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The Centre for WTO Studies was set up by the Department of Commerce, Government of India in 1999. The intent was to create an independent think tank with interest in trade in general and the WTO in particular. The Centre has been a part of the Indian Institute of Foreign Trade since November 2002. The Centre provides research and analytical support, and allied inputs to the Government for WTO and other trade negotiations. The Centre also has its own body of publications, and conducts outreach and capacity building programmes by organizing seminars, workshops, and subject specific meetings to disseminate its work, create awareness on recent trade topics and build consensus between stakeholders and policy makers.

Opinion | Reforms could result in export optimism

Live Mint

11 September, 2019: There are few tasks more complex than formulating an international trade policy in a world splitting apart into a jumble of trading blocs, even as the World Trade Organization's vision of a barrier-free global economy seems to recede by the day. Since a consensus from pole to pole is hard to achieve, regional deals have been filling the breach. India already has a variety of free trade agreements (FTAs), many of them overlapping, some of them forgotten, and a few of them talked about less for the gains made than the pains caused. On Tuesday, India announced its decision to review its FTA with the Association of Southeast Nations (Asean), since the country's trade balance with this group has been tilting in the latter's favour. By year-end, New Delhi must decide on whether to join an eastern hemisphere grouping under the proposed Regional Comprehensive Economic Partnership (RCEP). This would involve signing up for an FTA among Asean's 10 countries plus Japan, South Korea, Australia, New Zealand and the one country that could make anybody do a double-take, China.

The inclusion of China in the RCEP poses India a dilemma. An FTA typically requires its participants to grant easier access to each other's markets by lowering import tariffs all around. This is done on the logic that each would benefit by specializing in what it is better at and exporting it to others. It also lets trans-border value chains operate smoothly. India's experience of FTAs, however, has not been encouraging, and if New Delhi is wary of an eastern trading bloc, it's because Chinese dominance of it is more or less assured. In any case, India runs a trade deficit with most RCEP members, most starkly with China, whose exports to us exceeded its imports from here by about $58 billion in 2018. Lowering duties, many fear, could result in an inward avalanche of cheap Chinese goods, throwing our overall trade balance off-kilter. Theory demands that our local industries get into shape, slash costs and compete with imports, but if Chinese exporters have heavy state backing in the form of various hidden subsidies, as analysts suspect, then such an Indian effort would be futile. Also, Beijing is not averse to the use of unfair trade practices, such as dumping, by which excess output is sold in export markets below its true cost of production. It doesn't help that China's statist export push has resulted in cost opacity.

Another risk worth bearing in mind is that the RCEP might be an attempt by Beijing to consolidate an "Asian order" under its economic might. Yet, it may go against Indian interests to stay aloof from Asia's emerging pacts. The proposed group's share of world trade and the global economy is on a steep incline, and a policy of isolation may deny India the advantages of being part of a dynamic bloc. In recent years, India has been raising import tariffs—for explicitly protectionist reasons in many cases. This suggests a country in retreat from the global arena of competition, under-confident of giving foreign producers a run for their money. The question of joining the RCEP offers us an opportunity to rethink our tariffs and work out a broad strategy that would push domestic producers to prepare for global rivalry, even as a bold set of reforms are carried out to enable this. That would turn our export pessimists into optimists. And do our economy a good turn.

Existing export policy to be replaced with Rs 50,000 cr scheme, all you need to know

Financial Express

September 15, 2019: Finance minister Nirmala Sitharaman on Saturday announced a new Rs 50,000-crore scheme to make exports zero rated and replace the government's flagship, but WTO-incompatible, Merchandise Exports From India Scheme from January 2020 to boost faltering outbound shipments that have contracted twice in the past five months.

Since potential revenue forgone in the current MEIS is around Rs 40,000-45,000 crore year, the new scheme —which will reimburse all taxes and duties paid on inputs consumed in exports in sync with WTO norms — is expected to cost the government an additional Rs 5,000-10,000 crore a year. The existing remission of central and state levies scheme, meant for just garments and made-ups exports, will also be subsumed by the new scheme called Remission of Duties and Taxes on Export Product.

Sitharaman also announced a raft of other measures, including easier priority-sector lending norms for exports, greater insurance cover under ECGC and lower premium for MSMEs to avail of such cover, to ensure that exporters get larger credit at cheaper rates. The Reserve Bank of India will soon declare the relaxation in priority-sector lending norms for exports, which will release an extra Rs 36,000-48,000 crore loans to this sector that has witnessed a persistent contraction in credit.

The Export Credit Guarantee Corporation (ECGC) will also offer up to 90% insurance cover to banks lending working capital to exporters, against 60% now. This will likely make banks more comfortable to lend to exporters. As per the government's assessment, rupee credit will be available to exporters at a cheaper rate of around 8% and dollar credit at around 4%. Similarly, the premium incidence of MSME to avail of such insurance cover will be trimmed, which could cost the government Rs 1,700 crore a year.

Recently, commerce and industry minister Piyush Goyal told the Rajya Sabha that banks' outstanding export credit, which rose from Rs 1,85,591 crore in March 2015 to Rs 2,43,890 crore in March 2018, dropped to Rs 2,26,363 crore at the end of March 2019.

FE had on August 11 reported that the government was considering a new scheme to fully reimburse imposts exporters pay and also easier lending norms. Additionally, the minister said a slew of steps will be initiated to make Indian exports more competitive — by reducing turnaround time at ports, sensitising exporters through a mechanism to better exploit India's various free trade agreements and overcome non-tariff barriers imposed by others (especially countries like China).

Coming to the relief of exporters, especially the MSMEs who take working capital loans to pay input credit taxes, the finance minister said refund process will be expedited through a completely-automated mechanism.

Similarly, an inter-ministerial group will be set up monitor export finance data, along with the RBI, to ensure swift intervention, if required. Exporters' body FIEO president Sharad Kumar Saraf said: "Slew of new measures announced for the exports sector in the form of incentives and refund of taxes, export finance, export facilitation, free trade agreements, engineering and handicrafts will not only go a long way in enhancing the growth prospects of the sector in the short-term, but will also give it a much needed boost in the medium-term and long-term and will stimulate the overall economy."

To promote handicrafts, yoga, tourism, texiles and leather, the government will organise Dubai-like annual mega shopping festivals in four places in March 2020. To prevent misuse of the rules of origin, especially in cases where free trade agreement is in effect, the government will set up an Online Origin Management System. This will enable exporters to fast obtain certificates of origin of products.

As for the taxes on inputs consumed in exports, though the goods and services tax (GST) regime has subsumed a plethora of levies, some still exist (petroleum and electricity are still outside the GST ambit, while other levies like mandi tax, stamp duty, embedded central GST and compensation cess etc remain unrebated). The MEIS, exporters have complained, doesn't offset all the taxes, so the new scheme will be beneficial to them.

The move comes at a time when the US has dragged India to the WTO, claiming that New Delhi offered illegal export subsidies and "thousands of Indian companies are receiving benefits totaling over $7 billion annually from these programmes". Indian officials have rejected such claims.

Manufacturing: Weaving a new path for India's textile industry

Devashish Dhar & Ranveer Nagaich, Financial Express

September 13, 2019: India and its textiles industry have a long and storied history. However, in the recent past, the country has fallen behind some of its peers, especially when it comes to catering to the global export markets. Held back by lower competitiveness (owing to higher production costs) and higher import duties in the destination markets (compared to its peers), Indian garment exports have been steadily losing ground to countries such as Bangladesh and Vietnam. Consider the following: In the year 2000, both Bangladesh and Vietnam had a smaller share of the global garment export market, at about 1% and 2%, respectively. India's share stood at about 3%, whilst China had already garnered a share of 18% by that time.

Fast forward to 2017, and we find that India's share has increased marginally to 4% in about two decades. On the other hand, the share of Bangladesh and Vietnam has surged to 6.5% and 5.9%, respectively. China's share in 2017 stood at 34.9%, down from 36.7% in 2010.

In addition, with the ongoing trade tensions of China with the US, and the rising costs of labour, the manufacturing activity is poised to exit China, in the process vacating more space for countries such as India, Bangladesh and Vietnam. However, the evidence presented above seems to point towards Bangladesh and Vietnam capturing the lion's share, as suitable changes in India's policy framework in the textiles sector have not been made.

Increasing India's share in the global textiles market

First, we must examine what is holding India back from competing in the international markets. Globally, the demand is moving towards man-made fibres, rather than cotton. In India, cotton still dominates, indicating that the country is not moving in conformity with the global demand, and this is hampering the country's export potential. Whilst India is the largest producer and exporter of cotton yarn and the second largest producer of man-made fibres, the current inverted duty structure on man-made fibres is hampering its adoption.

In addition, technology adoption is another constraint. For example, according to the data made available to the NITI Aayog, India currently has 23.7 lakh shuttle looms, as compared to 6.5 lakh in China. However, in China, there are 6.3 lakh shuttle-less looms, compared to 1.4 lakh in India (shuttle-less looms are up to six times more productive than shuttle looms). This indicates the huge productivity gap India must bridge to become competitive in the global markets.

The final constraint is that of scale. According to some estimates, approximately 95% of the fabric produced in India is produced in small-scale industries. And combined with power cross-subsidisation and high real rates of interest, an inherent cost disadvantage has developed in the Indian garment products, making them more expensive.

So, what does India need to do?

Interventions in the weaving/knitting and processing stage of the value chain have the potential to offset India's cost disadvantage in the international markets. Concomitantly, the man-made fibre industry can be made more competitive through removing the inverted duty structure (where inputs are taxed at a higher rate than the final product). This will free up substantial working capital and reduce the cost of raw materials.

Similarly, with the World Trade Organisation (WTO) norms on the horison, the Merchandise Export from India Scheme (MEIS) may need to be revamped so as to be WTO-compliant. In addition, a time-bound plan for a transition from shuttle looms to shuttle-less looms must be urgently drawn up to boost productivity in the country.

Enabling size and scale is perhaps the most important intervention that can be made. Both Vietnam and Bangladesh offer common facilities such as effluent treatment plants, water treatment plants, steady water supply, and low-cost power in their textile industrial parks. This is certainly not a novel idea in India, as the Brandix India Apparel City (BIAC) in Visakhapatnam, Andhra Pradesh, is doing exactly this. In the BIAC, an integrated ecosystem with plug-and-play facilities is provided to the manufacturers, who are also able to avail fiscal incentives under the Special Economic Zone (SEZ) Policy and incentives offered by the state government. This model should be studied for replication in states that have well-developed transport infrastructure, availability of water, and low-cost labour.

Recently, a committee chaired by Baba Kalyani on revitalising SEZs submitted its report to the government. Central to the findings of this report is that SEZs need to be reoriented into Employment and Economic Enclaves (3Es). Investments should be directed towards activities that boost economic activity and job creation, and not just exports. This would tie-in well with the impending WTO norms as well. The integrated textile parks should be regulated in line with the recommendations of this committee to help ensure that size and scale is achieved.

According to the ministry of textiles, nearly 45 million workers are employed directly in this sector. Considering the labour-intensive nature of this industry, accelerated growth is likely to lead to accelerated employment generation as well. An econometric exercise revealed that the employment elasticity of this sector is 0.37. This means that a 1% increase in value-added growth leads to a 0.37% increase in jobs.

Therefore, if we assume that as a result of all these interventions, the textiles sector is able to grow at 10% per annum, we should see job growth of 3.7% per annum. This is not unachievable by any means. For example, between 2000-01 and 2004-05, employment grew at an average rate of 5.7% as per the RBI KLEMS database. A 3.7% employment growth rate (10% value-added growth) would imply the creation of 8.9 million jobs over the next five years, at an average of 1.8 million jobs per year.

Concerted policy efforts are needed to realise the job-creation potential of the textiles sector. Healthy job creation in this sector also provides an avenue for pulling labour out of the agricultural sector, thereby raising the incomes of both who remain in agriculture and those who exit. The central government should work with state governments with identified comparative advantage to develop plug-and-play facilities. These facilities should provide common resources, ease of doing business in its true sense, along with a well-developed link infrastructure. Only then will India be able to reap the benefits of this industry.

Export incentives: Aligning new policy with WTO norms to benefit MSMEs most

Rashmi Deshpande, Financial Express

September 11, 2019: The RoSCTL was introduced in March 2019 with the intent to rebate all embedded State and Central taxes for garments and apparel and is presently available for the textile industry.

The coming few months are crucial for MSME exporters as the Government will attempt to align the export incentives with the WTO Guidelines.

As a benefit to exporters, the Merchandise Exports from India Scheme (MEIS) was introduced in the Foreign Trade Policy of India for 2015-20. The intention behind MEIS was to offset infrastructural inefficiencies and associated costs, thereby making India's products more competitive in the global market. The benefits available under MEIS are in the form of transferrable duty credit scrips which the exporter can use for the payment of Customs duties applicable on imports. Given such significant benefits, MEIS has proved to be crucial in reducing the overall cost involved in exports and has especially been popular among the country's MSME sector which in the previous financial year accounted for almost half of the country's exports.

Violating WTO Guidelines

Nevertheless, the response from the international community was not so overwhelming as the USA considered MEIS to be in direct violation of the World Trade Organisation (WTO) Guidelines (WTO Guidelines). As per the WTO Guidelines, for a country to offer export subsidies, its per capita Gross National Income (GNI) could not exceed $1000 for three consecutive years. The USA argued that India became ineligible to offer subsidies in 2017 when it surpassed the above threshold for three consecutive years.

The violation is still debatable, particularly since the Government is confident that the eight-year period of phasing out export subsidies granted to developing countries is applicable to India. However, in the wake of this backlash, the Indian Government may not want to disturb the delicate trade equilibrium.

Almost unanimously regarded as the country's "engine of growth", the country's MSME sector is understandably at the centre of economic policymaking. Any policy revision adversely affecting the MSME sector has the potential to cause economic disruption since it puts to risk almost 63 million businesses. A complete withdrawal of the MEIS in response to international pressure would have placed an additional burden on the MSME sector which is already struggling to counter the reduction in demand due to global economic slowdown. Keeping this in mind, the Government has introduced the Rebate of State & Central Taxes and Levies (RoSCTL) Scheme as an interim measure.

RoSCTL Scheme for MSMEs

The RoSCTL was introduced in March 2019 with the intent to rebate all embedded State and Central taxes for garments and apparel and is presently available for the textile industry. Currently, the

RoSCTL scheme offers transferable duty credit scrips to the exporters in order to offset levies imposed by the Central Government (such as Excise Duty on transportation fuel, Central Goods and Services Tax) and those imposed by the State Governments (such as Mandi Tax, Electricity Duty, Stamp Duty on export documents, State Goods and Services Tax, etc.), in a bid to make exports 'truly' duty free. While the benefits of MEIS were largely at a flat rate, the benefits under the RoSCTL are a function of the quantum of Central/State taxes suffered by a particular class of product and are subject to a monetary upper threshold. Since the benefits are aimed at neutralising the tax incidence on procurement and processing, they are expected to be compliant with the WTO Guidelines.

While the jury is still out on the effectiveness of the RoSCTL in the long run, an improved version of this scheme applicable to more sectors based on industry feedback is likely to find a place in India's Foreign Trade Policy, which is due for revision next year. The reaction of the MSME sector would be tracked closely since they are expected to be the scheme's largest beneficiaries.

Given the current trade stand-off between the USA and China, India is in an ideal position to gain a foothold in the USA and other significant countries. The coming few months are crucial for MSME exporters as the Government will attempt to align the export incentives with the WTO Guidelines while keeping in mind the objective of fueling the country's engine of growth.

India could disadvantage itself further vis-a-vis China by joining free trade pacts

The Indian Express

September 12, 2019: This refers to the editorial, 'Seize the pact' (IE, September 10). I agree with its assertion that "the government will have to think through its strategy on joining trade pacts". Trade ministers of the participating countries in the Regional Comprehensive Economic Partnership (RCEP) will confer in November, when the leaders of these countries meet for the ASEAN summit. There is pressure on India from the proponents of free trade to join RCEP. However, free trade is not a black and white affair, it never was. Therefore, I would like to take issues with the editorial's main point, "Joining these FTAs (free trade agreements under the RCEP umbrella) will not only gradually facilitate the country's integration with global value chains, but provide greater opportunities for investment".

RCEP is an attempt to integrate ASEAN countries and the bloc's FTA partners — India, China, Japan, South Korea, Australia and New Zealand — in a free trade zone. Initially posed as an alternative to the Trans-Pacific Partnership (TPP), RCEP has gained a new dimension after the US pulled out of the TPP and subsequently a initiated a trade war, largely against China.

China would be looking to compensate for the export loss in the US turf, and RCEP provides the country a viable platform for this purpose. That is why joining the pact will be detrimental to India's interests. Even without an FTA with China, India's trade deficit with the country has risen 13 times in the last decade. China, according to a NITI Aayog paper, accounts for around 50 per cent of India's trade deficit. And the deficit is widening every year. Joining RCEP would tantamount to de facto signing an FTA with China and giving the country market access to India.

The NITI Aayog paper also identified India's major imports from and exports to China. The list reveals a disturbing trend. While China exports finished manufactured goods like electrical machinery, telecom equipment, audio and video recorders, organic chemicals and plastic articles, Indian top exports to China predominantly consist of raw materials like ores, copper, sulphur, salt, mineral fuels, oils and bituminous substances.

Those who advocate joining RCEP on grounds of integration with global value chain — including your editorial — should take note of this trade composition. Global or local, production value chains are not homogenous string of production process; they are value chains driven by very large multinational companies which produce the final finished goods and reap maximum benefit out of that chain. The composition of Indo-Chinese trade indicates that Chinese companies are those engines of value chain. India languishes at the bottom end of that chain as a raw material supplier. Another fallout could be decimation of Indian industries that would be in direct competition with these big Chinese companies.

In recent times, India's import of mobile handsets from China has gone down, but the flip side of it is that imports of mobile components from China has increased manifold. Chinese mobile handset factories operate as assembling centres on Indian soil. Fledgling handset makers like Micromax and Karbonn in the country have been pushed out of the market and Indians do not gain enough employment opportunities. This does not bode well for the economy.

India's experience with FTAs has not been encouraging, except for the FTA with Sri Lanka. Trade gaps with ASEAN, South Korea and Japan have been increasing. The FTAs have resulted in the isolation of Indian companies, as Indian products on whom regular indirect taxes have been levied often face competition with goods imported from these FTA countries with lower or zero tariff rates. In 2017-18, India had a trade deficit of $104 billion with all RCEP countries.

Much has been showcased about Mode 4 in last year's ministerial meeting of RCEP. Despite resistance from countries like Singapore, Australia and New Zealand, it was claimed that progress has been made under RCEP negotiations to liberalise member countries' services markets and allow movement of skilled professionals. Though the final outcome needs to be observed, there are other reasons for scepticism. Mode 4, till now, helped India in sending mainly IT professionals at cheaper wage rates to destinations where local labour is costlier. But with sources of such cheap labour abundant in other countries — Malaysia, Vietnam and Philippines, for example — it is doubtful whether India will have any major advantage even if the services markets of Australia, New Zealand and Singapore are sufficiently opened.

Various estimates show that RCEP's share in the world GDP may touch 50 per cent by 2050. The fear that India may be left out if it decides not to join the group is real. But given the economic clout of China and other economies, India may find it very difficult to grab a significant share of the this RCEP cake. The country could, instead, do well to make realistic attempts to seize larger shares of smaller pies in regional trade cooperation — BIMSTEC (Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation), for example.

Free trade agreements: India's main challenge will come after RCEP

Financial Express

September 11, 2019: The Regional Comprehensive Economic Partnership (RCEP) negotiations are turning out to be agonisingly burdensome as some of the countries, including India, are not yet able to align the negotiating outcomes to their perceived national interests from the deal. The recently concluded Bangkok Ministerial highlighted the fractures and fissures that remain among India and several other RCEP members in agreeing on major issues. The hopeful part, though, is that despite outstanding issues, members are not giving up, and are continuing to push ahead.

Trade negotiations do stretch, and the RCEP is not an exception. Its forerunner in the region—the Trans-Pacific Partnership (TPP) Agreement was negotiated for nearly eight years, covering both terms in office of the former US President Barack Obama. After the US abandoned the TPP, fresh talks on the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) went on between the members for several more months.

The Uruguay Round of multilateral trade talks leading to the formation of the World Trade Organisation (WTO) also lasted for nearly eight years during the 1980s and 1990s. Many regional trade agreements have taken as long, or more, to conclude, most notably India's trade deals in goods and services with the Association of Southeast Asian Nations (ASEAN).

The prolongation of the RCEP talks is, therefore, natural, more so because it comprises a heterogeneous group of economies with different structural conditions, comparative advantages and domestic institutions.

It is also noteworthy that trade agreements often encounter vicious opposition from various quarters. Civil society opposition to free trade agreements (FTAs) is not a new thing. In fact, various WTO ministerials and negotiations, right from the beginning, have witnessed protests and agitations over various issues. So has been the case with various regional trade agreements, including particularly the TPP.

The RCEP, interestingly, has witnessed much less agitation within member countries, except in India. In fact, opinions within India have been almost unanimously against India joining the RCEP. And the most powerful of these opinions are those of Indian industry.

Indian industry, as such, has been opposed to the country entering into trade agreements. In this respect, its views on the RCEP are not surprising. From India's trade engagement perspective, the RCEP is an interesting example. It is probably the first FTA where the government has tried to have extensive consultations with various sections of industry for getting them 'on board'. It is also probably the first FTA where general industry reluctance over staying away from FTAs is combined with the geopolitical bogey of entering into a trade agreement with China. This might not be there with future FTAs that India might look to negotiate with other countries and regions. However, industry's concerns on engaging with FTAs will remain.

Many outside the country find it difficult to understand Indian industry's reservations to engage in FTAs. This is particularly true with respect to countries from the Asia-Pacific region, where industries and businesses often lobby with their respective governments for engaging into FTAs that would give them preferential access to new markets. Such access is not just for promoting exports and investments, but also for accessing cheap imports—both finished and semi-finished—and both for further processing as well as final consumption needs. Cross-border trade and investments for several Asia-Pacific economies—who are negotiating the RCEP along with India—are fundamental elements of long-term economic vision. This could be due to the region's long history of export-oriented development abetted by export-inducing foreign direct investment (FDI) and the emergence of tightly-knit supply chains. Domestic businesses from these economies, many of whom, including SMEs, can be described as 'regional' businesses due to their close operation links with counterpart businesses across the region, are strongly pro-trade, and with what trade experts describe as 'offensive' market access agendas. No wonder, these industries, and their governments, are often baffled by India's perceived reluctance to lower tariffs and other market access barriers.

Indian industry's much maligned reluctance and fervent lobbying with its trade negotiators to not lower market access barriers is, in many respects, a natural response. Across most industries, irrespective of upstream or downstream functions, the cost of producing in India remains higher than in several economies, particularly many of those that are in the RCEP. These costs are high due to relatively higher costs of electricity, skilled labour, industrial land and internal transportation. For exporters, these costs are augmented by costs encountered at the country's borders and problems of availing export credit. The cost disadvantage, vis-à-vis countries such as Vietnam, Malaysia, Thailand, the Philippines and, of course, China, produces two negative responses towards FTAs.

The first is the opposition to 'cheap' imports. As other countries can produce at much less cost and export the same, the only way domestic producers can stay competitive is if these imports are taxed at the border through high tariffs, making their domestic prices higher. The second response is a much lesser interest of exporters in FTAs, compared with other countries, as they know that, in spite of preferential access in foreign markets, they might still not be competitive if domestic production costs remain high.

As India prepares to join the RCEP—and negotiators try hard to obtain a deal that would be as acceptable to a grudging industry as possible—the reality remains unchanged. Concluding the RCEP is probably not as big a challenge for India, as making it useful is going to be. The toughest part of the deal is yet to be reached. Giving industry the RCEP must be accompanied by sustained efforts to make it competitive by cutting down domestic costs of production. Otherwise, Indian industry will continue to view FTAs as devil incarnates!

RCEP: Why India softened its stand on a mega trade deal

The Times of India

New Delhi, September 14, 2019: NEW DELHI: Months after India said it was not convinced if the Regional Comprehensive Economic Partnership, a proposed 16-nation trade deal better known as RCEP, is a win-win, New Delhi appears to be taking a more nuanced approach, raising hopes of an agreement. New Delhi is hosting a two-day technical meeting with members of RCEP beginning today.

What's RCEP? It's a 16-nation free trade bloc comprising the 10 ASEAN members and China, India, Japan, South Korea and Australia. The RCEP members collectively account for 30% of global trade. Trade surplus ASEAN member nations and others like Japan have been at the forefront of the push for the deal. China too sees the proposed free trade bloc as a hedge against the shockwaves from the trade dispute with the US.

What's the issue? India, a trade deficit nation (it imports more than it exports; difference was a little over $100 billion last year, including goods and services), fears RCEP could lead to higher imports from export-heavy nations such as China and Japan. Last year, the finance ministry officials said that concessions under RCEP could top Rs 30,000 crore a year once they kick in and double to Rs 60,000 crore once fully in force.

But... Commerce minister Piyush Goyal, who last July suggested the deal is not a win-win, this week said "national interest cannot be hijacked by one or two industries". Goyal said the sooner the trade deal is concluded, with "adequate protection", the better it is for India.

So what happened? India, as a whole, may be a trade surplus nation, but that doesn't mean the trade deal will only increase imports. Industries such as pharma and cotton see RCEP as a ramp to large markets such as China, while sectors such as steel and agriculture are wary of higher imports from China.

Consider India's pharma industry, dominated by branded generics, which exports nearly as much as it supplies to the domestic market. In 2009, consultancy firm McKinsey projected the industry could be worth $55 billion as a base case, and has an optimistic case to be worth $70 billion. That has not borne fruit. This July, in its review of financial year 2019, Care Ratings said the pharma industry could rise by 9%-11% to $41.9 billion in FY2020. That's lower than the base case projected by McKinsey in 2009. Troubles with the US agency FDA and price caps in India have played a part. With RCEP, however, Indian pharma gets access to the Chinese market, where there aren't many strong local competitors.

What now? Much would depend if India could negotiate certain protective measures for goods such as agriculture on RCEP. Yet the opposition to the deal has weakened as the Indian economy too appears to have hit a wall.

RCEP ministerial: Trade ministers pledge to expedite talks for a deal

Financial Express

September 9, 2019: Trade ministers from the 16-nation Regional Comprehensive Economic Partnership (RCEP) grouping on Sunday pledged to address contentious issues and clinch a deal this year, underscoring the fact that continuing uncertainties in trade and investment environment had dampened growth outlook.

Without explicitly mentioning the escalating trade war between the US and China, the countries participating in the 7th RCEP ministerial meeting in Bangkok said in a joint statement that the trade uncertainties would likely impact businesses and jobs, "adding to the urgency and imperative of concluding the RCEP". Commerce and industry minister Piyush Goyal attended the meeting.

"While noting that certain developments in the global trade environment may affect the RPC's (RCEP participating countries') individual positions in the course of the negotiations, ministers agreed that RPCs should not lose the long-term vision of deepening and expanding the values chains in the RCEP," according to the statement.

"The ministers underscored that, successfully concluded, the RCEP will provide the much-needed stability and certainty to the market, which will in turn boost trade and investment in the region. To this end, ministers reaffirmed their collective resolve to bring negotiations to a conclusion," it added.

Despite making some progress, the RCEP negotiations have dragged on for years, having missed its deadline continuously. As for India, sources had earlier told FE that the country could rethink its RCEP engagement and might even be forced to pull out of the mega trade deal if negotiations were sought to be concluded hurriedly without addressing its concerns on its massive trade imbalance with other members, especially China. Also, while several RCEP members want India to commit more in liberalising its goods trade, they remain reluctant to accede to India's interest and allow free movement of professionals. Even without the deal, India's merchandise trade deficit with the RCEP grouping hit $105 billion in FY19 (60% of its total deficit).

China alone contributed as much as $53.6 billion. New Delhi will now link meaningful market access from Beijing in key sectors – including IT, pharma and agriculture – to its endorsement of an RCEP deal.

In their meetings with Goyal late July, several industries criticised India's trade agreements with Asean, Japan and South Korea on grounds that the country's trade deficit with these nations just widened after these pacts had come into force and there was only limited gains for them. If, on top of this, a free trade agreement with China is effected through the RCEP (of which Beijing is a member), cheap Chinese products will flood our market.

An escalating trade war between the US and China has just reinforced the dumping fears, as Beijing seeks to divert supplies away from its biggest destination – the US–to hedge risks. This, Indian industry feels, is among the main reasons as to why China has been hurrying up to conclude RCEP negotiations.

What has added, in great measures, to New Delhi's discomfiture is Beijing's lack of meaningful action in removing non-tariff barriers for Indian companies in critical sectors such as IT and pharma where they have achieved global competitiveness, despite repeated assurances by it in recent years.

Top IT companies such as TCS, Wipro, Infosys, Tech Mahindra and HCL last week told the government that China remained a difficult market for them to do business in.

Last month, the joint statement after the RCEP ministerial meeting in Beijing suggested that over two-thirds of market access negotiations had reached satisfactory outcomes but admitted divergence on several issues.

India slams Chinese trade policies as RCEP talks resume

Financial Express

September 9, 2019: Indian External Affairs Minister Subrahmanyam Jaishankar on Monday criticized China for what he described as one-sided trade policies, casting doubt over the progress of negotiations for a pan-Asian free trade agreement. Speaking during a panel discussion in Singapore, the minister said India remained skeptical over "unfair" market access and "Chinese protectionist policies" that have created a significant trade deficit between the two nations. India's trade deficit with China was $53.6 billion in the fiscal year ended March 2019.

"The big concerns of India are of course, one, its relationship with China because we have an enormous trade deficit with China," Jaishankar said in response to a question regarding the ongoing negotiations for Regional Comprehensive Economic Partnership, or RCEP.

Negotiators have expressed hope that RCEP — which includes all 10 of Southeast Asia's Asean countries, as well as Japan, South Korea, Australia, New Zealand, India and China — would be delivered by the end of the year. While ministers from the 16 participating countries reaffirmed their commitment to reaching a deal this year following negotiations in Bangkok over the weekend, it is unclear whether such a goal will be met.

Jaishankar said he was unsure what was discussed in the latest round of negotiations, but noted that India's involvement would hinge on a mutually equitable, depoliticized arrangement.

"RCEP at the end of the day is an economic negotiation. It has a strategic implication, but the merits of the RCEP outcome have to be economic," said Jaishankar. "It has to be sold for its strength and I think if that was more self-evident to Indians I think you would get clearly a much stronger resonance.”

Singaporean Foreign Minister Vivian Balakrishnan, who was also on the panel, urged India to reconsider its position on RCEP, saying that Beijing and New Delhi would have to come to terms on trade eventually. “I am making the argument that it is worth making the effort, because this would be a game changer,” Balakrishnan said.

RCEP deal might widen India's trade deficit with China, says Jaishankar

Business Standard

September 9, 2019: India on Monday said it has reservations on joining the proposed Regional Comprehensive Economic Partnership with the ASEAN countries and its six FTA partners, due to concerns, including the "enormous" trade deficit with China, which has ballooned to over $57 billion.

The Regional Comprehensive Economic Partnership (RCEP) agreement is being negotiated among 10 ASEAN members (Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand, and Vietnam) and their six trade partners -- Australia, China, India, Japan, Korea and New Zealand to create a free trade pact covering a third of the world's economy.

External Affairs Minister S Jaishankar, speaking during a panel discussion at the inaugural session of India-Singapore Business & Innovation Summit here, said India remained concerned over the unfair" market access to Indian products and the "protectionist policies" of Beijing that have created a significant trade deficit between the two nations.

The trade deficit with India in 2018, according to official Chinese data, climbed to $57.86 billion from $51.72 billion in 2017 in about $95.54 total bilateral trade.

The Indian industry has raised concerns over the presence of China in the grouping with which India has a huge trade. Various sectors, including dairy, metals, electronics, chemicals, and textiles, have urged the government to not agree on duty cut in these segments.

"The big concerns of India are of course, one, its relationship with China because we have an enormous trade deficit with China, Jaishankar said in response to a question on the ongoing negotiations for the RCEP.

At the session, also attended by his Singaporean counterpart Vivian Balakrishnan, Jaishankar said India fears that the RECP deal, which would call for a lowering of tariffs, would lead to a flood of goods from China while not assuring India of an equal access to the Chinese markets, thereby widening its large trade deficit.

On Sunday, the 16 RCEP participating nations that are negotiating a mega free trade agreement have agreed to work together to iron out outstanding issues which are fundamental to conclude the talks this year, a joint statement said.

The statement was issued after the 7th RCEP ministerial meeting in Bangkok. Negotiators have expressed hope that the RCEP would be delivered by the end of the year.

India has registered trade deficit in 2018-19 with as many as 11 RCEP countries, including China, South Korea and Australia.

Jaishankar also raised concerns that India's forte, its trade in services, was less well enforced through regulations than the trade in goods.

The deal had the geo-strategic objective of holding the line against protectionist and unilateral policies, he agreed. Even so, it had to make economic sense, he said.

"RCEP, at the end of the day, is an economic negotiation. It has a strategic implication but the merits... have to be economic," he said.

Balakrishnan called the deal a "game-changer" that had the potential to secure the prosperity of its members in the face of a push-back against trade and globalisation.

"For India, China and Southeast Asia, the key political question is, can we arrive at a formula that would expand a rising middle class and give their children a sense of optimism," he was quoted as saying by The Straits Times newspaper.

Balakrishnan said Singapore, the largest foreign investor in both India and China, hoped the two Asian countries would eventually tide over their differences.

"In the next decade or two, China and India are going to be in significant trading relationship. This is something they will have to sort out. In due course, bilateral arrangements will be made," he said.

"But even as this rapprochement occurs, what we are trying to offer with RCEP is a multilateral model, a pan-regional model, the centre of gravity in the Indo-Pacific. And if we can sort out the fair rules which will promote trade and economic integration between India, China and South-east Asia, there is enormous opportunity.

"I say all this without trying to trivialise or gloss over the difficulties in negotiations," he said.

"It is worth making an effort because this will be a gamechanger... the mother of all trade agreements," he said.

The Indian-origin Singaporean foreign minister, also expressed confidence on the Indian economy and noted that the government of Prime Minister Narendra Modi has set the goal of doubling India's GDP to USD 5 trillion by 2024.

"I remain optimistic that because of the nature of the Indian economy and the transformation which Mr Modi is implementing, India can deal with this from a position of confidence," he said.

"Let's make the effort," Balakrishnan said.

Advance intimation of steel imports will help industry face challenges

Financial Express

September 11, 2019: A common prescription of industrialisation has been the infant industry argument. It has been widely accepted that state support is a must for the growing stage of any industry till it is adolescent. The support in terms of priority land acquisition, faster project clearance, exemption from taxes and levies and other benefits during the formative period has also been permitted by WTO by keeping them outside the purview of actionable subsidies while undertaking Countervailing Duty Investigations.

However, the government support to industries need not stop as soon as the industry becomes a commercial entity and enters a competitive world. The support is required if the industry faces an uneven competition from players, domestic or global. The beginning of the twenty first century has shown that hands off policy by the government, an essential parameter of free competition in a capitalist structure, does not actually hold good and instances are galore with advanced capitalist countries seeking government support for the industry which are facing challenges that may or may not, impinge on the prescribed rules of the game. It is observed that one of the critical areas where frequently the government support is sought for relates to international trade which is currently undergoing stiff challenges in view of trade sanctions declared by the US, forcing other affected countries like China and EU to adopt retaliatory measures.

Despite the superlative efforts by WTO, drafting meticulous clauses, rules and agreements to act as guiding principles for conducting world trade, strong deviations have taken place. Countries with excess steel capacity have exported the product at a dumping price to distort the market mechanisms of the importing countries. The various trade measures under WTO namely, ADD, CVD, SGD penalise the exporting countries for violating the rules of trade and causing injury to the importing countries. These measures, though effective, but could not fully take care of the concerns of the importing countries and as most of them are developing nations, the fighting of AD or CVD cases become expensive and time taken. On the other hand, while there is a genuine need of high value steel items demanded by the critical sectors of these economies, which must come from import sources, the expanding market size of these countries also offer abundant space for low priced surplus steel in standard grades from these advanced countries including China.

The steel import scenario of India in the current context has a direct impact on the health of the industry. Apart from value-added items, India is also flooded with cheap imports of standard basic grade which are otherwise abundantly available. These products take away the market share from the domestic players only on price considerations and in most of the cases these are imported as seconds and defectives. Had there been any prior intimation of the arrival of these imports to India, the domestic players could have adopted appropriate strategies.

Thus, the latest notification by DGTR (17-2015-20) under MOC on amendment of import policy from ‘free’ to: ‘free subject to compulsory registration under Steel Import Monitoring System (SIMS)’ is a testimony of a genuine government support to stand by Indian steel industry which has been hugely suffering from the sudden arrival of unwanted imports. This notification is applicable for 180 numbers of steel items under chapter 72, 91 numbers under chapter 73 and 13 numbers under chapter 86 of ITC (HS) 2017 schedule-1 import policy with insertion of a new policy condition to these chapters.

The SIMS, which nearly replicates similar scheme (SIMA) applicable by USTR, requires the importer to submit advance information online for import of the identified items and obtain a registration number not earlier than 60th day and not later than 15th day before the expected arrival of the import consignment. The customs clearance of the consignment is subject to the entry of the registration number and expiry date of the automatic registration (validity 75 days).
The total 284 numbers cover all steel items (including alloy and stainless steel), steel fabricated products, tubes and pipes, railway materials, articles of iron and steel. The notification covers the entire gamut of steel profiles which includes pipes, railway materials as well as a good number of capital goods containing steel. The imports of capital goods containing steel have been engaging attention of both steel and capital goods industries. It is a challenge to capital goods sector to build up indigenous capacities to produce these items and the steel industry felt that it was losing order for steel products that are needed to produce these items.

An advance intimation of import arrivals would bring out these signals quite openly. The notification should not be termed as a trade barrier as some of the media reports had already suggested. To know in advance the likely imports of steel and goods containing steel would help the government to know the likely outgo of foreign exchange, the capital goods industry to assess the capabilities and urgency to create capacities to produce these items and steel industry to adjust their production and marketing strategies to combat the impact of the arrival. This timely step by the government based on inputs from the industry highlights the effectiveness of government support to the industry on an aspect that it was long waiting for.

Chinese Taipei initiates WTO dispute complaint against Indian tech tariffs

D. Ravi Kant, Live Mint

September 10, 2019: Chinese Taipei has launched a trade dispute against India at the World Trade Organization complaining that New Delhi has failed to comply with its bound scheduled commitments on imports of certain information and communications technology goods, including several products such as pharmaceutical glassware, machines used for manufacture of semiconductors boules (wafers) and telephone sets among others.

In its dispute settlement compliant lodged with the WTO on 2 September, Taipei has targeted various other products on which India has imposed higher customs duties beyond its scheduled tariff commitments. The products include microphones, transmission apparatus for radio broadcasting, parts used in television cameras, electronic integrated circuits insulated wire, oscilloscopes and measuring or checking instruments.

Taipei cited India's budgetary tariff hikes in 2007-2008, 2014-15, and 2018-19 to buttress its case that New Delhi violated various provisions of the General Agreement on Tariffs and Trade, especially Article II:1 (a) concerning the obligation to maintain tariffs according to bound levels.

Joining the European Union, which had already launched the same dispute against India's budgetary tariff hikes on ITA products in April this year, Taipei too claimed that India's applied tariffs on various ITA products "clearly exceed the bound rate in India's schedule (of tariffs at the WTO), which is set at zero per cent."

As a first step, Taipei has called India to enter into what are called Article 4 consultations within the next 30 days to address its specific charges. If the two sides fail to reach an amicable agreement after the consultations, then, the EU can call for establishing a dispute settlement panel to adjudicate on India's customs duties.

Last year, several WTO members had had complained that the customs duties imposed by New Delhi on mobile phones and other gadgets were in access of its bound tariff commitments. More than six six countries had maintained that excess duties and restrictive measures imposed on ICT products following the sudden spike in trade and current account deficits are said to be inconsistent with India's scheduled commitments in the Information Technology Agreement (ITA).

India, which is a signatory to the ITA, which came into force on 1 July 1997, is required to eliminate tariffs on ICT products, including mobile phones, the six countries had complained.

India, however, had dismissed these complaints saying that the IT goods in question did not fall under the ITA. New Delhi had repeatedly argued that that IT and telecom technologies have evolved with new applications and equipment, which were neither existent nor even conceived at the time of signing the ITA-I in December 1996, at the WTO's first trade ministerial meeting in Singapore.

India, US talk restoration of GSP, withdrawal of tariffs

The Economic Times

September 10, 2019: India's government will shortly find itself at a fork in the road. Will it choose globalization and export-oriented growth? Or will the isolationists in the ruling Bharatiya Janata Party win, and keep India out of a giant Indo-Pacific trading bloc?

This weekend, New Delhi hosted negotiators for the Regional Comprehensive Economic Partnership – from the 10 members of ASEAN as well as Australia, New Zealand, Japan, South Korea and China – in the hope that it could swing last-minute safeguards for some of its producers. Indian officials have stalled RCEP's progress as much as they could, and the others are now losing patience. One way or another, the deal will have to be concluded by November, when the leaders of the 16 RCEP countries will meet in Bangkok. Malaysia's Mahathir Mohammed, not a man known for patience, said in June that the other countries could go on without India, if necessary.

Many in New Delhi, even within the commerce ministry, would be relieved to see that happen. The belief that India has "lost" in most of its trade agreements is pervasive here. Influential lobbies tied to the country's laggard producers are happy to remind officials how trade deficits soared with members of the Association of Southeast Asian Nations after a free-trade agreement was signed some years ago, for example. And there has always been a strong isolationist wing within the Hindu nationalist BJP – right-wing ideologues don't just want India out of RCEP; they would prefer existing agreements with Japan, Korea and ASEAN be renegotiated, if not abandoned.

Of course, India can only be said to have "lost" if you ignore the considerable gains to consumers from cheaper imports. Once upon a time, Indian households had to worry constantly about high and variable prices of cooking oil. That's no longer a concern, thanks to imports of palm oil from Indonesia and Malaysia, in spite of the steep duties permitted by the Indo-ASEAN free-trade agreement. And when producers' lobbies complain about losing market share to Southeast Asia, they merely underline how uncompetitive Indian industry has become.

There is, in fact, a far better reason than any of these for India to feel doubtful about RCEP, and it's geopolitical more than economic. For Beijing, the trading bloc is just another method to ensure that the People's Republic embeds itself as the hub of Asia's economic geography. That's not something anyone in India is comfortable with. India runs a massive trade deficit with China, of course; but, even more than that, officials here are conscious that concluding RCEP in the middle of the Sino-U.S. trade war would be a boost to Beijing. The problem is that all options for New Delhi are unappetizing. If only there was a large and comprehensive alternative to the RCEP that excluded China — but, of course, President Donald Trump has killed the Trans-Pacific Partnership, leaving Beijing in control of the future of Asian trade.

In the end, though, it's hard to see how India would be best served by turning its back on RCEP. In spite of his pro-trade rhetoric at places like Davos, Prime Minister Narendra Modi's government has started putting up tariff walls in recent years, as early attempts to boost Indian competitiveness failed to show quick enough results. This turn to protectionism needs to be reversed, if India has any hope of employing the millions of young people graduating its schools every year.

It's true that signing a sweeping free-trade agreement would be a significant change in direction for a government that is most comfortable speaking a 1970s-vintage language of import substitution, industrial policy and protective tariffs. But Indian negotiators have already moderated their demands considerably. New Delhi has made it clear that it would be satisfied with a two-track agreement that keeps some walls up against Chinese imports while opening up to the other RCEP countries.

I'm still hopeful that, come November, Modi's signature will be on this agreement. If nothing else, it would be a massive humiliation on the international stage for him to stand aside as all the other leaders of the Indo-Pacific come together to declare a new era is dawning. So much of Modi's domestic popularity is wrapped around the carefully constructed myth of his international importance, that this might be seen as an unacceptable political hit. At least that's what we should hope the calculations within New Delhi's corridors of power are – because, if not, then India is condemned to long decades of being an also-ran on trade and growth.

Government initiates anti-dumping probe into imports of clear float glass from Malaysia

The Economic Times

India's government will shortly find itself at a fork in the road. Will it choose globalization and export-oriented growth? Or will the isolationists in the ruling Bharatiya Janata Party win, and keep India out of a giant Indo-Pacific trading bloc?

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China to exempt US soyabeans, pork from additional tariff

Business Line

September 13, 2019: China will exempt some agricultural products from US from additional tariffs, China's official *Xinhua* News Agency said on Friday, in the latest sign of easing Sino-US tensions before a new rounds of talks aimed at curbing a bruising trade war.

The US and China have both made conciliatory gestures, with China renewing purchases of US farm goods and US President Donald Trump delaying a tariff increase on certain Chinese goods.

China had imposed additional tariff of 25 per cent on US agricultural products including soyabeans and pork in July 2018. It raised tariff on soyabeans by a further 5 per cent and on pork by a further 10 per cent on September 1. "China supports relevant enterprises buying certain amounts of soyabeans, pork and other agricultural products from Friday in accordance with market principles and WTO rules," *Xinhua* said, adding that the Customs Tariff Commission of China's State Council would exclude additional tariffs on those items.

China has "broad prospects" for importing high-quality US agricultural goods, *Xinhua* reported, citing unnamed authorities.

"It is hoped that the US will be true to its words and fulfill its promise to create favourable conditions for cooperation in agricultural areas between the two countries," the report said.

Before the announcement of additional tariff exemptions, Chinese firms bought at least 10 boatloads of US soybeans on Thursday, the country's most significant purchases since at least June.

Lower-level US and Chinese officials are expected to meet next week in Washington before talks between senior trade negotiators in early October. US President Donald Trump said on Thursday he preferred a comprehensive trade deal with China but did not rule out the possibility of an interim pact.

Apparel exporters need better policy support

Rohit Choraria, Business Line

September 13, 2019: India's foreign trade policy pundits need to renegotiate tariffs on apparel exports with the EU and the US to tackle the emergent economic slowdown in the country. The apparel industry is the country's largest low technology employer after agriculture, with 45 million workers, contributing two per cent of GDP and 15 per cent of export earnings.

Today, Indian apparel exports are burdened with 9-32 per cent duty in the EU and US markets which blunts its competitive edge. Now that Vietnam has signed (on June 30) a Free Trade Agreement with the EU, which enables apparel exports at zero duty, Indian exports to these markets will be impacted adversely.

Considering the economic importance of the apparel sector, the government needs to support them through economic diplomacy and not abandon them to unfavourable policies of foreign governments.

India's two major competitors, Vietnam and Bangladesh, export apparels to the tune of $27 billion and $33 billion, respectively. India's exports are at $17 billion. Vietnam has taken advantage of its bilateral trade agreements, while Bangladesh has benefited from its Least Developed Country status. They have not only tapped opportunities with the declining market share of China, but have also eaten into India's market share.

Over the years, Indian apparel exports have been in distress and survived largely due to export incentives. While these incentives have proved partially useful, they have not helped Indian apparel manufacturers compete on price with their competitors. To that extent, the flawed foreign trade policy does not augur well for apparel exports.

Policy flip-flop

The situation is further complicated by the flip-flop on incentive schemes. For example, the government decided to introduce the Rebate of Central Taxes and Levies (RoSCTL) in March 2019. While the apparel industry welcomed the announcement, its optimism has been dampened following news from North Block that an earlier scheme called Merchandise Export Incentive Scheme (MEIS) meant to offset infrastructural inefficiencies will be retrospectively withdrawn.

This incentive is calculated as a percentage of export (freight on board) value and given in the form of tradable scrips which can be used as currency to pay Customs duty or sold to other importers.

The reality is that several of these are actually not incentives. The RoSCTL reimburses the sector for the embedded State and Central taxes that cannot be claimed as input tax credits under GST. These should perhaps be called "equalisation schemes", where the sector is left no better, or worse, than before GST.

Therefore, to introduce an equalisation scheme, and then withdraw the MEIS incentive which was meant to help level the play field with competitors, is retrograde. The rationale of the government is that the MEIS scheme is not WTO compliant.

Be that as it may, the withdrawal means more hardship for the industry.

Some industry experts point out that it is far better for Indian apparel makers to expand or perhaps shift their existing manufacturing to Vietnam and Bangladesh to benefit from tariff arbitrage, labour laws, low wages, conducive business environment and, hence, better return on capital employed.

While China was able to cope with loss of apparel industry jobs, due to its manufacturing prowess in other areas, it is not the same for India. The employment ratios in apparels are far more attractive than in agriculture or automobiles, which are often considered flagship economic indicators.

For instance, the man-machine ratio in apparels is far better than the farmers to cultivable land ratio, which has fallen significantly over the years. In the automobile sector too, for every crore revenue earned Maruti Suzuki generates 0.45 jobs, while for an apparel manufacturer like Orient Craft, a crore earned in revenue creates 18.5 jobs. This stark comparison sums up the employment generation capability of the sector. With low tech job-seekers rising, and manufacturing in general not providing enough opportunities, the apparel sector is somewhat of a White Knight. Recent trends in manufacturing capex clearly indicate a bias towards mechanisation rather than mass employment generation. Apparel manufacturing capex on the other hand is mainly towards adding sewing machines which generate proportionate employment. Clearly, the policy environment for the apparel industry is not conducive in a competitive international political economy. The government, therefore, not only needs to protect but also provide the necessary support to the apparel sector which would positively impact the economy.

Urgent steps are needed to re-focus on low tech mass-employment generation like what the apparel sector has to offer. The sector needs more support not less, to keep getting more and more orders despite the competition from other countries which have a tariff advantage. Such policy support will fuel the bottom of the pyramid economic activity. There is no better stimulus package than regular monthly wages in the hands of the poor.

Delhi fights to protect current, future subsidies as WTO fisheries talks near conclusion

Amiti Sen, Business Line

New Delhi, September 11, 2019: India is continuing its fight to protect the present as well as future subsidies for its small and artisanal fishers in the form of boat, gear, fuel and other input subsidies as World Trade Organisation (WTO) members are meeting in Geneva this week to try and give a final shape to the agreement to prune sops which lead to over-fishing.

The US, however, is adamant about ending special snd differential treatment (S&DT) for developing countries and whatever flexibilities India gets may have to be in the form of carve-outs, an official told *BusinessLine*.

“India has already pointed out that the existing mandate on fisheries state that there should be appropriate and effective special & differential treatment for developing countries. These should not be replaced or derailed by new proposals with inbuilt flexibilities for all,” the official said.

A decision taken at the 11th WTO Ministerial Conference (MC11) in Buenos Aires was to try and conclude the negotiations on bringing down fisheries subsides by the end of 2019 or by the next MC which is now scheduled in June 2020.

Fast-track mode

While WTO members are now trying to fast-track the fisheries negotiations so that a conclusion can be reached by the year-end, flexibilities for members, both developed and developing, are proving to be the biggest hurdle.

In an earlier meeting India pointed out that any solution which rewards members, who are major subsidisers and are largely responsible for the current state of affairs, would be unacceptable.

Any approach for disciplining harmful subsidies should measure up on this criterion and take into account the development status of members, it added.

“The attempts by members this week at the WTO will be to try and narrow down differences on the subsidies to be pruned and the flexibilities to be offered,” the official said.

There will be three meetings on fisheries subsidies at the WTO — on Tuesday, Thursday and Friday.

US objections

The US has argued that 14 of the top 25 marine catch producers in the world were developing countries and one least-developed country. Therefore, flexibilities should not be linked to the development status of a country but the subsidies given.

As per India’s calculations, its subsidies per fisherman amounted to less than $0.10 per day and it reasoned that such small sops need not be disciplined.

According to the Food and Agriculture Organisation, 33 per cent of the world’s fish populations are overfished, 60 per cent are being fished to their sustainable limit, and there is a margin for growth in catches of only 7 per cent of the entire world’s fish populations.