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Permanent solution on food security in WTO rules must: India

In a stern message, India has told the UN General Assembly that developing countries must have the freedom to use food reserves to feed the poor "without the...

India to explore food, energy opportunities with Latin America

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Govt sets up think-tank to help fine-tune IPR policy

The Government has constituted an Intellectual Property Rights (IPR) think-tank today to help draft a new National IPR Policy and to advice it on issues related to...

Govt considers raising import taxes on vegetable oils

India is considering raising the import taxes on crude and refined vegetable oils to protect local farmers and the refining industry, two government sources said on...

The IPR stand-off

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India has sought Saudi Arabia’s support for long-term oil imports. Petroleum Minister Dharmendra Pradhan, currently visiting that nation, took up India’s...

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Despite WTO backing, US poultry exports unlikely to make it to India soon

American chicken legs may not make it to your dinner plates in the future, regardless of a World Trade Organization order that asks New Delhi to remove curbs on...

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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.

India may soften stand to get WTO talks going

Shishir Gupta and Gaurav Choudhury, Hindustan Times

New Delhi, October 15, 2014 : India is likely to show some flexibility to get stalled talks at the World Trade Organization (WTO) moving amid indications that it may not press for protection of welfare schemes that the government may launch in the future.

Instead, New Delhi will likely insist that the global trade body agree on a roadmap to define rules on “existing” subsidies that includes India’s recently launched food security programme. At the same time, it will insist on a “discussion” at the WTO on how to protect small and marginal farmers who move from cultivating subsidised food grains to non-subsidised cash crops in the future, government officials said.

India’s nuanced change in stance, which trade negotiators will present in the WTO’s general council meeting on October 21 in Geneva, is part of New Delhi’s broad efforts to ratify a deal on easing global customs that has remained blocked. India took the blame for blocking WTO’s trade facilitation agreement (TFA) in July because it wasn’t bundled with a roadmap for rules on food subsidies. The TFA was designed to make trade easier, faster and cheaper by making systems transparent and reducing red tape.

New Delhi is of the view that without a permanent solution on food subsidies, India’s public stockholding programmes such a buffer stock of foodgrains will be hampered by the present ceiling on subsidy to farmers.

The officials told HT that while as part of a revised proposal India will pitch for an indefinite “peace clause” on food security until a permanent solution is found for existing subsidy schemes, it is unlikely to insist on protection of future welfare schemes that the government could launch later, a departure from its earlier hardline position.

A “peace clause” gives legal security to member countries and protects them from being challenged under other WTO agreements. Existing rules place a cap on food subsidies at 10% of the value of production calculated at a price of the mid-1980s. India and other countries who would breach the permissible limit under this rule want the prices to be indexed at current levels.

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India loses WTO case against US on poultry imports

PTI, The Times of India

Geneva/New Delhi, October 15, 2014 : In a big setback, India on Tuesday lost a case in the WTO against the US on restrictions it had imposed on poultry imports from America. Giving its ruling on a case filed by the US, the World Trade Organization's dispute panel said that restrictions imposed by India on imports of poultry from America were "inconsistent" with the international norms.

In March 2012, the US had dragged India to the WTO against India's ban on imports of certain American farm products, including poultry meat and eggs. India had banned imports of various agricultural products from the US in 2007, as a precautionary measure to prevent outbreaks of avian influenza in the country.

"India's Avian Influenza (AI) measures are inconsistent with several articles of the SPS (sanitary and phyto-sanitary) Agreement because they are not based on the relevant international standard," the ruling said.

India's measures, it added, are "arbitrarily and unjustifiably discriminate between Members where identical or similar conditions prevail and are applied in a manner which constitutes a disguised restriction on international trade."

It also said that the measures are "significantly more trade-restrictive" than required to achieve India's appropriate level of protection with respect to the products and "therefore are also applied beyond the extent necessary to protect human and animal life or health".

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India braces for food security fight at G20

KA Badarinath, Financial Chronicle

New Delhi, October 15, 2014 : What failed at the World Trade Organisation (WTO) negotiations could be brought in through the backdoor at G20. India is bracing up to oppose fresh attempts by the US and Australia to force setting limits on procurement, stocking and sale of food grains at below market price that are considered as 'trade distorting practice'.

The Modi government has decided to 'oppose tooth and nail' this move by Australia and the US to link food security issue as a 'bargaining chip' in the Brisbane package negotiations at the G20 presidents and prime ministers conclave on November 15 – 16. Following a late last month request from Australia, which currently holds the G20 presidency, there seems to be a proposal to limit procurement and public stocking of food grains at 10 per cent of total production in countries like India.

If officials are to be believed, the US administration has reportedly offered tacit support to Australia's move for raking up the food subsidy issue at G-20 next month. "Trade discussions do not have a dedicated working group in G-20 unlike employment, investment and infrastructure, energy, development-related issues and anti-corruption. But at Australia's request, sherpas have flagged the issue. The US has supported the Australian move," said a trade negotiator on condition of anonymity.

Industrialised nations want the issue to figure prominently when the G20 leaders seal the Brisbane declaration, the official said. Western nations continue to take the position that food subsidy and support price for farmers on food grains are 'trade distorting measures' that need to be phased out immediately or make members liable for penal action.

On the other hand, India wants food grain prices to be inflation indexed while calculating the subsidies and do away with the present formula based on 1986-88 prices. Alternatively, it has suggested moving base price to 2007, which is more realistic.

There are apprehensions that India may breach the 10 per cent subsidy limit after the full rollout of the food security campaign. According to a WTO filing, India has provided a total farm subsidy of $ 56 billion, of which trade distorting subsidy amounts to $ 13.8 billion for 23 commodities, including rice and wheat.

WTO talks came to a standstill and the Bali package did not become operative as Western countries insisted on phase out of subsidy in food security programmes in India and elsewhere. On the other hand, India and other developing countries continue to insist on finding a permanent solution to food security without attracting penalties or penal action. They also insist that action be taken on countries like US and members of (EU) that continue to dole out huge farm subsidies bracketed as 'non-trade distorting in nature' in WTO.

What surprised the Modi government negotiators was US lending support to Australian move though president Obama reportedly favoured providing food security to vulnerable people in countries like India. After the first bilateral summit last month, president Obama and Prime Minister Modi had directed officials to consult urgently along with other WTO members on the next steps.

While the joint declaration did not talk about finding a permanent solution to food subsidy and food security issues as insisted by India, US wanted a speedy deal on the trade facilitation agreement (TFA). Interestingly enough, if Australia and US succeed in their latest moves, it will be the first time that G-20 will discuss trade issues either directly or indirectly as part of the overall Brisbane framework agreement. Brisbane G-20 summit will also be a test for Modi government that has appointed former power minister in the Vajpayee government, Suresh Prabhu, as the sherpa.

India wants a 'peace clause' offering protection against retaliatory action for overshooting the farm subsidy cap extended indefinitely in return for support to the trade facilitation pact. New Delhi is not willing to submit various documents related to the country's procurement programme. Not just the Centre, but states too have to submit data for five years giving details about the food security programme and all related numbers.

"If a developing country has to prove to the WTO that the procurement subsidies are non-trade distorting, then why do we need the peace clause at all? We might as well fight cases at the WTO," a trade negotiator who's also clued into G-20 developments, told Financial Chronicle. Interestingly enough, in a signed write up on Monday that appeared in a British financial daily, US trade representative Michael Froman accused 'a handful of countries like India for reneging their commitment in Bali last December'.

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India bans import of animal-tested beauty products

Prakash Kamat, The Hindu

October 15, 2014 : With its ban on the import of animal-tested beauty products, India becomes the first cruelty-free cosmetics zone in South Asia. Humane Society International-India's (HSI) "Be Cruelty Free" campaign is celebrating a historic victory for animals as India bans the import of animal tested cosmetics.

Coming just a few months after implementation of a national ban on cruel cosmetics testing in India's labs, the import ban now makes the country the first cruelty-free cosmetics zone in South Asia and an example for other nations to follow, Ms. Norma Alvares, People for Animals, told *The Hindu* on Wednesday.

The ban comes in the form of Rule 135-B that states that no cosmetic that has been tested on animals after the commencement of Drugs and Cosmetics (Fifth Amendment) Rules, 2014 shall be imported into the country." The notification will come into effect on November 13, 2014. Ms. Alokparna Sengupta, HSI's campaign manager, hailed the ban, saying India has made history for animals in South Asia.

“This is a huge achievement that could not have been possible without the compassion of our government, consumers and industry. We feel confident that if this vision is applied to other areas of product-testing, this can be a defining moment in the modernization of India’s safety science, with potentially hundreds of thousands more animals spared pain and suffering,” said Ms. Sengupta in a press release on Wednesday.

HSI/India’s Be Cruelty Free campaign has been assisted by partners such as FIAPO, Blue Cross of India and People for Animals and critical support from more than 30 legislators including Ms. Maneka Gandhi, Mr. L.K. Advani, Dr. Murli Manohar Joshi and Ms. Supriya Sule. India’s dual test and import ban mirrors that of the European Union and is the latest victory in a string of achievements for the Be Cruelty Free campaign globally, said Ms. Alvares.

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Rise in gold, crude imports lifts trade deficit to $14.2b

KR Sudhaman, Financial Chronicle

New Delhi, October 15, 2014 : India’s trade deficit widened to $14.25 billion in September following a jump in oil and gold imports, monthly trade data released on Tuesday showed. The trade gap was $10.84 billion at the end of August and less than half of that at $6.12 in September last year. While imports surged 26 per cent in September to $43.2 billion, exports grew by a mere 2.73 per cent to $28.9 billion.

Gold imports rose to a whopping $3.75 billion in September on account of festive demand from just $682.5 million in the year-ago period due to import restrictions. During the April-September period, exports grew 6.47 per cent to $163.7 billion while imports rose by 1.57 per cent to $ 234 billion, leaving a trade deficit of $70.39 billion in the first half of the financial year.

M Rafeeque Ahmed, president of the Federation of Indian Export Organisations (FIEO), said the modest export growth was largely due to global factors. “But the drop is disappointing. The World Trade Organisation recently revised global trade growth forecast for 2014 downward to 3.1 per cent from an earlier forecast of 4.7 per cent.”

Ahmed said softening of crude price was good for the economy, but it contributed to a 13 per cent decline in petroleum exports, which would have easily grown at least 15 per cent under normal circumstances. This impacted overall exports growth by 5-6 per cent, assuming a 20 per cent share for this basket,” the Fieo president said.

Ahmed said the uncertainty over the continuation of interest subvention and the new foreign trade policy should be removed quickly, as exporters were in a dilemma on how to do their costing for new orders. The FTP is likely to be announced later this month.

With the rate of inflation slowing, the Reserve Bank of India (RBI) should consider reducing interest rates to enable better credit offtake and include the MSME export sector in the priority window, allow some parity with international markets with interest subvention that has been discontinued since April, and take liberal measures for export refinancing, which has been downsized recently, he said. Icra senior economist Aditi Nayar said the spike in merchandise imports in September compared with the previous month was largely led by higher oil and gold imports.

“This may have been a reaction to the lower prices and, therefore, there could be a moderation in inflows in the coming months. But if higher volumes of these commodities sustain, the current account deficit may widen more than the $37-42 billion target for financial year 2015,” she said. Nayar said based on the available data, she expected the current account deficit to rise to around $11 billion in second quarter of financial year 2015 from under $8 billion in the first quarter. Weaker growth in services and merchandise exports may persist in the near term in light of global growth concerns, she said.

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India, Finland agree to double bilateral trade

Thomas K Thomas, Business Line

Helsinki, October 16, 2014 : India and Finland have agreed to double bilateral trade to $2 billion over the next three years. To achieve this target the two countries signed as many as 19 agreements for cooperation across various areas including education, biotechnology, nuclear and radiation safety and renewable energy. These agreements were signed in the presence of President Pranab Mukherjee and his Finnish counterpart President Sauli Niinistö

"We are aware of the Make in India programme and I think it’s possible that Finnish businesses takes part and produces in India. Specifically we consider green technology as an opportunity for the future. One of the problems that India is trying to address is improvement of water treatment and waste water treatment which I think can be areas of cooperation," said Sauli Niinistö after the meet with the Indian President in Helsinki. President Mukherjee is on a two day State visit to Finland.

Among the agreements signed between the two countries is also a joint venture partnership agreement between Chempolis Oy and Numaligarh Refinery Ltd. to build first BioRefinary in India.

An MoU has been signed between the Department of Biotechnology and Tekes, Finnish Funding Agency for Innovation for Cooperation in the field of Biotechnology. The MoU shall help collaborate in the areas of diagnostics in health and well being through joint funding of projects and workshops.

But in comparison to India, Finland has greater trade with China with as many as 300 Finnish companies in that country. Earlier in response to a question from Business Line Niinistö had said "There’s no obstacle in opening further trade with India too. In China now we have over 300 Finnish companies compared to 120 in India. But we all know the Nokia case and the Vodafone case. Maybe that’s caused some thinking among investors who maybe careful not knowing what exactly has taken place."

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Canada eyes on financial services & telecom services market, revives FTA talks with India

Dilasha Seth, The Economic Times

New Delhi, October 16, 2014 : India and Canada comprehensive free trade negotiations will restart after a year, with the latter showing some flexibility on the services front after the bilateral meeting of the two trade ministers in New Delhi. Canada had been seeking an ambitious services agreement, over the WTO's General Agreement on Trade in Services, which had acted as a roadblock so far.

"There was some softening of stance from their end. The negotiations had come to a halt, which will restart now," a government official said. The meeting to restart the negotiations could begin as early as November. Commerce and industry minister Nirmala Sitharaman met her Canadian counterpart Ed Fast on Wednesday. The comprehensive economic partnership agreement (CEPA) is aimed at eliminating duties on a large number of products traded between the countries, besides opening the services sector and facilitating investment proposals. The negotiations were launched in 2010.

"We have spoken elaborately. It was an hour long meeting. We import lot of things from Canada which are important to India, whether it is potash, pulses, petroleum products. We are discussing at the negotiators' level (FTA)," Sitharaman said after the meeting. The two sides have had eight rounds of negotiations till 2013, with India seeking movement on services, before making any progress on goods front. Canada wants India to go beyond the current domestic regime in services, providing benefits of future policy liberalisation, by removing market access barriers, also called the 'Ratchet Approach'.

It is eyeing India's financial services and telecommunications services market. It also wants to benefit from the future bilateral services agreements signed by India. India is yet to liberalise its banking and insurance sector, keenly eyed by Canada.

After the change of guard at the center, the BJP government has been taking a cautious stance on FTAs after the previous UPA regime signed major free trade pacts, leading to higher imports than exports. "Canada had suggested that we do goods first and services later, but we have clearly said that both will need to move simultaneously. The deal was stuck on their demand of a 'Ratchet approach' and an MFN plus deal. We are yet to liberalise many of our sectors. Unlike them, we can't give them benefit of our future policies and future bilateral agreements," said a government official. India wants free movement of its professionals in Canada.

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India to stick to food security stand at WTO panel meet

BS Reporter, Business Standard

October 16, 2014 : A day before the World Trade Organization (WTO)'s trade negotiations committee meets in Geneva, India on Wednesday said during the negotiations, it would stick to its stand on food security.

Speaking to reporters here, Commerce & Industry Minister Nirmala Sitharaman said, "Our position remains intact…we will underline the fact that India has a sovereign duty to protect its poor. India has a sovereign right to hold foodgrain for that purpose. Therefore, our negotiations with WTO will be on reiterating this position."

In July, India had clarified it wouldn't ratify a trade facilitation agreement until a permanent solution on food security was arrived at. It had asked WTO to amend the norms for calculating agriculture subsidies so that it could continue to procure foodgrain from farmers at the minimum support price and sell these to the poor at cheaper rates, without violating norms.

WTO norms limit the value of food subsidies at 10 per cent of the value of overall foodgrain production. However, the subsidy is computed after taking into consideration the prices two decades ago. India is seeking a change in the base year (1986-88) for calculating food subsidies. It also wants the calculation to factor in inflation and currency fluctuation.

There is apprehension once India completes implementing its food security programme, it could breach the 10 per cent cap. In case a member country drags India to WTO, it might lead to imposition of hefty penalties. According to a WTO filing, India has given farm subsidies of $56 billion. Of this, $13.8 billion (for 23 commodities, including rice and wheat) has adversely affected trade, the WTO says.

An official said in 2010-11, India's food subsidy towards paddy stood at only six per cent of the commodity's overall output, in terms of value. On September 22, WTO chief Roberto Azevêdo had expressed concern over the fate of the Bali package, saying the deal was "at risk" and the future seemed "uncertain".

The meeting of the WTO's trade negotiations committee on Thursday comes ahead of a meeting of the WTO's general council. The meeting of the council, the WTO's highest decision making body, is expected to be held in Geneva on October 21.

The mandate for commencing negotiations for the trade facilitation agreement, as part of the larger Doha Development Agenda, was decided in 2004. Member countries agreed to sign an agreement in this regard at the ministerial meeting in Bali in December 2013. However, the deal could not be signed the July 31 2014 deadline, as India sought concessions on stockpiling of food grain.

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New IP policy: IMG to focus on commercialisation

Shruti Srivastava, The Indian Express

New Delhi, October 16, 2014 : Amid the United States Trade Representative (USTR) launching a review of India's IPR regime, an inter-ministerial group formed on intellectual property (IP) is scheduled to meet next week to finalise the broad contours of the proposed IPR policy in India.

Earlier last month, commerce minister Nirmala Sitharaman had said that India will have a policy on intellectual property rights (IPR) for protecting its interests in the field. An inter-ministerial group (IMG) has been formed under Sitharaman and includes 7-8 departments like telecom, information and broadcasting and IT.

"We are looking at commercialisation of IP in many fields along with modernisation. Further, we want to create awareness among people about the patents and copyright issues," an official told The Indian Express.

Commercialisation of patented inventions, the official said, has been something in which India has been lagging behind. Commercialisation can be done by starting inventor's own manufacturing facility; licensing the rights; selling the patent rights or all these of these put together. Though the Patent Office in India does not play a role in commercialisation, it disseminates the related information, thereby helping in attracting potential user or licensee.

"We have different intellectual property policy for different departments, for instance, we have a separate policy for IP of semiconductors and telecom. The proposed policy will bring the directional change in all these policies, making them stronger. The IMG will meet to discuss how best to reap benefits and utilise flexibilities under WTO's trade-related aspects of intellectual property rights (TRIPS)," the official said.

India has been under pressure from the developed countries, mainly the US, regarding its IPR regime, more so in the pharma sector. The official added that through the policy, India is aiming at branding itself as the pro-IP regime, especially in view of the recent 'Make in India' campaign, where the country has urged global manufacturers to set up bases here. In absence of a clear policy, there is a thinking that investors may shy away from coming to the country on the apprehensions that it may lead to an erosion or dilution of their valuable IPR.

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British industry pitches for restart of India-European Union trade talks

KR Srivats, Business Line

New Delhi, October 17, 2014 **:** India and the European Union (EU) should restart trade talks and take steps to conclude the much-awaited free trade agreement (FTA), said Michael Rake, President of the Confederation of British Industry.

"This will be a symbol of openness and a big signal that India really wants to operate at the global level. We need to build on the work already done", Rake told *Business Line* in an interview here. The Confederation of British Industry is UK's premier business lobbying organisation, providing voice to employers at the national and international levels.

Rake said this could be a "good moment" to re-energise trade talks with a new Indian Government already in office and a new Commission (European) expected at Brussels from November 1. The proposed India-EU bilateral trade and investment agreement (BTIA) is far from concluded, despite several rounds of negotiations that began in 2007. Rake, who is Chairman of BT Group Plc, is in India for a India-UK business meeting besides opening of a new BT building at commercial business hub in Gurgaon, Haryana.

Global trade
He said global trade was expected to slow down and that made it even more important to re-energise the India-EU trade talks and conclude it at the earliest. "Whatever be the problems, India needs to recognise that EU has nearly half a billion wealthy consumers. There is a large middle class out there (EU)", he said.

The EU-28 is currently India's largest trading partner, accounting for about 15 per cent of total trade in goods and services. "British industry is very keen on the India-EU FTA. Bilateral treaties are important especially after the WTO Doha round collapse. We should get to the level best of treaty we can. It is better to have some sort of a treaty than having none"," he said.

Strained relations
Rake's remarks are significant as they come at a time when the India-EU bilateral commercial relationship is strained due to a series of tax disputes involving EU companies as also the recent EU ban on import of mangoes from India. During his current visit, Rake also met Law and Information Technology Minister Ravi Shankar Prasad. The British business community is confident that the new Modi-led Government would deliver on its promise of being a business-friendly dispensation, Rake said, adding that there are already some signs of that. However, clarity in taxation policy is important and that is already beginning to emerge, he added.

Visa restrictions

British business is also very keen that visa restrictions (at UK's end) be eased so that more skilled Indians can move to the UK.

"We need more high-level engineers and other skilled people that India produces to move to UK. We (in UK) still have the problem of net migration policy, which means shortage of visas for skilled people. Tackling this issue will be healthy for UK-India relations," Rake said, adding that this had nothing to do with EU's free movement of labour, but only to do with the UK.

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Leather exports up by 20 per cent in first half

N. Anand, The Hindu

October 17, 2014 **:** Exports of leather and leather products increased by 22 per cent to $3.488 billion in the first six months of the current financial year from $2.869 billion in the same months in the previous year.

As per the available data, all the products segments — finished leather, footwear, footwear components, leather garments, leather goods and saddlery and harness items — posted positive growth in rupee and dollar terms. Shipments in the second quarter increased by 10 per cent when compared with the first quarter.

Though Germany, the U.K., the U.S., Italy and France are the major markets, big firms such as the Farida group have been exporting footwear to China. Smaller firms such as N.R. Leather Exports make shipments to Indonesia and Korean markets.

"Going by the growth rate, we will be able to reach an export value of $7.32 billion during the current year, which will be a major achievement," Council for Leather Exports (CLE) Chairman Rajendra K. Jalan.Federation of Indian Export Organisations (FIEO) President Rafeeque M. Ahmed said the country had been posting 22 per cent growth consistently in leather exports and it augured well for the industry. To cover organised as well as unorganised sector and export as well as domestic markets, the CLE had initiated a vigorous process of mapping the leather and products industry by commissioning studies on four areas — raw hides and skins, tanning industry; leather products; footwear; and domestic retail industry in India for footwear, leather goods and accessories.

The study, to be undertaken by four agencies, would cover production data, turnover, manpower involved in the sector and clusters, among other things. The CLE had requested the Centre to fund the study, Mr. Jalan said.

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'TFA impasse the most serious situation WTO has ever faced'

ENS Economic Bureau, The Indian Express

New Delhi, October 17, 2014 : World Trade Organization (WTO) is facing its "most serious situation" ever due to the impasse over pending ratification of Trade Facilitation Agreement (TFA) and finding a permanent solution for food stockholding, director general Roberto Azevedo said on Thursday, urging the members to "keep working for a solution to the current impasse".

Elaborating on the current situation to the Trade Negotiation Committee of the WTO, Azevedo said that despite intensive consultations, no solution has been found for the stalemate even as two months have passed after the deadline of the TFA.

"As I see it the situation is clear as day — first, we have not found a solution for the impasse . We are on borrowed time. Second, this situation has had a major impact on several areas of our negotiations. We know that members have been talking about the other, non-multilateral options that are open to them. We may see these members disengaging," Azevedo said adding that the member nations will have to think about the ramifications.

Earlier, the July 31 deadline for ratifying the TFA protocol was missed as India made it clear that it will not adopt the protocol on the TFA until a permanent solution was found to its public food stock holding and subsidy concerns.

It pitched for a joint conclusion of the Bali package that was agreed upon in December last year. Amending the WTO norms regarding stockpile of food grains is critical for India in order to implement its food security programme. The current WTO norms limit the value of food subsidies at 10 per cent of the total value of food grain production. However, the support is calculated at the prices that are over two decades old (1986 as base year) and not at current prices.

On the other hand, the developed nations have been lobbying for the ratification of the TFA protocol as it will bring down their transaction cost significantly due to smoother customs processes and norms.

Calling upon the members to start a broader discussion "about the basis on which we can overcome the current scenario of disengagement", Azevedo said, "This could be the most serious situation that this organisation has ever faced. I have warned of potentially dangerous situations before, and urged members to take the necessary steps to avoid them. I am not warning you today about a potentially dangerous situation — I am saying that we are in it right now. We should keep working for a solution to the current impasse, but we should also think about our next steps".

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Govt hikes import tariff value on gold

PTI, The Times of India

New Delhi, October 17, 2014 : The government on Thursday hiked import tariff value on gold to $401 per 10 grams but kept the tariff unchanged for silver at $575 per kg, following global price trends. For the first fortnight of this month, the tariff value on imported gold was fixed at $396 per 10 grams.

The import tariff value is the base price at which customs duty is determined to prevent under-invoicing. It is revised on a fortnightly basis taking into account global prices. The increase in tariff value on imported gold has been notified by the Central Board of Excise and Customs, an official statement said.

Gold in New York, which normally sets price trend on the domestic front, increased by 0.72 per cent to trade at five-week high of $1,241.10 an ounce and silver by 0.32 per cent to $17.45 an ounce in yesterday's trade. Gold is the second largest import item for India after petroleum. Gold import increased for the second straight month to 95 tonnes in September ahead of festival season.

The government has imposed several restriction to curb imports to contain current account deficit (CAD). Import duty on gold was increased thrice to a record 10 per cent last year and made it mandatory to export 20 per cent of the imported gold.

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WTO: PMO may call meeting of officials to discuss India's stand

Press Trust of India, Business Standard

New Delhi, October 17, 2014 : The Prime Minister's Office is expected to convene a meeting of top officials to discuss India's stand on crucial food security and trade facilitation issues ahead of WTO's October 21 meeting in Geneva.

"India will not change its stand on the food security issue. The commerce ministry is awaiting directions from higher authorities. PMO may call a meeting on the issue to discuss further course of action," a source said. The General Council, the WTO's highest decision-making body, meets regularly in Geneva to carry out functions of the multilateral trade body. Sources said the next meeting is scheduled for October 21.

Speaking on India's stand, Commerce and Industry Minister Nirmala Sitharaman had yesterday said India would stick to its position on the food security issue as it is the sovereign duty of the government to protect the interest of its poor.

"Our position remains intact, that we will underline the fact that India has a sovereign duty to protect its poor... India has sovereign right to hold foodgrains for that purpose. And, therefore our negotiations with WTO will certainly be on reiterating this position," She had said.

The council's meeting on July 31 remained inconclusive after India stressed that Trade Facilitation Agreement (TFA) and finding a permanent solution to the food stock-holding issues should be taken up together. India had also made it clear that it would not ratify the TFA until a permanent solution was found on the food security issue.

New Delhi had asked WTO to amend the norms for calculating agriculture subsidies so that the country could continue to procure foodgrains from farmers at minimum support price and sell them to poor at cheaper rates without violating the norms.

The current WTO norms limit the value of food subsidies at 10 per cent of the total value of foodgrain production. However, the quantum of subsidy is computed after taking into consideration prices that prevailed two decades ago. India is asking for a change in the base year (1986-88) for calculating food subsidies. India wants a change taking into account the inflation and currency fluctuation.

There are apprehensions that once India completely implements its food security programme, it could breach the 10 per cent cap. Breach of the cap may lead to imposition of hefty penalties, if a member country drags India to the WTO. According to a WTO filing, India has given a total farm subsidy of USD 56 billion, of which trade distorting subsidy amounts to only USD 13.8 billion for 23 commodities, including rice and wheat.

An official has said the food subsidy provided by India for paddy during 2010-11 worked out to be only around 6 per cent of the total output of the commodity in value terms. In case of wheat, the subsidy is negative one per cent. On September 22, WTO chief Roberto Azevedo expressed concerns over the fate of Bali package, saying the deal was "at risk" and the future seemed "uncertain".

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The WTO deadlock - Trade without trust

Amitendu Palit, The Financial Express

October 17, 2014 : Within much less than a year of a euphoric outcome at Bali, the World Trade Organisation (WTO) appears to have lost the momentum. This is evident from the WTO Director-General Roberto Azevedo’s recent lament: While Bali marked “recovery of trust” within the WTO, it seems that it is “beginning to lose that trust once again”.

As multilateral trade negotiations meander through a seemingly unresolvable vortex, trust, or the lack of it, again comes to haunt trade talks. Indeed, the comeback of trust, albeit in a deficient form, raises questions over whether the multilateral framework can indeed deliver what it has been promising to.

During the last 13 years since the fateful Doha Ministerial of the WTO in 2001, lack of trust has been conspicuous in the singular lack of progress on the Doha Round. Bali was a remarkable exception when the WTO members agreed on implementing a small part of the Doha agenda. However, the euphoria over the consensus, achieved on a markedly limited set of issues, made most overlook the fact that the consensus reflected only a facile show of trust. The reality was that even on the narrow set of issues that Bali dealt with, trust was missing.

India was the ‘cynosure’ of all eyes at Bali, as it was in Geneva earlier this year during the Bali follow-up, and obviously for wrong reasons. The UPA government let Bali go on the assurance that its concerns on public stock-holding would be addressed. Nobody, including India, however, had much clue on how it could be within the framework of the WTO. As a result, the world was happy to accept an ‘interim’ solution. Being clueless, the rest of the world thought the ‘interim’ would allow materialisation of the rest of the Bali deal without fuss from India.

Being equally clueless, India, or more appropriately the UPA government, thought that securing the interim was the best that it could have done without torpedoing its image further at home or abroad. It could always sell the uninitiated and unconvinced logic of interim becoming permanent over time. And best, it could always leave the searching of the solution to a new government, which, by the early indications already available in December, was unlikely to be a Congress-led UPA.

Rather than being a deal achieved after ironing rough edges, placating egos and capable of going through smoothly, Bali left its results open-ended. In the months that followed, the enthusiasm of the world’s major traders, particularly the US and Europe, over the trade facilitation agreement made most forget the caveat of passing Bali as a single undertaking. The noise created by India over food security was taken to have subsided. As India switched governments, the main backers of trade facilitation at the WTO were further convinced about the ‘death’ of concerns over public stock-holding. Surely India’s new pro-business, market-friendly government, sworn in with a massive mandate, would hardly bother wasting time over politically catchy entitlement-based food security concerns at the WTO!

It was, therefore, a massive shock when India refused to let the trade facilitation deal pass through and insisted on treating Bali as a composite undertaking inclusive of a solution on public stock-holding. By doing what it did, India ensured it hardly had any friend left in the WTO. The new government, however, appeared determined not to own the vacuous position of the earlier government on the issue and was unmoved by the flak it took.

Since then, hardly much has changed. Hours after the US and Indian leaders jointly urged the WTO to end the ‘impasse’, the preparatory committee on trade facilitation that had been set up for moving forward on the issue declared that positions remained unchanged on the subject. The WTO membership was variously divided over whether the Committee should continue its search for a solution. In the meantime, the developing country community at the WTO represented by the G90 with the LDCs, Africa, Caribbean and Pacific economies, backed by India and China, have asked the WTO to move beyond the Bali package and take on more issues from the Doha agenda.

Trust is clearly not in abundance at the WTO. And it is also not a question of India versus the rest of the WTO on trust. The lack of trust is in the WTO’s mechanism itself. The impasse over Bali shows that even a narrow implementation agenda cannot be sanctioned as a package. Different elements of a trade package have varied significance for consenting members. While major priorities of some can be meaningless for others, a package needs to go through as a whole. Such consensus across extremes is difficult to achieve. The difficulty erodes trust in the framework trying to achieve the goal. The trust deficit becomes stronger and pervasive given the knowledge that even one member can hold up consensus effortlessly regardless of strategic size.

The WTO is trying to perform the impossible task of achieving consensus between atheists and agnostics. Maybe it is time to seriously think whether it can at all do so.

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Government to re-impose gold import curbs to check trade deficit

Deepshikha Sikarwar, The Economic Times

New Delhi, October 20, 2014 : Barely months after gold import rules were eased, the government is looking to re-impose curbs as the country's insatiable appetite has led to a surge in the yellow metal coming into India, threatening to undermine the improvement in external balances.

The finance ministry's revenue department has flagged the issue and asked the department of economic affairs (DEA) and the Reserve Bank of India (RBI) to review the May 21 relaxation in the import rules issued by the latter.

The so-called 80:20 rule was relaxed in May by RBI at the behest of the finance ministry after jewellers, bullion dealers, authorised dealer banks and trade bodies sought easier rules. Under the 80:20 scheme, nominated agencies were allowed to import gold on the condition that 20% of the import would be exported. The easing of rules meant more entities were allowed to import gold.

The trade deficit worsened to an 18-month high of $14 billion in September following a 450% rise in gold imports as importers rushed to take advantage of lower prices. "Gold imports have risen since the norms were relaxed.

There is a concern," said a finance ministry official. "We have written to the DEA and the RBI. In its May 21 review, the central bank allowed star and premier export houses to import the yellow metal subject to some restrictions. It also allowed banks and nominated agencies to provide gold metal loans for domestic use to jewellers and bullion traders. These rules were eased to facilitate gem and jewellery exports that had declined following the import curbs on gold.

Alarm bells have also been sounded by intelligence agencies and customs that see imported gold meant for export purposes getting diverted to the domestic market. Gold imports rose to $3.8 billion in September from $2 billion in August. The government wants to tread with caution and take pre-emptive measures rather than be forced to react later. With capital flows expected to remain volatile over fears of the US ending its bond purchases and starting monetary tightening sometime in 2015, the government wants to keep a leash on unproductive imports.

Experts agreed with the move. "Given the country's dependence on imported commodities and fluctuation in currency, government will take all steps to address any factor that seeks to threaten macroeconomic stability of the country," said DK Pant, chief economist, India Ratings. "Currency has also seen movement because of rising gold imports." India had in August 2013 imposed quantitative restrictions on gold imports because of its burgeoning current account deficit, which stood at $88 billion or 4.7% of GDP in 2012-13, increasing its vulnerability to capital outflows and weakening the rupee. The country also increased import duty on the yellow metal in phases. In January 2012, the government imposed an import duty equal to 2% of value of the commodity as against the earlier specific rate of. `300 per 10 grams. It subsequently raised this in phases to 10%.

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West Asian conflict may aid agri trade

Tejinder Narang, The Financial Express

October 20, 2014 : After imposition of international economic sanction on Iran in 2010, the Indo-Iran rupee agreement of 2011-12 has been a blessing in disguise for the export of Indian agri-products, iron/steel items and electrical goods, which were otherwise traded from Dubai. During 2011-2014, Indian exports to Iran have jumped from $2.5 billion to about $5 billion—a 100% increase in just three years. The import of crude oil from Iran has stabilised at $10-$11 billion per annum, from a high of about $14 billion.

Under the rupee payment arrangement, India purchases Iranian crude in a 45:55 ratio of rupees and euros, respectively. Though there is no prohibition on Iran for the import of food stuff/agri-commodities and medicines in hard currency from anywhere in the world, it has still preferred the utilisation of rupee funds, credited with UCO bank, by importing larger tonnages of basmati rice, animal feed stock (soymeal/rapeseed/barley) and sugar (both raw and refined). Iran’s non-interest bearing rupee account with UCO bank is flush with rupee funds of about $4 billion and they should have an interest in its faster usage.

In November last year, the US and Iran signed an interim understanding that would facilitate a comprehensive agreement for lifting of sanctions by November 2014. After making considerable progress on negotiations, both sides are dithering on the “deal” as envisaged. There are, perhaps, two major contentious issues. First, any consensus on the retention of centrifuge capacity (for low-enriched uranium—LEU—meant mostly for generation of electrical power) by Iran is still proving evasive. Second, pursuant to the Iraq-Syria-ISIS confrontations, Iran demands the lifting of UN’s economic sanctions as a condition preceding any imposition on its nuclear capacity. Pending resolutions on these ticklish points, the sanctions may continue longer than previously presumed. Nevertheless, such a situation might help further India’s agro trade in short-term.

The chart shows a rising trend in exports (undertaken by private trade) of basmati rice (Pusa Basmati 1121), oil meals (mostly soy bean meal) and sugar over the last three years. Projections for the current year are negative. But the recent Sunni-Shia conflict can belie the anticipated trend. Here is the hypothesis to support that.

Despite India’s monopoly in basmati rice export, trade circles are diffident of attaining last year's target of 1.4 million tonnes (mt) of exports to Iran at the average price of $1,260/mt fob. The reasons offered are—Iran is insisting on improved quality within tolerable heavy metals and mycotoxin (poisonous fungi) limits from “approved” sellers, has hiked import duty and has delayed purchases so far.

The market matrix is different this year. After November 2014, Indian Pusa Basmati 1121 is available in surplus in Punjab and Haryana and the prices may be much lower (by about 20%), reaching $1,000/mt fob. A demand contraction from Iran is not foreseen, however. In fact, it is expected that the demand pull at low prices may become more intense.

Considering the geopolitical turmoil in West Asia, where Iran stands with Iraq and Syria, it is quite possible that rice import for the “regions in conflict” may be “financially” routed via Iran. The Iraqi government, over the last 4-5 years, has preferred to source Uruguayan rice of specifications that cannot be met by rice of Asian origins. The recent tenders for import of rice, thus, stand deferred. However, the supply of Uruguayan rice may not be feasible in the present unsettled environment. Private imports of basmati by Iraq will also likely slow down.

Predominantly Sunni-influenced countries like Saudi Arabia, Kuwait, Jordan, Turkey, Qatar, Bahrain, the UAE, assisted by the US, have created military, political and economic turbulence in Shia-ruled nations. This might choke food supplies to Shia territories. In this backdrop, the Indian traders/millers can facilitate rice shipments to Iran against assured payments from the UCO Bank. Iranian traders or intermediaries can arrange movement, via land routes, to Iraq and Syria. These developments can catalyse basmati export to Iran.

Simultaneously, Turkey’s import of basmati/non-basmati rice from India has risen from 16,000 tonnes in FY13 to 1,95,000 tonnes in FY14. This year, the April-June trade has been for 1,85,046 tonnes; thus, the trend for FY15 points at a total of 7,40,000 tonnes—an increase of 4,400% in two years. It is not difficult to infer where the rice could be destined to reach from Turkey—onwards to Sunni-dominated areas! Unconfirmed rumours of a major Indian rice deal with Qatar are already circulating in the market. So, given Thailand and Vietnam are preoccupied with the demand in the Far East, the supply-demand gap in West Asia may stay wide for longer than expected, all to India’s advantage.

For an animal-feed ingredient like soymeal, Iran has the option of importing at lower prices from Brazil and Argentina. And it is likely to do so. Last year, Indian exports of 1.2 mt of soymeal averaged about $550/mt fob. Latin American soymeal’s prices are sinking and are currently at $440/mt on a “delivered” basis. Indian soymeal is traditionally traded at a discount of $20/mt to the Argentinian prices—for saleability, buyers will accept Indian supply at $420 cif. Our exporters are thus grossly out-priced, at $470 cif (by $50/mt, compared with Argentina), when it comes to exports to Iran. Logically India will be the seller of last resort, unless it puts forth comparably discounted values. Analysts expect Indian export to fall by 60% this year.

Indian sugar, too, is at a huge disadvantage compared to that of Brazilian origin. Unless Indian sugar gets subsidised, last year’s export of 0.37 mt to Iran can't be even matched this year. But first, consider this—will MNCs, with or without the permission of OFAC (Organisation of Foreign Assets Controls of US), undertake trade exposure with Iran for supplying soymeal and sugar without earning the annoyance of the Sunni groups? If MNCs are cautious, then India gets a niche window. The hope of market reversal in unceratin conditions cannot be completely ignored.

If this hypothesis becomes a reality, the Indo-Iranian rupee payment and the conflict in West Asia can emerge as supportive of India’s agri exports. Markets, politics, governments and weather are all unpredictable. What is imagined can turn out to be real too.

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Study shows no surge in trade deficit owing to business pacts

The Economic Times

New Delhi, October 21, 2014 : The free trade pacts India has signed with various countries have not led to a surge in trade deficit, the commerce department has concluded after a study, underplaying concerns that the country's manufacturing has been hit by these pacts.

The study has found no material increase in raw material import from partner countries; instead the share of intermediary goods imports has increased, indicating that India is becoming part of regional value chain of South Asia.

On the exports side, the study has concluded that India has not become a raw material exporter, as feared. On the contrary, the share of intermediate and capital foods exports has increased, which could be linked to value addition of our exports, the department said in a statement.

However, it did not provide any concrete data to substantiate its claims on the impact of FTAs on domestic manufacturing. Neither does the government have data on exports using the preferential route, which it is trying to fetch from the partner countries.

"We will shortly share data on preferential imports with those countries, only after which we will get export data from them," said a commerce department official. Government is also looking at ways to get preferential export data through modification of the format for filing of data in the electronic shipping bill, to enable customs to capture the data. This mechanism would likely to be put in place from next year onwards. India has so far entered into FTAs with Japan, Singapore, South Korea, Malaysia, Asean and South Asia.

Indian industry and some government departments, including DIPP, steel ministry and finance ministry have raised serious concerns about these pacts on how they are impacting domestic manufacturing.

Last week commerce and industry minister Nirmala Sitharaman had said, "There is a feeling that some of the FTAs are benefiting the partner countries and there is absolutely no discord between finance and commerce ministries in this regard. We in the commerce ministry want better utilisation of the agreements for increasing exports from the country. The government will ensure that."

The analysis on impact of FTAs showed that "the imports have not increased to any level that would create concerns and we have not become suppliers of raw materials. This is the good part", the officials said. The study shows that India's total imports through the preferential duty route from Asean, Singapore, South Korea and Japan stood at 14.5%, 10.8%, 21.8 % and 22.4%, respectively.

Imports have been low under the preferential tariff route offered under the FTA because of tough Rules of Origin (ROO) norms, which call for high value addition for imported products to qualify for FTA benefits, the official said.

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India’s FTAs not widening trade deficit: Commerce Ministry

Our Bureau, Business Line

New Delhi, October 21, 2014 : India's Free Trade Agreements (FTAs) with major partners such as Japan, Malaysia, South Korea and the Asean bloc have not widened trade deficit or increased export of raw materials from the country, according to initial findings of a Government study. However, Indian exporters, too, have not been able to use the trade pacts to their full potential because of low awareness. The Government is now making efforts to disseminate information more widely.

“Though preferential imports have been increasing from the period 2009-2010 to 2013-14, they are still not significant, ranging from 3.4 per cent of total imports under FTA with Malaysia to 22.4 per cent of total imports under India-Japan FTA,” according to an official release by the Commerce Ministry.

Preferential imports are low compared to total imports from FTA partner countries because sellers find it difficult to meet the tough Rules of Origin (ROO) norms under the FTAs stipulating high value addition requirements.

No impact

“Since preferential imports have been low from FTA partner countries, there is no question of these affecting our domestic market or widening the trade deficit,” a Commerce Ministry official said in an informal interaction with the media.

The FTAs have also not resulted in any increase in consumer goods imports and only an “insignificant”' rise in automotives imports, the Commerce Ministry study said. On the other hand, imports of intermediate goods have increased which means that India is becoming part of the regional value chain of South Asia.

The Commerce Ministry, however, doesn’t have data on exports through the preferential route as the Customs department does not track these numbers. “We are talking to our partner countries and trying to assimilate data,” the official added.

Matter of concern

Overall export data of items covered under the FTAs show that there has been no increase in shipments of raw-material from the country, the study added. It also shows that exporters are not exploiting the FTAs to their advantage.

“The use of these agreements by our exporters is a matter of concern. But we are making a lot of efforts to disseminate information by strengthening our outreach programme and making details on such pacts available on our website,” the official said. The ministry is also in the process of developing a comprehensive portal about FTAs.

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India gains little from FTAs on services front

Sidhartha, The Times of India

New Delhi, October 22, 2014 : If you thought India's services trade agreement with Asean is going to open the doors for Indian professionals to work in the 10-member trading bloc, you may be in for a surprise. Similar agreements with Japan and South Korea — which the government said will help Indian nurses, architects and even yoga professionals — have not resulted in any visas.

While India and Japan and South Korea agreed and reduced customs duty on goods, the trade-off for allowing professionals has yielded no results as the two countries have not yet signed mutual recognition agreements that honour the educational and professional qualifications. Sources said protests from local pressure groups, such as nurses in Japan, have prevented even the commencement of negotiations, leave alone any agreement. So, the gains for India remain only on paper.

While architects and auditors are understandable, why services such as teaching of yoga were included is anyone's guess. In the absence of standards that are recognized by Japan, the clause in the 1,083-page Comprehensive Economic Partnership Agreement (CEPA) is seen to be useless.

Although the CEPA with South Korea had sought to allow access to Indian engineers, consultants and other professionals, there has been limited success as recognition of Indian engineering colleges remained an issue. In any case, with Asean, the government had given up the possibility of extracting significant benefits on the services front by delinking the goods negotiations, which did away with the possibility of any give and take.

While commerce department officials on Monday suggested that there was no surge in imports following the trade pacts, a senior official acknowledged that gains on the services front had not accrued. An official who was part of the negotiations, however, said the government should pursue mutual recognition agreements. "If you agree to cut duties it does not mean the item will be imported. Similarly, it isn't necessary that a services agreement will actually lead to an immediate use of the provisions," the official said.

A commerce department official, however, said Japan and Korea are reluctant to hold further consultations, rendering the services agreements useless.

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India, Nepal sign power trade agreement

Business Standard

New Delhi, October 22, 2014 : India and Nepal have inked a Power Trade Agreement (PTA) that reportedly allows for the exchange of electricity and the opening up new areas of cooperation in the hydropower sector. Energy Secretary Pradeep Kumar Sinha and his Nepalese counterpart Rajendra Kishore Kshatra signed the agreement at a function held at the Prime Minister's Office in Kathmandu yesterday, media report said.

The two sides had agreed to sign the agreement during Prime Minister Narendra Modi's visit to Nepal in August. Sinha told media in Kathmandu that the agreement will also provide a permanent forum for interaction between Indian and Nepal in the power sector.

He said, there is also the provision of establishing a joint working group in the PTA to be headed by joint secretaries of the two countries. He said, the joint group will sit every six months and take up issues not only pertaining to the existing cooperation in power sector but also explore and identify new areas of cooperation. Kshatra said that the signing of the PTA was the result of India and Nepal's continuous efforts since 2010 to shore up cooperation in the power sector.

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India, Russia to re-start study on free trade agreement feasibility

Amiti Sen, Business Line

New Delhi, October 22, 2014 : India and Russia are ready to start discussions on a long-pending free trade agreement that could increase bilateral trade and investment flow, and help reduce dependence of both countries on the US and the EU.

The Commerce Ministry has sent a proposal to the Cabinet Committee on Economic Affairs (CCEA) for setting up a joint study group to examine the feasibility of a Comprehensive Economic Cooperation Agreement (CECA) with the Customs Union of Russia, Kazakhstan and Belarus. CECA is a comprehensive FTA that involves dismantling of tariff and non-tariff barriers for trade in goods and services and freer flow of investments.

“The Joint Study Group, with officials from both sides, will examine the scope of the pact and the areas it could cover,” a Commerce Ministry official told *Business Line*. Russia has strained relations with the EU and the US over its posture on Ukraine while India wants to diversify its market beyond the two regions by focussing on Latin America, Russia and the CIS and Africa.

Beneficial agreement

“It will serve both sides if we are able to successfully implement an FTA. There is huge scope as the present volume of trade and investment is very low,” the official said. At present India’s trade with Russia is just $6 billion, which is less than 1 per cent of the country’s total foreign trade.

According to exporters’ body FIEO, bilateral trade could more than double to $15 billion by 2015, due to efforts being made by exporters to tap opportunities in the region. Once an FTA is in place, trade would increase manifold. Agriculture products, textiles, pharmaceuticals and chemicals are some of the areas where India could have immediate gains.

Although both India and Russia were interested in starting talks on CECA for the past few years, there were some hurdles that had to be cleared.

Hurdles

As Russia necessarily has to include its customs union partners Belarus and Kazakhstan in its regional pacts, it was necessary to get Kazakhstan’s approval too, which was initially reluctant to give it. Russia had also put in place a condition that a prior roadmap of priority investment projects should be drawn before CECA talks can start. But it was withdrawn when India objected.

Russia is interested to do more business in areas such as tractors, industrial machinery and civil aviation, while India wants to attract investments in the Delhi-Mumbai Industrial Corridors, the New Manufacturing and Investment Zones and export more pharmaceuticals and agriculture products.

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WTO to begin talks on trade facilitation pact impasse today: Chief

The Financial Express

New Delhi, October 22, 2014 : The World Trade Organization (WTO) will start the process of consultation on the future of Bali decisions beginning Wednesday in a bid to resolve the current impasse, director general Roberto Azevedo on Tuesday said.

At the General Council meeting held on Tuesday, the director general said that he had heard from WTO members “a willingness to engage in this conversation, and to do all we can to find a way forward”.

“The consultation process that I outlined at the trade negotiations committee (TNC) will start on Wednesday. I will be holding a series of meetings in a range of different configurations. We then plan to hold a Heads of Delegations meeting on October 30… This is going to be a very important conversation. It is about the future — in particular the future of the Bali decisions and the future of the post-Bali work program,” he said.

Last week, on October 16, the director general in the TNC had cautioned the WTO member nations that the multilateral institution was facing its most serious challenge ever currently due to the impasse over pending ratification of Trade Facilitation Agreement and finding a permanent solution for food stockholding. He had urged members to keep working for a solution to the current stalemate.

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India firm on objections to WTO Doha Round deal

The Hindustan Times

United Nations, October 24, 2014 : Even as the World Trade Organisation's trade deal remained stalled due to India's objections, an Indian envoy at the UN stood firm on them, declaring a "permanent solution on food security with necessary changes in World Trade Organisation (WTO) rules, if required, is a must and cannot be kicked down the road".

Amit Narang, a Counsellor at India's UN Mission, has said that the trade agreement cannot be "about negotiating livelihood security and subsistence of hundreds of millions of farmers".While New Delhi was committed to the decisions reached at a meeting of ministers last December in Bali that form the core of the trade deal "and has no intention of going back on them," he said, "The issue of food security is central to the pursuit of poverty eradication and sustainable development in developing countries and must be treated with the same urgency as other issues, if not more."

The WTO's deal on global trade, known as the Doha Round for the place where the current negotiations were launched in 2001, has been blocked almost single-handedly by India over the agriculture issues. On Tuesday, in Geneva, WTO Director General Roberto Azevedo acknowledged the impasse and announced that negotiations would continue. "I will be convening meetings, but as always, the substance will be up to you. Whether, and how, we make progress will be in your hands," he was quoted as telling the 160-member organisation.

The crux of India's objections are the WTO limits on agriculture subsidies at 10 per cent of the total value of food grain production and on stockpiling food grains. Complying with the Food Security Act passed last year that guarantees subsidised food grains to about 70 percent of the nation's population could result in breaching these limits leading to penalties for India.

Acknowledging that concluding the Doha Round was urgent, Narang told the UN General Assembly Committee that deals with finance and economics, "We must be clear that this Round is not about the perpetuation of structural flaws in global trade, especially in agriculture."

He added, "It is indeed paradoxical that just as we assign a high priority to food security as part of the Post-2015 Development Agenda and even as it has been included as a prominent (UN) Sustainable Development Goal, there seems reluctance in addressing this important issue as part of global trade rules."

India has been under pressure from several countries, particularly the US, to drop its objections to the deal known formally as the Trade Facilitation Agreement. Narang, Tuesday at the same committee, raised a global financial issue that has been held up by the US and suggested exploring options to end the impasse.

A proposal to reform the governance of the International Monetary Fund and change its votes quota that was agreed upon in 2010 and has the support of President Obama's administration has been snagged in domestic US politics, failing to gain the requisite votes to pass at the IMF.

"It is important for these reforms to be completed by the end of this year," he said. "In case this does not happen due to non-ratification by some members, we must explore every available option for completing the current round of the quota reform process."

The reforms would enhance the voting powers of India and emerging market and developing countries to reflect that changes in the world economy. Narang said, "We need to have multilateral mechanisms that have full and effective participation of developing countries, if genuine global coordination is to be achieved."

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Permanent solution on food security in WTO rules must: India

The Financial Express

United Nations, October 24, 2014 : In a stern message, India has told the UN General Assembly that developing countries must have the freedom to use food reserves to feed the poor "without the threat of sanctions" and a permanent solution on food security with necessary changes in WTO rules is a must.

"The issue of food security is central to the pursuit of poverty eradication and sustainable development in developing countries and must be treated with the same urgency as other issues, if not more," Counsellor in the Indian Mission to the UN Amit Narang said in a UN General Assembly session on 'Macroeconomic Policy Questions: International Trade and Development'.

He termed as "paradoxical" that just as the international community is assigning a high priority to food security as part of the Post-2015 Development Agenda there seems reluctance in addressing the important issue as part of global trade rules.

"A permanent solution on food security with necessary changes in WTO rules, if required, is a must and cannot be kicked down the road," Narang said. He said that India had participated actively and "in good faith" in the Ninth Ministerial Conference of the WTO in Bali in December 2013 and the country remains committed to the Bali decisions, including the one on trade facilitation.

"India is a signatory to all the Bali decisions and has no intention of going back on them. The concern that India has been constrained to flag, arises from the uneven progress on the Bali decisions," Narang said.

"While all focus seems to be on the agreement on trade facilitation, the same sort of commitment is not evident on other Bali decisions, in particular the agreement on food security," he said. Narang stressed that the issue of food security must be taken forward in the WTO in the same time frame as other decisions taken in Bali such as trade facilitation.

"Overall balance is important even in a limited package of outcomes. The Bali outcomes were negotiated as a package and must be concluded as such," he said, adding that "developing countries such as India must have the freedom to use food reserves to feed their poor without the threat of sanctions."

He expressed hope that the international community will join hands for the implementation of the Bali decisions in a balanced manner and as a single undertaking. He said that India has stressed that trade and investment and an open, rules-based, transparent and non-discriminatory WTO-based trading system can play an important role in restoring global growth.

"As we collectively deliberate on the contours of a Post-2015 Development Agenda, it is time we unleash the full potential of international trade as an engine for growth and tool for sustainable development," he added.

He underscored that strengthening the rules-based multilateral trading regime under WTO is vital and the recent trend of increasing fragmentation in favour of regional and 'plurilateral' processes is a challenge to the centrality and credibility of the multilateral trading system.

He stressed on the need to make the international trading regime more equitable and development-oriented in order for developing countries to truly benefit from international trade. "India is a strong supporter of the multilateral trading system and is committed to the WTO, which is in the best interests of developing countries," he said.

"What is needed is collective political will to effect timely corrections to imbalances in the working of the system and its rules to ensure that the WTO works impartially and fairly in the interest of all its members and not just a select few," he said. Noting that there is an urgent need to conclude the Doha Round as per its development mandate, Narang said the round is not about the perpetuation of structural flaws in global trade, especially in agriculture.

"This Round is also not about negotiating livelihood security and subsistence of hundreds of millions of farmers. Instead, this Round is about creating new opportunities and economic growth for developing countries in all sectors," Narang said. "This Round is about aiding the efforts of developing countries for providing food security to their people and ending poverty," he said.

"Indeed the criticism about the Doha Development Round, that it is scarcely about 'Development' and is a round only in terms of its proclivity to go round and round in circles, needs to be addressed purposefully," he added. India has made it clear that it would stick to its position on the food security issue at the WTO as it is the sovereign duty of the government to protect the interest of its poor and that it would not ratify Trade Facilitation Agreement (TFA) until a permanent solution was found on the food security issue.

New Delhi has asked WTO to amend the norms for calculating agriculture subsidies so that India could continue to procure food grains from farmers at minimum support price and sell them to poor at cheaper rates without violating the norms.

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India to explore food, energy opportunities with Latin America

Huma Siddiqui, The Financial Express

New Delhi, October 25, 2014 : India has decided to expand its engagement with the Latin America and Caribbean (LAC) countries to give fillip to trade and investment in the region that has seen unprecedented growth over the last few years with several Indian automobile and energy companies deciding to set up their manufacturing hubs there.

The Narendra Modi-led government's attempt is aimed at getting more foothold for Indian companies to invest in the LAC region, especially in areas of food and energy security. LAC is the second-largest supplier of crude oil to India and closer ties with LAC will help India in meeting its oil demands. There is a need to enhance and explore business opportunities in other areas such as agriculture, energy especially, renewables, IT and ITeS, sources said.

As part of this exercise, R Swaminathan, special secretary (Americas), ministry of external affairs, is scheduled to visit Latin American countries — Colombia, Bolivia and Nicaragua — next month, the dates for which are in the process of being finalised. On the agenda is to explore partnerships in areas ranging from hydrocarbons to pharma, textiles to leather, engineering goods to automobiles.

Currently, a total of 36 Indian companies — from the automobile, information, and energy sectors — can be found in Colombia. Before 2010, the country was home to less than half a dozen Indian companies. Alongside the increased number of Indian firms, Colombia has doubled its exports to the Asian subcontinent. While oil still accounts for the vast majority (90%) of these exported products, Colombia has begun to introduce other goods to the Indian market, including flowers and coffee.

This increase in exports has allowed Colombia to possess a trade surplus with India, which sells around $1.055 million in products to Colombia each year. Indian companies such as Reliance, United Phosphorus, Shree Renuka Sugars, Apollo International, Bajaj, TCS, Wipro, Essar, and Hero, are already present in the region and efforts are now on to open agriculture and mining sectors.

Bolivia has already extended its support to India's stand on food security at the WTO and is willing to open its commodities sector to investment by Indian entities, especially in the area of high-value agriculture produce. Nicaragua, on the other hand, is keen on Indian companies to invest in its gold mines and other high value minerals.

"The visit of the special secretary to Bolivia is very important for the relationship between the two sides. During the visit the first ever bilateral Commission will be set up which outlises the contours of relationship between countries, also an MoU will be signed for diplomatic visas," Jorge Cardenas Robels, ambassador of Bolivia in India told FE.

According to him, "Sectors including pharma, energy, textiles are very important and we are keen to have Indian participation in the country." As part of India's offer to several SICA countries to establish IT Training Centres, a centre has been set up in the Nicaraguan capital Managua and trainers from NIIT were engaged in imparting training to students.

There have been hectic activity in the last three months between India and the South American region, with increased high-level bilateral visits from the region to India, especially after Prime minister Modi attended the BRICS summit in Brazil, where he had an oppurtunity to meet with leaders of twelve countries in that continent including the presidents of Bolivia, and Colombia.

So far over 100 Indian companies have invested in excess of $15 billion in Latin America. Likewise, Latin American companies have invested a total of slightly less than $1 billion in India in steel, multiplexes, bus assembly, auto parts and electrical motors.

The LAC region is home to around 600 million people, accounts for a combined GDP of about $ 12 trillion (PPP basis), and received $ 179 billion of FDI in 2013, the highest record for any region in the world. India, with a GDP of $ 5.5 trillion (PPP basis) and a 1.25 billion strong market is also set to see a quantum jump in inward FDI over the next few years.

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Govt sets up think-tank to help fine-tune IPR policy

Our Bureau, Business Line

New Delhi, October 25, 2014 : The Government has constituted an Intellectual Property Rights (IPR) think-tank today to help draft a new National IPR Policy and to advice it on issues related to intellectual property.

The think-tank, headed by Justice Prabha Sridevan, will highlight anomalies in the present IPR legislations and advice the Department of Industrial Policy and Promotion (DIPP) on possible solutions, according to an official release. It will also provide views on the possible implications of demands placed by negotiating partners of proposed free trade pacts and other regional arrangements.

With several developed countries criticising India’s IP regime on grounds of laxity and the US carrying out a review to see if it should be black-listed as a ‘priority country’ for giving insufficient IP protection to its companies, the think-tank is expected to play an important role in helping the Government deal with international pressure.

Other members of the IPR think-tank include Narendra K Sabarwal, former Deputy Director General of World Intellectual Property Organisation; Rajeev Srinivasan, Director, Asian School of Business; Advocate Pratibha Singh; Advocate Punita Bhargava; and Unnat Pandit of Cadila Pharma.

The DIPP will co-ordinate with the think-tank to identify areas in intellectual property where study needs to be conducted, an official release said. It will also take inputs from it on the new IPR policy which has been proposed to bring clarity in existing laws and safeguard interests of Indian industry.

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Govt considers raising import taxes on vegetable oils

Business Standard

New Delhi, October 28, 2014 : India is considering raising the import taxes on crude and refined vegetable oils to protect local farmers and the refining industry, two government sources said on Monday, as purchases by the world's top importer are expected hit a record this year.

The government could increase the duties on both crude and refined vegetable oils by more than five per cent, said an official who is part of the decision making process. Currently India imposes a 2.5 per cent tax on crude oils and 10 per cent on the refined variety.

“We are considering an increase in the import tax but it is not going to happen immediately because the official process will take some more time,” said another government official directly involved in the decision making process.

The first source said that a final decision on the duty hikes will be taken by the Finance Ministry. Hit by cheaper imports, industry body the Solvent Extractors Association of India (SEA) has petitioned the government to raise the duty on crude oils to 10 per cent and 25 per cent on refined products. India is likely to import a record 13 million tonnes (mt) of edible oils in the new year beginning November, up from an estimated 11.6 mt this year, including 8 mt of palm oil. New Delhi imported a record 10.4 mt of edible oils in the 2012-13 year, data from SEA showed.

Nearly 60 per cent of India's annual edible oil demand of 18-19 mt is met by imports, consisting mainly of palm oil sourced from Indonesia and Malaysia. India also buys tiny amounts of soyoil from Latin America and sunflower oil from the Black Sea region.

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The IPR stand-off

Business Standard

New Delhi, October 28, 2014 : Last week the office of the United States Trade Representative, or USTR, announced on its website that it is initiating a long-threatened "out-of-cycle review" of India'sintellectual property rights (IPR) regime. The announcement drew a sharp and quick response from New Delhi - unsurprising, given the timing of the USTR decision. It came just weeks after Prime Minister Narendra Modi's visit to the United States, which was supposed to reduce the irritants that have crept into the Indo-American trade relationship of late. It seems that the visit was less effective than was hoped at first. In the joint statement that was released by Mr Modi and United States President Barack Obama, both countries agreed to set up a high-level intellectual property working group under the existing Trade Policy Forum. This seemed to be a revival of the Innovation and Creativity Focus Group formed in 2010 but had remained inert till now. This was meant for regular consultations on improving IPR protection and enforcement, enhancing awareness of IPR, fostering innovation and creativity, and increasing collaboration between the United States and Indian innovators.

The Indian government's position remains that the United States should not take "unilateral" action when it comes to India's IPR regime. The USTR resisted considerable pressure earlier this year and kept India off the list it reserves for the world's worst IPR offenders. New Delhi wants Washington to keep making this effort, while it explains its IPR policy through bilateral working groups such as the one mentioned in the agreement between Messrs Modi and Obama. Commerce Minister Nirmala Sitharaman has also said that a comprehensive IPR policy is being worked on in India, to help settle disputes such as that with the United States.

In any case, few can claim that India's IPR regime violates the multilateral Trade-Related Aspects of Intellectual Property Rights (TRIPS) agreement, which actually allows very wide latitude to national policymakers. This is why most Indian IPR decisions go unchallenged in international forums. India's law is particularly strong on what New Delhi sees as safeguarding national interests - in particular, it goes an extra mile to shield the interests of local industry by utilising the many flexibilities allowed under the TRIPS. Much of the anger in the United States came following decisions in India - one by the administration and the other by the judicial system - that militated against the interest of multinational pharmaceutical companies. Yet, whatever the larger wisdom of those decisions, one things seems clear: they were not supposed to be part of a broader pattern of violation of international norms on IPR. Yet India appears to have so far signally failed to convince international business or other countries of this fact.

It is in the context of this failure to communicate that the current stand-off between New Delhi and Washington should be evaluated. Will India benefit more from its current stated stand, of non-cooperation with any investigation that does not come under the framework agreed by the two heads of government? Or will more communication reduce the chances that the USTR will come to a conclusion that harms Indian commercial and consumer interests?

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India seeks Saudi Arabia's support for petroleum imports

Business Standard

New Delhi, October 30, 2014 : India has sought Saudi Arabia’s support for long-term oil imports. Petroleum Minister Dharmendra Pradhan, currently visiting that nation, took up India’s additional requirement of crude oil and liquefied petroleum gas (LPG) and investment opportunities with assistant minister for petroleum and mineral resources Prince Abdul Aziz Bin Salman Bin Abdulaziz.

Pradhan also met minister for petroleum and mineral resources Ali bin Ibrahim Al-Naimi and invited the world's largest oil exporter to invest in strategic crude oil storages and downstream facilities in India.

“The Saudi side assured affirmative consideration of India’s growing demand for crude and LPG, while also agreeing to look into the issues underlined by India concerning trade and investment in hydrocarbon sector between the two countries,” said an official statement.

Both sides discussed issues concerning public sector oil companies in India and Saudi Aramco. The Indian delegation invited Saudi companies, including Aramco, to participate and invest in crude oil storage facilities and downstream industries in India. India sources over 20 per cent of its crude imports from Saudi Arabia. It is the largest supplier of LPG to India.

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Govt hikes minimum support price of wheat by Rs.50/quintal

Business Line

New Delhi, October 29, 2014 : The Cabinet Committee on Economic Affairs, chaired by Prime Minister Narendra Modi, on Wednesday hiked the minimum support price (MSP) for Rabi crops, including wheat, for the current season ending June.

For marketing in the 2015-16 season, the MSP for wheat and barley has been hiked by Rs. 50 to Rs. 1,450 and Rs. 1,150 a quintal, respectively. The maximum hike of Rs. 125 is for masur dal (lentil) at Rs. 3,075.

“The prices are based on the recommendations of the Commission for Agricultural Costs and Prices and will help in higher production through assured remunerative prices to the farmers,” an official release said.

The National Agricultural Cooperative Marketing Federation, National Cooperative Consumers’ Federation, Central Warehousing Corporation and Small Farmers Agri Business Consortium will be the nodal agencies for procurement of oilseeds and pulses, and losses if any, incurred by the nodal agencies in such operations would be fully reimbursed, the release said.

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Despite WTO backing, US poultry exports unlikely to make it to India soon

Madhvi Sally, The Economic Times

New Delhi, October 31, 2014 : American chicken legs may not make it to your dinner plates in the future, regardless of a World Trade Organization order that asks New Delhi to remove curbs on poultry imports from the US. US poultry exporters say India's inadequate facilities to store and distribute frozen meat, and the likelihood of the country challenging the WTO ruling, would delay shipments to India.

Fearing loss of business, local poultry players have been pressing the government to take steps to ensure that the US doesn't dump chicken legs — an item that they say Americans usually discard — in the Indian market. India could possibly appeal against the recent WTO order, said a person with knowledge of the government's plans.

"India has a lot of reasons to challenge this," he said, adding that the WTO ruling would lead to dumping of frozen chicken legs which has no market in the US. Currently, foreign suppliers have no direct access to the Indian poultry market. Global poultry majors like Pilgrim's of the US, Brazil's Perdigao and Charoen Pokphand Foods from Thailand are keen to enter the Indian market, industry executives said.

India is the fourth largest producer of chicken meat in the world after the US, China and Brazil, with production touching 3.5-4.0 million tonnes a year. Organised players like Godrej Tyson, Suguna Foods, Venkateshwara Hatcheries and Alchemist have been expanding their retail base, apart from augmenting capacities. Per-capita consumption of chicken in India has been on the rise, with eating habits changing predominantly in the metro cities, driving demand for fresh meat and meat products.

"Quick-service restaurants tell us that they are unable to get supply of wholesome quality product meeting food-safety requirement," said James H Sumner, president of the USA Poultry and Egg Export Council.

"This is not enabling them to expand their operations the way they would like to," he told ET over the phone from the US. "Indian companies have for long had a strong connection with American players and we expect the bond to further strengthen," said Sumner. US-based Tyson Foods in 2006 entered the Indian market through a joint venture with Godrej. In the 1980s, US poultry breeding company Cobb had a joint venture with Venkateshwara Hatcheries.

Also, the Aviagen Group, the world's premier poultry breeder, had set up an integrated backend processing plant in Coimbatore. Sumner cited India's limited cold-storage facilities as a major challenge and health hazard. "During my visits to India, I saw raw chicken being transported without refrigeration and in the open air, which is a tremendous food safety concern," he said.

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