Pass Framework law to reduce inflow of foreign workers significantly to create more job opportunities for local professionals. The move is expected to impact even those Indians working there at present across various sectors.

The amendments, has armed the Singapore government to bring down the foreign share of the total workforce to around one-third while encouraging employers to invest in productivity in return for incentives in the form of tax breaks.

The move came as a recent Singapore's policy paper predicted that its population would grow by 30% to 6.9 million by 2030, with immigrants making up nearly half that figure. The paper led to demonstrations in Singapore, a rare happening in the country, in protest against rise in immigrants.

The step has irked India as the new law does not give India a preferential treatment incorporated in the Comprehensive Economic Partnership Agreement (CECA) between the two countries, operational since 2005. This stance by the Singapore Government is expected to affect Indians working as middle-level managers, executives and technicians.

Speculations are rife that India might take up the issue with World Trade Organization's (WTO) dispute settlement body. However, according to Singapore, such a decision was imperative in the interest of the natives as the share of the foreign workforce was rising very rapidly.

Both India and Singapore are currently reviewing the CECA, the talks for which started in 2010. But it has been stuck ever since over various issues and now this law is all set to create further hurdles. According to Indian officials involved in the negotiations, this is a violation of the services trade agreement under CECA. This will also adversely affect Indians who are working there as it might lead to job losses, especially for the middle level workers.

India has submitted a request to Singapore for addressing the matter but has not received a formal communication yet. Currently, there are about 2,00,000 non-resident Indians in Singapore working in ITES, financial services and scientific research sectors among others, according to one estimate.

Business Standard (17 February 2013)

21. India-Sri Lanka

Given the vast untapped potential between India and Sri Lanka, the two countries have stressed on intensive consultations for a more comprehensive framework for economic co-operation and building a special economic partnership, External Affairs Minister Salman Khurshid said in January 2013.

"We are working on setting up a special economic zone in Trincomalee, a pharmaceutical and a textiles cluster elsewhere in Sri Lanka. I have conveyed India's readiness to support Sri Lanka's endeavour in capacity building in science and technology, agriculture, ICT, education and health sector. We agreed to enhance cooperation in the energy sector," he said after the conclusion of the 8th round of India-Sri Lanka Joint Commission meeting.

A joint statement issued by the two sides agreed to encourage closer economic and trade linkages with a view to doubling bilateral trade to $10 billion in the next three years. It was also agreed to initiate a dialogue between the Commerce Secretary of India and the Secretary of the Ministry of Finance and Economic Development of Sri Lanka to evolve a framework for a special economic partnership. India and Sri Lanka also signed three agreements including one for avoidance of double taxation and prevention of fiscal evasion with respect to taxes on income.

Sri Lanka was one of the first countries that India signed a comprehensive economic partnership agreement with in 1998. However, between April and January in the fiscal year 2012-13, India's trade with Sri Lanka fell to $3.5 billion from $4.2 billion. A commerce ministry official attributed the fall in trade with Sri Lanka to the increase in customs duty by that country on automobiles imported from India, starting April 2012. Sri Lanka has also substantially increased the excise duty on automobiles. As a result, several Indian auto makers, for which Sri Lanka is an important export market, have taken a hit. Another government official said that apart from political reasons and higher tariffs, the dip in India's exports to Sri Lanka was caused by the latter's desire to have more companies "set up manufacturing units in the country".

Business Line (22 January) and Mint (8 March 2013)

WTO Disputes

22. India-US: Solar Energy

The US has filed a formal challenge at the WTO regarding India's support policies for solar energy. The issue in the complaint is a local content requirement in India's national solar programme, which Washington claims, discriminates against foreign solar equipment manufacturers in favour of their domestic counterparts.

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 (MNRE), 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. Phase I of the solar mission requires investors to use locally-made solar modules and source 30% of the inputs from domestic sources, which the US has opposed.

"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 a shorter life-span. More than 60% of projects under the solar mission have opted for importing thin films prompting the Ministry of New & Renewable Energy (MNRE) to close the loop-hole and include thin films under domestic content requirement as well.

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. MNRE defended local content on the grounds that this was government procurement which is allowed as India is not party to and governed by the Government Procurement Agreement of the WTO.

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 public procurement.

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

A dozen odd eminent US experts and international organisations have asked the US to reconsider its decision to drag India to WTO over its solar energy policy. In a letter to the US Trade Representative , these organisations have said that dragging India to WTO would not only undercut New Delhi's effort to reduce poverty, but also be detrimental to developing a solar energy industry.

Moreover, according to an Indian expert, there are at least half-a-dozen US states that offer additional sops to energy equipment that are local content based. California, Washington, New Jersey, Texas, Oregon and Massachusetts are among the US states that offer sops for green energy goods made or assembled within these states.

Business Line (11, 21 February & 1 March), Bridges Weekly Trade News Digest (13 February), Times of India (18 March) and PTI (20 March 2013)

23. India-US: Poultry/ India-US: Steel

The US and India are all set to begin their formal fight against each other at the WTO 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 said.

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.

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 % 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.

Business Line (5 March 2013)

24. India- Egypt: Cotton yarn

India is considering filing an official complaint against Egypt at the World Trade Organization for "wrongful'' imposition of penal duties on cotton yarn imported from the country.

Egypt is the fourth largest market for Indian cotton yarn after China, Bangladesh and South Korea, and the additional duties ranging between 13% and 14% has affected the industry's competitiveness.

Egypt imposed safeguard duties – a levy to check surge in import of a particular commodity causing disruption in the local market – on cotton yarn from India last July. India has argued that its cotton yarn imports to Egypt have not surged or disrupted the local market and there is no justification for the safeguard duties.

With Turkey recently withdrawing similar duties on Indian cotton yarn after the country filed a WTO complaint, New Delhi is hoping for a similar outcome with Egypt.

The Hindu (25 January 2013)

25. India-Turkey: Withdrawal of safeguard duties

Turkey has done away with the safeguard duty imposed on India cotton yarn following an agreement between the two countries. The safeguard duty, effective for a 3-year period beginning 4 August 2011, was lifted on 31 December 2012.

India had, in March 2012, held consultations with Turkey and impressed upon them the serious breach of safeguard provisions of GATT and WTO Agreement on Safeguard Measures by illegally extending the duties after the original period for which the safeguard measure was put in place had expired.

The withdrawal of the safeguard measures on imports of cotton yarn into Turkey augurs well for exports of cotton yarn from India, which had declined from $198 million in 2007 (prior to imposition of safeguard measures) to $94.57 million in 2011.

During January-October 2012 imports declined to $20.77 million from $85.30 million, a decline of 75%. In quantitative terms, imports declined to 4.20 million kg from 14.85 million kg during this period. India also slipped to the fourth position in terms of supplier in 2012 from being the largest supplier in 2008.

Domain-B (4 January 2013)

Also In The Press

26. BRICS

Leaders from Brazil, Russia, India, China, and South Africa - collectively known as the BRICS - formally announced on 27 March 2013 their plans to launch a new development bank, in what analysts say is a move to reduce the group's dependence on the Bretton

Woods institutions. However, officials speaking earlier during the summit admitted that various key details remain to be worked out before the proposed bank can become fully operational - a process that is expected to take years. The two-day meet, held in Durban on 26-27 March, also raised issues such as the impact of developed country monetary policy on trade, and the importance of the next WTO chief being from a developing country.

With regards to trade, the final statement, known as Thekwini Declaration, focused largely on the ongoing preparations for the WTO's upcoming ministerial conference, which is scheduled for 3-6 December in Bali, Indonesia. The WTO's 159 members are currently trying to negotiate a small package of deliverables from the broader Doha Round of trade talks in time for the high-level event, after the overall discussions were formally declared at an impasse in late 2011.

The ongoing race to replace WTO Director-General Pascal Lamy, who steps down from his post at the global trade body in August, was also referred to in the final communiqué of the BRICS Summit. BRICS leaders stressed that Lamy's successor will need to show a "commitment to multilateralism and to enhancing the effectiveness of the WTO, including through a commitment to support efforts that will lead to an expeditious conclusion of the [Doha Round]."In addition, the new global trade chief should be from a developing country, the five leaders said, though they stopped short of jointly backing a particular nominee.

A separate statement released by BRICS trade ministers gave additional details on the group's concerns for the multilateral trading system. For one, it reiterated the group's worry over "initiatives that might undermine the coherence of the Doha Development Agenda and that deviate from the principles of multilateralism," in an apparent reference to efforts - such as the discussions among a group of 21 WTO members over a possible plurilateral deal on services.

Developed country monetary policy also came under scrutiny during the Durban gathering. Central banks in the US, EU, and Japan have faced criticism from some trading partners in recent months over their decisions to undertake additional rounds of monetary easing, which have sparked fears of a "global currency war."

In another move ostensibly aimed at reducing dependency on the IMF in a crisis, the five-member group agreed to establish a "BRICS contingent reserve arrangement" - essentially an exchange pool of foreign reserves aimed at ensuring financial stability and dealing with short-term liquidity problems that might arise. The idea was first tabled in April 2011.

Bridges Weekly Trade News Digest (27 March 2013)

27. Pharma Patents

The government's move to issue compulsory licences (CLs) for three more patented cancer drugs has jolted multinational pharmaceutical companies. The plan is to issue CLs for Trastuzumab (or Herceptin, used for treating breast cancer), Ixabepilone (used for chemotherapy in breast cancer treatment) and Dasatinib (or Sprycel, for leukaemia). These cost an average of $3,000-4,500 (Rs 1.64-2.45 lakh) for a month's treatment.

In March 2012, India granted its first ever compulsory licence, by ordering Natco Pharma to sell the cancer drug at Rs 8,800 for a month's therapy, and pay 6% royalty to Bayer on the total sales, which was disputed by Bayer. But an independent authority ruled in favour of the government's decision to allow a domestic pharmaceutical company to make inexpensive copies of German multinational Bayer's anticancer drug priced at Rs.2.8 lakh a month. By saying that Natco Pharma can produce Nexavar, a patented medicine used to treat liver and kidney cancers, the Intellectual Property Appellate Board in effect endorsed the so-called compulsory licensing regime under which Indian companies can make cheap versions of expensive life-saving drugs.

According to Section 84 of the Indian Patents Act, a CL can be issued if the patented drug is unavailable, unaffordable or not supplied properly. With CL, domestic companies can manufacture and market generic versions, paying a royalty to the patent holder company.

In November 2012, the Indian government revamped its drug policy, increasing the number of drugs that are subject to price regulation. Although the government's aim of making drugs more affordable is laudable, foreign drug-makers have expressed concerns that the policy may impact India's ability to attract investment in the pharmaceutical sector. The government will continue to exert a heavy influence on drug prices in India, setting itself up for increasingly frequent clashes with foreign manufacturers in the process.

Economist (3 January), Business Standard (15 January) and The Economic Times (4 & 19 March 2013)

28. ITA- II

India and some other WTO members, who are part of the Information Technology Agreement (ITA), have decided not to join negotiations on broadening the scope of the ITA — citing protection of national interest. Earlier, India had also expressed reservations against similar negotiations for environmental goods.

Officials in the Commerce and Industry Ministry said that some signatories of the ITA such as the US, the European Union and Japan had proposed a broadening of the scope and product coverage of the ITA (it is being referred as ITA-II), on which customs duty would be bound at zero. They said the proponents of ITA expansion had also prepared a consolidated list of IT products on which tariff reduction was being sought. These discussions were at a preliminary stage in the WTO, they added.

"India's experience with the ITA-I has not been encouraging as it has almost wiped out the IT industry from India. After examining the matter in consultation with the Department of Electronics and Information Technology and other stakeholders, it has been decided, for the present, not to join the negotiations as it will not be in our national interest," a senior Ministry official said.

PTI (13 January) and The Hindu (14 March 2013)

29. Doha Round

Outgoing Director General of the World Trade Organization Pascal Lamy has said in the near term the members should look at reaping the 'low hanging fruits' as it would be difficult to conclude the Doha Round as a single package. "Differences between rich and developing nations have been a stumbling block in the conclusion of the talks," he said at the Partnership Summit in Agra on 28 January 2013.

The Doha talks came to a near conclusion in 2008, but broke down as India, China and the US fell out over measures to protect poor farmers. Since then India and other developing nations are defending their agricultural markets to protect millions of subsistence farmers from easy imports that may result from the multilateral agreement. The next round of ministerial talks will be in Bali in December 2013.

Lamy said that members could move forward on issues like trade facilitation. "This is a part of the Doha Round that can be concluded as early harvest," he said, adding everybody should be agreed on this if it has to conclude it this year. "There are issues which could not be resolved until now like fishery subsidy. Those issues will be resolved later probably in the same spirit...take the ones that can be reached on short term consensus," he added.

Under the early harvest, developed countries, including the US, want India and other emerging economies to be part of the four major sectoral pacts - trade facilitation, information technology, environmental goods and the international services agreement. However, India has said that it would not accept any agreement on IT and environmental goods, as it would adversely impact its domestic industry.

The Economic Times (29 January 2013)

Forthcoming Events (April – June 2013)

S.No.	Events	Partner Institution	Proposed Dates
1	National Workshop on the WTO Agreement on Technical Barriers to Trade	WTO, Geneva	4-5 April
2	Training Programme on Basics of WTO and International Trade for Interns of Department of Commerce	Department of Commerce, GoI	8-12 April
3	TradeSift Workshop for Research and Data Analysis on WTO and International Trade in States	University of Sussex, UK	22-27 April
4	South Asia Regional Forum on Trade Facilitation	UNCTAD	28-30 May
5	Interactive Training on International Trade for Officials from Mongolia	Department of Commerce, GoI	10 – 11 June

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