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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.

Modi, Obama discuss trade; US extends defence pact by 10 years
Nayanima Basu, Business Standard

New Delhi, 1 Oct 2014 : On the final day of Prime Minister Narendra Modi's visit to the US, that country on Tuesday extended its Defence Cooperation Agreement with India by another 10 years. The pact, which was to expire in June next year, will now be in force till 2025.

The development follows India's decision to increase the foreign direct investment (FDI) cap for the defence sector from 26 per cent to 49 per cent. The issue was taken up at Modi's extensive meeting with US Defence Secretary Chuck Hagel, before the prime minister's summit-level talks with President Obama at the Oval Room of the White House.

The pact, New Framework for the US-India Defence Relationship, was signed in June 28, 2005 by then defence minister (now President) Pranab Mukherjee and his American counterpart Donald Rumsfeld. The Indian Cabinet is yet to approve Rs 15,000 crore worth of US defence deals, including one for sale of 22 AH-64E Apache attack choppers, 15 Chinook heavy lift helicopters and the Javelin anti-tank guided missiles.

American defence equipment makers like General Electric and Boeing had met Modi a day earlier and expressed their desire to expand operations in India. Defence Minister Arun Jaitley is expected to visit Washington next month for a meeting of the Defence Policy Group (DPG), the top decision-making body for US-India defence cooperation.

On the civil nuclear agreement between the two countries, an India-US group is to address all implementation issues for speeding up deployment of American nuclear reactors in India. The agreement on this had hit a roadblock in 2010, when India rolled out a nuclear liability law. For his summit talks with Obama, Modi drove straight from Blair House, where he was lodged, to the famous West Wing of the White House. The talks were first in a restrictive format and later at a delegation level.

At his joint media briefing with Obama after the meeting, Modi said both sides were "committed to taking forward the civil nuclear partnership agreement. We are serious about resolving at the earliest the issues related to civil nuclear energy cooperation. This is important for India to meet its energy security needs."

In terms of actual business transaction, Nuclear Power Corporation of India is in talks with GE and Westinghouse to kick-start the agreement. This was Modi's second meeting with the US President since taking charge as India's prime minister. On Monday, the two leaders had discussed bilateral issues over a private dinner in an informal setting. The body language of both leaders looked relaxed after delegation-level talks, with Obama sipping a drink occasionally and Modi wearing a constant wide grin.

After the meeting on Tuesday, Modi took everyone by surprise by addressing the media, jointly with Obama, in Hindi. During his visit to the US, the prime minister had earlier addressed the United Nations General Assembly (UNGA) in Hindi.

On economic ties, Modi hinted that the government was going for further economic and policy reforms that would help in "rapid growth" of bilateral trade and investment partnership. Both sides discussed the recent standoff over the World Trade Organization's (WTO's) trade facilitation agreement (TFA). Modi revealed he had frank discussions with Obama and expected the US' support in addressing India's concerns over public stockholding for food security. In a definitive step, Modi also sought easy access for Indian services firms in the American market. At the time of going to press, Modi and Obama were expected to issue a joint statement on strategic ties between their two countries. Later in the day, Modi is scheduled to address the US-India Business Council.

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Government cuts import tariff value on gold & silver
PTI, The Economic Times

New Delhi, 1 Oct 2014: The government today cut the import tariff value on gold and silver to $ 396 per 10 gram and $ 575 per kg, taking into account weak global trends. For the second fortnight of September, the tariff value on imported gold was fixed at $ 420 per 10 gram, while that for silver at $ 645 per kg.

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 considering volatile global prices. The slash in tariff value on imported gold and silver has been notified by the Central Board of Excise and Customs, an official statement said.

Besides, the government has also reduced the tariff value on imported both crude and soft palm oils to $ 725-764 per tonne, while it stood in the range of $ 743-773 per tonne in the second fortnight of September. Taking weak global cues, the import tariff value on crude soyabean oil has also been cut to $ 838 per tonne from $ 890 per tonne, while the tariff value on imported poppy seed has been kept unchanged at $ 3,429 per tonne in the review period.

In Singapore market, gold prices fell by about 5.5 per cent for the month after hitting 9-month low of $ 1,206.85 last week as Asian equities remained unsettled by political unrest in Hong Kong. Gold is the second largest import item for India after petroleum. The government has imposed several restriction to curb imports to contain current account deficit (CAD).

After registering decline, gold imports surged to $ 2.03 billion in August this year from $ 738.7 million in the same month last year, according to official data. The Commerce and Industry Ministry is pitching for easing of the gold import restrictions to boost gems and jewellery exports, which declined by 10.31 per cent in August to $ 3.23 billion. To reduce trade deficit, the government last year raised its gold import duty to a record 10 per cent and made it mandatory to export 20 per cent of the imported gold.

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Good news for India as oil slips below $93 a bbl
BS Reporters, Business Standard

New Delhi/Mumbai, 3 Oct 2014 : Brent crude, the global oil price benchmark, on Thursday fell below $92 a barrel, its lowest level since June 2012. This slump, attributed to a weak global economic recovery and oversupply in the market, is set to narrow Indian oil firms' losses on sale of petroleum products and lower the government's subsidy burden.

Brent crude oil for November delivery slipped to $91.37 a barrel, the lowest in 27 months. As at 11 pm (IST), it was trading at $92.89 a barrel - $1.27 (1.35 per cent) lower that its previous close. The sharp drop in the global rate comes amid price cuts by Saudi Arabia's state-owned oil firm, Saudi Aramco.

About 75 per cent of India's crude oil requirements are met through imports. The country's oil import bill for last financial year stood at $150 billion. The government had budgeted for a 26 per cent decline in petroleum subsidy in the current financial year to Rs 63,426 crore, against Rs 85,480 crore last year. The expectation, outlined in the Union Budget in July, is based on the assumption of the crude oil price staying between $105 and 110 a barrel.

With prices falling below that range now, the subsidy burden is likely to be eased further. A Morgan Stanley India Economics report, dated September 29, had said a 10 per cent reduction in the crude oil price would lower India's import bill, besides bringing its current account deficit (CAD) down by 0.6 per cent of gross domestic product (GDP).

"Every $10-a-barrel change in oil price changes fuel subsidy in India by $6.5 billion (0.3 per cent of GDP), if domestic fuel prices remain unchanged. For calculation of fiscal deficit, assuming the government's share in subsidy burden at 50 per cent (oil subsidy burden is shared by the government and oil marketing companies), a change of $10 a barrel will affect the fiscal deficit by $3.25 billion, or 0.15 per cent of GDP," said the report authored by Chetan Ahya and Upasana Chachra.

According to CARE Ratings Chief Economist Madan Sabanavis, with every $10-a-barrel fall in crude oil prices, the country's annual oil import bill will come down by $16-17 billion. This will substantially reduce CAD. And, if the oil price falls by $1, the rate of annual wholesale inflation would fall by 10 basis points, he said. This improvement will work only when the benefit of fall is fully passed on.

The average Brent crude oil price in 2011-12 was $114.5 a barrel. Since then, it fell by around $3 a year till March 2014. During this period, India was able to end its petrol subsidies. However, Brent has averaged at $105.65 so far this year. As prices have started falling lately, the real impact would be felt in import bill, inflation and CAD in the coming quarters.

With a continuing decline in the global price, the price of the Indian basket of crude oil had fallen to $95.34 a barrel on Tuesday, from a high of $115 a barrel in mid-June. The development comes as a blessing for the government, as the country's energy imports - growing at an average 14 per cent annually in the past five years to $161 billion - accounted for 36 per cent of its total imports last financial year.

A falling crude oil price, coupled with a sustained rise in domestic rates, has already eliminated domestic oil marketing companies' losses on retail sale of diesel. The oil firms' over-recovery (gains) on sale of each litre of diesel has increased to Rs 1.90 since Wednesday, amid a pending decision on diesel decontrol. However, the three firms - Indian Oil (IOC), Bharat Petroleum (BPCL) and Hindustan Petroleum (HPCL) - are still incurring a combined daily under recovery (loss) of Rs 156 crore on kerosene and cooking gas sales.

The companies' under recoveries stood at a whopping Rs 1,39,869 crore last financial year. Of that, Rs 62,837 crore was accounted for by diesel alone. In the first quarter of this financial year, their losses stood at Rs 28,691 crore - Rs 9,000 crore on diesel, Rs 7,500 crore on kerosene and Rs 12,000 crore on cooking gas.

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Coal India expects rise in coal import orders
Debjoy Sengupta, The Economic Times

Kolkata, 3 Oct 2014 : State-run Coal India BSE 0.79 % (CIL) expects a spurt in import orders after the Supreme Court last month barred most private companies from mining in 214 coal blocks from next year. The court scrapped the coal blocks allocated by the government over the last two decades saying the allocations were illegal. It ordered that the blocks should be returned to Coal India from March next year. CIL, the country's largest miner and supplier of the fuel, imports coal to bridge the demand-supply gap. Prior to the court ruling, it had received orders to import close to 5 million tonnes of coal. It now expects more such requests.

"Some companies are likely to import on their own, but we assume some consumers may want to source imported coal through Coal India. We are expecting a spurt in import orders in the next few months," a senior CIL director told ET. "A large number of power companies may want to import coal through us." The coal behemoth has appointed state-owned MMTC to import coal. The mechanism for advances and payment are already in place and Coal India is awaiting final orders from the companies.

According to consultancy firm ICRA, out of the affected power capacity in the private segment, about 53% (9.5 GW) have firmed up power purchase agreements with distribution utilities within which about 50% capacity is competitively bid and the rest is based on cost-plus tariff principles. All these companies will require coal to supply the power they have promised. In the short run, it will have to be imported either directly or through Coal India.

While mining is permitted from the operational coal blocks till March 2015, availability of coal thereafter would critically depend upon the timeliness in take-over of mining operations by Coal India or allocation of such blocks through the bidding route. Any delays in allocation of coal blocks through the bidding route would lead to dependence on coal from the open market, through e-auctions or coal imports, given the shortages in domestic coal availability.

As per ICRA's estimates, steam coal demand from the affected power projects in the private and state sectors is estimated at about 160 MMT by FY 2017-18. Given that the majority of the affected power projects are scheduled to be completed over the next two to three years, ICRABSE -0.96 % expects a significant time lag in availability of coal even though such blocks are re-allotted through abidding route. This in turn is likely to increase import demand.

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Move beyond Bali, look at larger Doha: India to WTO
Nayanima Basu, Business Standard

New Delhi, 3 Oct 2014 : After a standoff over the trade facilitation agreement (TFA), India has urged the World Trade Organization (WTO) to move beyond the Bali deal and take up other important issues, which face an uncertain future under the main Doha Development Agenda (DDA).

During a meeting between WTO Director-General Roberto Azevêdo and the G-90 in Geneva earlier this month, India, along with other developing countries like China, had asked WTO members to start negotiating other issues such as non-agriculture market access (NAMA), fisheries subsidies, cotton subsidies and trade in services, among others. These issues are all part of the larger DDA, the talks for which started in 2001 in the Qatari capital.

“We have told WTO that other issues cannot be held ransom to the Bali package and specifically to TFA just because that’s the top agenda for developed world. DDA has gone on the back burner it seems, while rich countries are now only talking of Bali,” a senior commerce department official told Business Standard.

On September 29, the Preparatory Committee on Trade Facilitation (PCTF) met again to close the chapter. However, the meeting ended without any movement on the issue. TFA seeks to relax global customs rules by cutting red tape and reducing transaction costs of exporters. During the meeting, India was apparently the first one to speak and stated there was no change in its position. India was expected to sign a protocol of amendment to convert the TFA into a legally bound document on July 31. However, it refused to do so as it wants a parallel pact on public stockholding for food security.

Interestingly, while the government has maintained that it has no problems with TFA per se, at the PCTF it said more work needs to be done on TFA, which was supported by Egypt, Barbados, Ecuador, Nepal, Cuba, Bolivia, Venezuela and Zimbabwe.

On the other hand, it is learnt the US said discussions on resolving the food security issue had moved up to the General Council (GC), which is equivalent to a ministerial meet. It also insisted that since no work is left to be done on the TFA, the PCTF should not be convened any more. It also strongly resisted sitting for another PCTF that is likely to take place on November 7. The US said it believed further work on addressing this issue should take place within the General Council and not in the PCTF, which had completed its work.

US was able to garner some support from the European Union and Australia, which although did not reject the idea of holding the PCTF again, they resorted to a more wait-and-watch approach and wait for the outcome of the Trade Negotiations Committee that is scheduled to take place next Monday. Azevêdo is expected to report the state of play on the Bali package during TNC meeting and if members were able to arrive at any consensus.

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Food Security Act: Odisha to digitise ration cards
BS Reporter, Business Standard

Bhubaneswar, 2 Oct 2014 : Moving ahead in the implementation of the National Food Security Act (NFSA), the Odisha government plans to take up digitisation for new ration cards from October 8. Initially, the digitisation for new ration cards to enlist beneficiaries for NFSA will be done at 211 centres in Bhubaneswar Municipal Corporation (BMC) and Bhubaneswar block area and the process will continue till October 22.

The state food supplies & consumer welfare secretary M S Padhee has called for adequate security arrangements to maintain law and order during digital enrollment of beneficiaries. "It is expected that a large number of people may gather in these centres for digitization purpose. There is a possibility of breach of peace during the process at these centres. I would therefore request you to take necessary steps during the digitization process from October 8-22," Padhee wrote to the commisssioner of Police, Bhubaneswar-Cuttack.

The NFSA will be implemented in the state in a phased manner. In the first phase, it would be implemented in BMC and Bhubaneswar block on a pilot basis from February next year. The digitisation process would be launched in all urban local bodies (ULBs) and district headquarter towns in the second phase. Rest of the blocks will be covered in the third phase. The entire process is expected to be over by July next year.

The state government had notified the eight exclusion criteria on July 17 in the NFSA. These include the Income tax payees, persons having vehicles including two wheelers, business with TIN (tax payer identification number), households with electricity consumption of above 300 units per month, state or central government employee, persons having power tillers, fishing boats or other heavy vehicles and professional tax payees. People falling under these categories cannot apply to get benefit under the scheme.

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Urea imports dip 34% to 2.7 mn tn in H1
Press Trust of India, Business Standard

New Delhi, 2 Oct 2014 : Urea imports have decreased by 34 per cent to 2.7 million tonne (MT) in the first six months of 2014-15, due to carry over stocks from the last fiscal. Urea imports were 4.107 million tonnes in the April-September period of 2013-14, according to official data.

"Urea imports have come down substantially this year so far as we have carry over stocks from last year and also farmers sown crops lesser area during kharif season this year compared to last year," a Fertilizer Ministry official said. Sowing of kharif crop begins with the onset of southwest monsoon in June and farmers normally start preparing fields before the arrival of rains.

Urea is imported by three STEs (state trading enterprises) — Indian Potash Ltd (IPL), MMTC and STC on behalf of the government to meet domestic shortfall. The country produces about 22 million tonnes against an annual domestic demand of 30 MT. Besides, these three STEs, the government imports urea from OMIFCO, which is a joint venture project of IFFCO and Kribhco, with an offtake agreement. India's urea imports have decreased 12 per cent to 7.08 MT in 2013-14, due to carry-over stocks from the previous year. The country had imported 8.04 MT of urea in the entire 2012-13 fiscal.

Urea is provided to farmers at a fixed subsidised maximum retail price (MRP) of Rs 5,360 per tonne. The difference between the cost of production and MRP of urea is provided as subsidy to manufacturers. The government is also working to revive the closed domestic fertiliser units to increase the domestic production of soil nutrient. Earlier, Fertilizer Minister Ananth Kumar had also said his aim is to make the country self-reliant on the widely-used soil nutrient. Kumar had also assured the farmers that there will not be any shortage of urea in the ongoing kharif season.

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Separate body to boost defence exports
Huma Siddiqui, Financial Express

New Delhi, 3 Oct 2014 : The government will soon set up a separate export promotion body for defence equipment and indigenously developed sensitive platforms. Also in the pipeline is a specific strategy for boosting defence exports within the Foreign Trade Policy. The strategy also includes streamlining the process of issuing NOC/clearance for export of defence related items.

A Defence Exports Steering Committee (DESC) headed by the defence secretary, with representatives from DGFT, ministry of external affairs, and defence ministry will be constituted. The DESC will take decisions on export permissions, especially the indigenously developed sensitive defence equipment.

It will also monitor the progress in defence exports and suggest specific measures/strategies to boost exports after taking into consideration views of industry and experts. According to the strategy document, while there is no need to have a separate defence export policy, there is need to put in place a specific strategy to encourage defence exports within the overall ambit of FTP.

The strategy paper states that the current Defence Offsets Policy may be reviewed and aligned towards final integration of weapons/systems in India and promoting export of such systems. The policy may also be reoriented towards acquisition of critical technologies required for high-end weapons/platforms so that the same can be leveraged for export.

It has been suggested in the document that the committee will identify the suitable export markets in consultation with the MEA and department of commerce, keeping in mind the country's foreign policy and various international export control and arms control regimes. Wherever feasible and required, the industry delegations from public/private sector and JVs of private and public sector would be included in bilateral meetings and discussions among various countries so that the importing country gets due comfort while importing from India.

If required, industry delegations would be taken to target countries under the leadership of officials or DPSUs representatives. Indian embassies or missions abroad would be associated in efforts to promote export of Indian defence products, recommends the strategy document. Specific incentives and promotion schemes for defence exports maybe implemented in consultation with the MEA and department of commerce, and industry associations within the purview of the foreign trade policy. Line of credit facility available in the MEA would be leveraged suitably to promote defence exports from India.

According to the paper, wherever feasible, possibilities to finance defence exports through EXIM Bank will be explored. Similarly, buyer's credit facility of the department of commerce will also be leveraged.

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Ending WTO stalemate put on priority list
PTI, Financial Express

Washington, 2 Oct 2014 : Seeking to end the impasse at the World Trade Organisation (WTO), India and the US have directed their officials to 'urgently' start consultations with other WTO members to work out the next step. India's tough stand led to impasse in the WTO. New Delhi had decided not to ratify WTO's Trade Facilitation Agreement (TFA), which is dear to the developed world, without any concrete movement in finding a permanent solution to its public food stock-holding issue for food security purposes.

"The leaders discussed their concerns about the current impasse in the WTO and its effect on the multilateral trading system, and directed their officials to consult urgently along with other WTO members on the next steps," said a joint statement issued after talks between Prime Minister Narendra Modi and US President Barack Obama.

India has asked WTO to amend the norms for calculating agriculture subsidies so that the country could continue to procure foodgrain 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% of the total value of foodgrain production.

However, the quantum of subsidy is computed after taking into consideration prices that prevailed two decades ago. There are apprehensions that India may breach the 10% limit after the full implementation of its food security programme. According to a WTO filing, India has provided a total farm subsidy of $56 billion, of which trade distorting subsidy amounts to only $13.8 billion for 23 commodities, including rice and wheat.

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Hurdles cleared for GAIL to import LNG from US
Business Line

New Delhi, 2 Oct 2014 : The last hurdle for GAIL India Ltd to import liquefied natural gas (LNG) from the Cove Point Terminal in the US has now been cleared, with the American company Dominion receiving approvals to build the terminal. On Monday, the US Federal Energy Regulatory Commission authorised Dominion to build the Cove Point Liquefaction Project for export of up to 5.75 million tonnes (mt) of LNG annually.

GAIL has booked a capacity of 2.3 mt from the terminal. The company's earlier project to import 3.5 mt of LNG annually from Sabine Pass Terminal in Louisiana, US, had already received approvals. GAIL expects to get supplies from the two projects in the US from 2017-18. The company hopes to sign more deals with the US for sourcing LNG.

LNG export to India from the US is seen as a game changer in the bilateral trade and investment ties between the two countries. According to trade experts, it will not only help address the current imbalance in goods trade, in favour of the US, but also result in investment of billions of dollars in the US by Indian companies.

The entry of LNG supply from US in global markets, and even an indication of the possibility of LNG exports from the US to major global consumers will have a beneficial impact on rectifying the current anomalies in global gas prices. India is hoping that the US will agree to sell LNG to the country by exempting it from the requirement of a compulsory free trade agreement.

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India says US agrees to its stand on IPR
BS Reporter, Business Standard

New Delhi, 4 Oct 2014 : India on Friday said the US had agreed to its position that differences over intellectual property rights should be resolved through talks. India has been refusing to be subjected to unilateral action proposed by the US under its Special 301 report. A joint statement issued after Prime Minister Narendra Modi and US President Barack Obama met in Washington earlier this week talked about setting up an intellectual property working group with appropriate decision making and technical level meetings as part of the Trade Policy Forum between the two countries.

"The US agreeing to discuss IPR issues through the bilateral mechanism of the Trade Policy Forum is in fact a re-affirmation of India's stand that issues need bilateral discussion and not unilateral action," the department of industrial policy and promotion said in an official statement. However, the department clarified that there already existed the Innovation and Creativity Focus Group in the forum since 2010 to consult not less than twice a year on improving IPR protection. Besides, the group is expected to foster innovation, creativity and collaboration between US and Indian innovators.

The DIPP, a department in the commerce and industry ministry, said the joint statement iterated what had existed in the earlier forum. It added IPR issues were critical for both countries and India had been repeatedly raising the issue of copyright piracy and misappropriation of traditional knowledge with the US. The official statement said India had consistently pointed out that its IPR regime was compliant with the agreement on Trade Related Aspects of Intellectual Property Rights (TRIPs) and that any issues had to be discussed in the forum.

The Indo-US joint statement on the IPR issue would only strengthen the bilateral institutional mechanism, the statement added. Earlier this year, the US Trade Representative's much-awaited Annual Special 301 Report had maintained a status quo on India, by keeping it on a "priority watch list" for an allegedly lax IPR regime but refrained from labelling it a "priority foreign country", which might have led to sanctions.

However, the report expressed growing concerns over India's IPR protection and enforcement. The report had said Indian laws and their enforcement would be closely monitored by initiating an "out of cycle" review. India has been on the priority watch list since 1989, when the Special 301 was first released. Special 301 is a trade and industry practices report maintained by the USTR in which the US designates certain countries under two categories, priority foreign country and priority watch list. This is for IPR violators and offenders. The first designation is for the worst offenders that could face trade sanctions. India was earlier designated a priority foreign country in 1994. India has, however, consistently been urging the US to hold bilateral talks to resolve IPR issues, instead of taking unilateral steps. In today's statement as well, the DIPP said, "India has refused to be subjected to unilateral action proposed by the US under the Special 301 report."

US companies, especially pharmaceutical firms, have been pressuring the administration to take strict action against India over its IPR policy. The US was particularly miffed with the Supreme Court's judgment in April 2013 rejecting the patent application by Swiss company Novartis for its cancer drug, Glivec. Prior to this, American companies were upset when the controller general of patents, designs and trademarks granted a compulsory licence to Natco Pharma to sell a generic version of Bayer-Onyx's cancer drug, Nexavar.

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Dumping duty on phenol imports from US, Chinese Taipei
Kr Srivats, Business Line

New Delhi, 4 Oct 2014: The Finance Ministry has imposed definitive anti-dumping duty on phenol imports from the US and Chinese Taipei. The duty, effective from May 16, will be valid for a period of five years, the revenue department has said.

Phenol is a basic organic chemical used in plywood, laminates, particle boards, pharmaceuticals and phenyl formaldehyde resins. The revenue department move follows the Designated Authority in the

Commerce Ministry recommending imposition of definitive anti-dumping duty on imports of phenol from the US and Chinese Taipei.

The petition seeking anti-dumping duty on phenol imports from these two countries was filed by Hindustan Organic Chemicals Ltd. The anti-dumping duty imposed ranged from $46.24 a tonne to $196.24 a tonne depending on the producer and the country of export.

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Chinese long-steel imports distorting Indian market
Kunal Bose, Business Standard

7 Oct 2014 : Steel Authority of India Ltd Chairman Chandra Shekhar Verma is concerned about the fact that in August this year, factory output in China grew the least in about six years. His worries, heightened by a slowdown in China's housing market despite new stimulus measures such as easier mortgages to buy second houses, are shared by many in the Indian steel sector.

"Considering China's massive steelmaking capacity and the year-on-year rise in production, the mismatches between domestic demand and supply could lead to a marked rise in steel exports. This is proving to be upsetting for steelmakers in countries where Chinese products are shipped in volumes," says Verma.

China is reported to have shipped 52.4 million tonnes (mt) of steel in the first eight months of this year, up 36 per cent compared to the year-ago period. And, India has started feeling the pinch. Between April and August, Indian steel imports rose 23 per cent year-on-year. The slowdown in demand from the housing and construction sectors in China has made that country an aggressive seller of long products such as steel reinforcement bars (rebar). The gradual shift in the composition of Chinese exports - from flat to long products - is proving unsettling for India, which has substantial idle capacity in the long-steel segment.

Abatement in the Chinese export onslaught in the coming days is unlikely. In its short-range outlook, the World Steel Association has said as Beijing's drive to rebalance the economy is restraining investment activities, growth in steel demand this year will fall to three per cent (721.2 mt) from 6.1 per cent last year. Next year, growth in Chinese steel demand is likely to fall further to 2.7 per cent. Fitch Ratings has estimated growth in China's gross domestic product will fall from 7.7 per cent in 2013 to 7.2 per cent this year.

At Shanghai Futures Exchange, rebar for January is trading at the lowest since trading of the product began in 2009. Trade officials tracking the Chinese market say as steelmakers in that country are selling their products at increasing losses in the domestic market, they are compelled to export to markets, including India, where prices are higher. Bloomberg quotes China-based analysts as saying this year, Chinese steel exports are likely to stand at 85 mt, 44 per cent higher than the record 59 mt in 2007.

Verma says it is unacceptable that some Chinese producer-exporters dodge the 23 per cent export duty on carbon steel by adding some boron to it to make the product appear to customs authorities as alloy steel (which does not invite the tax). Boron is added to fully killed steel to improve hardening.

Imports of steel from China, where prices of many products have fallen to record lows, are distorting the Indian market. As India-made long steel is at least $100/tonne costlier than its Chinese counterpart, its import surge is inevitable, unless New Delhi revises customs duty. The steel ministry is said to be keeping a watch on import trends. It has given indications of raising import duty from 7.5 per cent to 15 per cent, in conformity with WTO norms.

Meanwhile, European producers hopeful about the return of growth in demand for steel in that region are worried about the damaging impact of cheap steel imports, primarily from China. Restructuring of the European steel sector is far from over; the sector is yet to cut a substantial number of jobs for earnings improvement. In such a situation, imports could add to the pains involved in restructuring.

"Besides imports from China, growing quantities of steel arriving here from Japan and South Korea, taking advantage of India's comprehensive economic partnership agreements (CEPAs) with them, remain a concern for steelmakers. CEPAs provide for extinguishing customs duty in eight equal annual instalments for steel from South Korea, and in six equal annual instalments for Japanese steel. What is not to be lost sight of is a rise in imports when our steel sector is using only 80 per cent capacity. Much new capacity is also in the pipeline," says Verma. In the first five months of this financial year, Indian imports of Japanese steel rose 64 per cent and South Korean steel 28 per cent.

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Export cheer from engineering goods

Indivjal Dhasmana, Business Standard

New Delhi, 7 Oct 2014 : Exports of engineering goods have shown growth of above 20 per cent over a year before in each of the first five months of the current financial year. This is despite the overall outbound shipment of goods showing marked volatility over this period. Overall export growth was in double-digits in May and June; the next three months delivered single-digit expansion. August's was the lowest, at only 2.35 per cent.

Engineering goods, however, continued to have a good run in each of these months. The lowest growth was 23.2 per cent in July and the highest at 26.2 per cent in April. These goods were level with refined petroleum products for the top slot in exports. In August, outbound shipment of engineering goods was $6.6 billion, the highest exporter earner, followed by petroleum products at $5.1 bn.

However, much of the raw material for engineering exports are imported. The import intensity of engineering goods is roughly 40 per cent on an average, says Ajay Sahai, director-general of the Federation of Indian Export Organisations. This means $40 million of imports are made to export goods worth $100 mn.

Experts attributed the engineering export growth to newer markets and newer products, such as automobiles and auto components, aircraft and spacecraft parts and products. Some of the rise could also be due to low growth in the corresponding months of the previous financial year but that holds for overall merchandise shipments, too. "We have diversified engineering goods exports to new markets in Latin America, Confederation of Independent States and Africa," said Sahai.

For instance, engineering exports to Africa rose 20.8 per cent to $3.9 bn during April-August, 13 per cent of the total engineering export of $28.9 bn in these months. Exports to CIS countries in absolute amounts lagged a bit but picked up significantly in terms of growth. These were only $404 mn in these five months but this was a growth of 42 per cent over the $285 mn in the corresponding period of 2013-14.

Those to Iraq and Iran have also been on a rise due to the rupee export mechanism. India basically exports flat steel products to these countries. Exports to Iran more than doubled to $516 mn in April-August, against $256 mn a year before. Export of these items to Latin American countries, however, rose only 3.4 per cent, to $1.2 bn in these five months, against $1.18 bn a year before. Export of engineering goods to Sri Lanka, Nepal and Bangladesh saw a big rise.

Sri Lanka saw it almost doubling to $1.5 bn in April-August, over $781 mn a year before. It was the third biggest destination for India's engineering goods. Sri Lanka, Nepal and Bangladesh are in the top 25 markets for these exports. These 25 destinations took 72 per cent of these exports in April-August.

This diversification helped buffer the current slowing in a number of European Union countries, though that region continues to remain the top importer of these goods from here. Export to the region rose 12.9 per cent to $4.8 bn in April-August, over the $4.3 bn in the same period last year. The EU took 16.9 per cent of our overall engineering export. The biggest country destination is America for engineering goods. It took 26.7 per cent more, at $3 bn in the five months, over $2.4 bn last year. Its share was 10.4 per cent of the total in these months.

"This shows that engineering exports are critically dependent on EU and US markets," said Anupam Shah, chairman, EEPC India, a body representing engineering exporters. He said this was despite The Generalised System of Preference (GSP) being in limbo since August last year. GSP, under which exports to the US got concessional duty treatment, had expired on July 31 last year. The US economy grew at an annual rate of 4.6 per cent during April-June, the fastest since end-2011. The economy had contracted 2.1 per cent in January-March 2014.

In the EU, exports of these goods to Germany, despite the latter's economy contracting 0.2 per cent in the April-June quarter, rose 7.6 per cent in April-August to $901 mn, against $837 mn in the same period last year. Similarly, France, which has seen almost stagnant growth, saw engineering export from India rising 7.8 per cent to $433 mn in April-August against $401 mn a year before. The growth in August was 18.5 per cent, to $91.8 mn.

Goods diversify

Besides, there is a diversification in export of engineering goods. "We are finding acceptability in the US as well for automobile components," said Sahai. Besides, companies are using India as a manufacturing hub to exports cars from here. Two-wheelers are exported to Africa and Latin America. Exports of auto and auto components was $5.4 bn in April-August, a rise of 20 per cent over the $4.5 bn of a year before.

This was the second highest category after iron and steel and products made out of these. Exports of iron and steel and their products were $6.8 bn in April-August, up 14.2 per cent over the $6 bn in the corresponding period of 2013-14. Similarly, aircraft and spacecraft parts and products rose 52 per cent to $2.3 bn during April-August over $1.5 bn a year before.

Worries

There are worrying signs in some destinations beside the EU. The United Arab Emirates, second biggest country importer of our engineering goods after America, saw these exports from India contracting 44 per cent to $365 mn in August over $656 mn a year before. Singapore, one of the top five countries in these imports from here, took 4.5 per cent less in August at $103 mn, against $108 mn a year before.

China, sixth largest importer of our engineering goods, took 1.3 per cent less at $268 mn in August against $271 mn in August 2013; its economy faces slowing growth.

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'Need to amend SEZ rules to boost pharma exports'

Priyadarshi Siddhanta, The Financial Express

New Delhi, 8 Oct 2014 : The finance ministry has suggested that certain rules governing special economic zones (SEZs) should be amended in the forthcoming foreign trade policy (FTP). The move will ensure expeditious processing of customs and quality clearances to help hassle-free exports of drugs and pharmaceuticals from the country.

Revenue secretary Shaktikanta Das has written to commerce secretary Rajeev Kher reminding that the rules enforced by the government in 2010 for processing of pharma exports need to be amended as demanded by the SEZ-based pharma companies to help streamline exports of their produce. In 2010, the government had made it compulsory for drugs exporters to obtain no objection certificates

(NOCs) from assistant drug controllers deputed at the SEZs and also a 'Let Export Order' from the customs officials following which they would be allowed to export their produce.

To complicate the matters, customs officials were barred from issuing the export order unless the exporter has obtained a NOC. In a letter to Kher on September 29, Das pointed out that the irony is while the exporters are mandated to obtain NOCs at the SEZs, the government has not sanctioned deputation of ADCs in these zones and exporters are unable to obtain a NOC.

In the absence of a NOC, the customs officers refuse to issue 'let export order' (LEO). At times customs officers had issued provisional LEO subject to the exporter getting a NOC from the ADCs at ports or airports, but since the SEZ rules do not permit issuing of such LEOs, the pharma companies are left at the mercy of officials deputed at the SEZs.

"If the officer does not cooperate, then exporters are burdened with all sorts of problems in regard to every export consignment," Das reasoned. Accordingly Rule 46(1) of the set of rules governing the SEZs for pharma companies should be amended to provide for issuance of provisional LEOs at all export gateway ports or airports subject to the exporter obtaining a NOC from the ADCs. A senior commerce ministry official said that views of the concerned firms would be soon sought although they have been informally conveying their views so far in this regard.

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Of food, farmers and WTO's doublespeak
Vandana Shiva, Deccan Chronicle

8 Oct 2014 : The conflict between "free trade" and food rights came to the fore again at the World Trade Organisation (WTO) negotiations in September, when India did not back down from its stance that a permanent solution be found for food security issues before signing the Trade Facilitation Agreement (TFA). The TFA is designed to push free trade further, with heavy losses to India's food security. The US had challenged India at the WTO's Bali Ministerial in 2013, on the ground that the Food Security Act adopted by the United Progressive Alliance (UPA) regime would increase India's food subsidies beyond levels allowed by the WTO.

The rules allow subsidies at 10 per cent of the value of agricultural produce. Oddly, the base year for India has been fixed at 1986-88. India, justifiably, is demanding that this date be changed to reflect the reality of food prices today. Double standards in the WTO rules are also exposed when one realises that India's subsidies of $12 billion to its 500 million farmers are considered "trade distorting", while US subsidies of $120 billion to its 2 million farmers are not. India's subsidies are $25 per farmer, while US subsidies amounts to $60,000 per farmer — that's 2,40,000 per cent more than Indian subsidies. Yet the US is threatening India and demanding the removal of support to its small and marginal farmers.

These are not rules of trade, but rules of manipulation written during the Uruguay Round of Trade Negotiations which led to the establishment of the WTO, by agribusiness corporations seeking to profit from India's large food and agriculture market. The WTO debate on food and agriculture subsidies is actually intended to force India to stop supporting its farmers through procurement at the minimum support price (MSP) so that 1.25 billion Indians, including the 810 million covered by the Food Security Act, become a market for multinational corporations.

The US has claimed that India has doubled the MSP in the last 10 years. What is hidden from the public view is the fact that costs of production have gone up more than 10 times. Inspite of MSP, farmers are not able to recover their production cost. In 2011-12, the cost of production of rice in Punjab was Rs 1,700 per quintal, while MSP was Rs 1,285. In the same year, the cost of production of wheat was Rs 1,500, while MSP was Rs 1,110. In Haryana, the cost of production of rice was Rs 1,613, while MSP was Rs 1,350.

In the Northeast, the cost of production has risen by 53 per cent between 2008-2009 and 2011-12, while MSP has risen by only 20 per cent. A negative economy translates into debt and un-payable debt translates to suicides. Debt is due to dependence on MNCs who sell costly seeds and chemicals.

The WTO rules are, in fact, written by corporations for transforming public goods into globally traded commodities and capturing our economies for their profits. Monsanto, now the world's biggest seed giant, wrote the Trade Related Intellectual Property Rights (TRIPs) Agreement of WTO, which opened the floodgates for patenting seeds and life forms. It has blocked the mandatory review of Article 27.3 (b) since 1999 wherein governments, including India, have called for "no patents on life". Cargill, the world's grain giant, wrote the rules of the Agreement on Agriculture (AOA) and would be the biggest beneficiary if India stops procuring from its small farmers.

Food is a fundamental right, a basic need, and the livelihood of a majority of Indians. The rules governing it should be rules of sustainability and justice, not rules for the profit of a handful of seed and food multinationals. It is time to review both, the TRIPs agreement and the agriculture agreement of the WTO, because they are destroying the planet, the livelihoods of our farmers and denying the poor and the vulnerable the Right to Food. One just has to look at the evidence. Since trade liberalisation was forced on us by the WTO in 1995, 3,00,000 farmers have committed suicide because of debt due to purchase of costly seeds and chemicals. Every fourth Indian is hungry. And every second Indian child is stunted.

Average calorie intake in rural areas has declined from 2,221 kcal in 1983 to 2,020 kcal in 2009-10; protein intake has dropped from 62 gm to 55 gm per day in the same period.

In urban areas the calorie intake stood at 1,946 in 2009-10, a decline from 2,089 kcal in 1983. Protein intake declined to 53.5 gm from 57 gm in the same period. These are direct consequences of the rules of trade liberalisation, which have transformed food from a right to a commodity for trade and profits. Addressing the twin epidemics of farmers' suicides and hunger requires rewriting the rules of trade on the basis of sustainability and justice. India's refusal to dismantle its food security system to further benefit MNCs is an opportunity to start redefining global trade on the basis of people's rights rather than corporate profits.

Seed sovereignty is the foundation of food sovereignty. Farmers' suicides are linked to seed monopolies and high costs of seed. Seed must be put back in the farmers' hands through creation of village seed banks and capacity-building in participatory and evolutionary breeding to deal with climate change.

Internationally, seed sovereignty requires ensuring that the mandatory TRIPs' review of Article 27.3 (b) is completed. For food sovereignty we need to ensure that farmers do not fall into debt and are able to earn a dignified and fair income. While we need to defend our right to support farmers through MSP, it is evident that MSP is no longer covering costs of production. The government has, in fact, frozen MSP in 2013-2014. The alternative is to reduce costs of production by reducing dependence on chemicals and corporate seeds through ecological farming. This is why organic farming based on the principle of agro ecology has become an imperative for food sovereignty.

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EU frowns at India's telecom sourcing rules
Amiti Sen, Business Line

New Delhi, 6 Oct 2014 : The European Union has raised concerns about India's domestic sourcing norms for purchase of telecommunication products by Government departments and has asked for clarification on how much value addition needs to be done in the country for such items to qualify as locally manufactured.

Only for Govt purchases

Although India partially relaxed its policy to give preference to domestically manufactured electronic and telecom products by restricting them only to Government purchases and exempting the private sector in December last year, the EU is not happy. In a representation made to the World Trade Organisation (WTO), the EU said that it was concerned about India pursuing the policy of local content requirements in various industrial sectors.

New Delhi, however, maintains that its policy on compulsory sourcing of at least 30 per cent of electronic and telecom products by Government Ministries and Departments was in strict compliance with WTO norms. Whatever clarifications it would give to other members on the matter would be strictly on a voluntary basis.

"We have changed our preference policy for domestic manufacturers in the electronics sector by restricting it to Government purchases after several WTO members including the US and the EU protested. What more do they want?" a Government official told *Business Line*. "The EU wants us to spell out in greater details how we classify domestic production. Basically it wants to assess what part of its exports could take a hit because of the domestic sourcing condition and what would pass muster because of adequate domestic value addition," the official said.

Since India is not a signatory to the WTO agreement on Government Procurement, its policies related to purchases made by the Government does not fall within the WTO's ambit. Electronic products (at about $ 31 billion in 2013-14) are the second-largest component in India's import basket and the country wants to reduce its dependence on foreign products by encouraging local production.

The notification issued by the Department of Electronics and Information Technology in December 2013 has left it mostly to individual Departments and Ministries to specify local value addition requirements that a product should satisfy for it to qualify as domestically manufactured electronic product. It has, however, specified the minimum levels of domestic value addition, ranging from 25 per cent in the first year of production to 45 per cent in the fifth year of production.

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India expected to emerge biggest rice exporter in 2015
Madhvi Sally, The Economic Times

New Delhi, 8 Oct 2014 : India may become the largest exporter of rice next year amid higher demand anticipated from African and Middle East countries and competitive prices.

"In calendar year 2015, India should emerge as the largest exporter of rice — both basmati and non-basmati. From 4 million tonnes of annual export of non-basmati rice, we should be able to export 7 million tonnes," said BV Krishna Rao, managing director of Pattabhi Agro Foods, the country's biggest exporter of non-basmati rice. Rao said basmati and non-basmati rice exports should be 10-11 million tonnes, a level last seen in 2012.

Surplus rice stockpiles in the country and improved methods of production have helped position India competitively in the global rice market. With the paddy harvesting season having started earlier this month, local rice prices are expected to fall further.

Indian parboiled non-basmati rice was quoted at $400 per tonne, which was $10-15 less than the rate in Thailand, giving it an edge in the African market, Rao said. In the white rice export category, the Indian price at $360-370 a tonne was competitive compared with rates in Pakistan and Vietnam, he said.

The All India Rice Exporters Association, a group of basmati rice traders, said it expects outbound shipments to increase this year. "We should see a minimum rise of 5% this year from current 4 million tonnes," said MP Jindal, president of the association. He said orders from Saudi Arabia and Europe would begin by Diwali when harvesting picks up.

South India-based exporters of nonbasmati rice, including Pattabhi Agro, Sri Lalitha, Sarla Foods and Murli Mohan, are waiting for harvesting of paddy to start in Jharkhand, Chhattisgarh, Bihar and Tamil Nadu in the next 15-20 days. Rice growers in Andhra Pradesh have upgraded the quality and performance of mills and rice, according to grains trade analyst Tejinder Narang.

"Ahead of the 2015 general elections in Nigeria, the government is expected to import huge quantities of rice to distribute to domestic consumer as a populist measures. India traders are set to gain," Narang said. As of October 1, the central pool had 17.33 million tonnes or rice compared with a requirement of 7.2 million tonnes in buffer and strategic reserves.

"Consumers and exporters will have a lot to cheer about. Prices of rice, including basmati, will fall considerably, which will boost exports," Narang said. Meanwhile, basmati variety 1509 was being sold at Rs 2,525-2,725 a quintal on Tuesday in Punjab, compared with Rs 3,800-4,100 a quintal a year earlier, said Surinder Kumar of Shri Krishan Trading firm in Khanna mandi of Punjab. Traders in Punjab and Haryana said that private players were waiting for prices of basmati to hit rock bottom before entering the market.

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India needs to scrap iron ore export tax as prices sink - miner Sesa
Krishna N Das And Manolo Serapio Jr, Financial Chronicle

New Delhi/Singapore, 8 Oct 2014 : India needs to swiftly remove a tax on iron ore exports, the country's top private miner of the commodity said, calling the duty an "economic barrier" in the face of falling global prices. The country's iron ore shipments have already slowed to a trickle after a ban on mining in key producing states, with a 30 percent tax on exports making it even more difficult to sell to a world market where prices have sunk 40 percent this year.

"There is an urgent need to eliminate the export duty, which represents an economic barrier to mining in the current low price environment for low grade iron ore fines," Tom Albanese, chief executive of Vedanta Resources (VED.L) that controls Sesa Sterlite Ltd (SESA.NS), told Reuters in an email. Sesa hopes to restart mining in Goa early next year after a decision by the Supreme Court in April 2014 to lift a 19-month mining ban in the state aimed at weeding out illegal miners.

But with global iron ore prices sliding, it makes more sense for miners there to sell to local steelmakers than export. Mining curbs have also forced some Indian steel producers to import iron ore. The problem is that the iron ore produced in Goa is of little use to Indian steelmakers, many of whom lack the sophisticated plants needed to process the low-grade material.

"Amidst low export revenue and high taxes within the country, it is very difficult for these miners to sustain operational profits," said Prakash Duvvuri, head of research at Indian consultancy OreTeam. The 2015 restart for Sesa's operations in Goa, previously India's top exporting state, indicates months of delay versus initial expectations for a restart in September.

"Based on recent public comments by the government of Goa, it's now probably realistic to assume mining to start by January to February at the earliest," Albanese said in the email late on Tuesday. Albanese was previously the CEO of Rio Tinto (RIO.AX) (RIO.L), but quit the mining giant last year after the company revealed a $14 billion writedown.

Rio on Tuesday said it rejected a takeover approach from smaller rival Glencore Plc (GLEN.L) that would have created a $160 billion mining and commodities behemoth, a proposal Glencore made in July as prices of Rio's top moneymaker iron ore headed to five-year lows.

Supply Glut

A surge in global supply, led by top producers Australia and Brazil, has depressed iron ore prices this year to their weakest since September 2009 at around $80 a tonne. That has pushed many smaller producers from Asia to South America out of the market as big, low-cost miners like Vale (VALE5.SA), Rio Tinto (RIO.AX) (RIO.L) and BHP Billiton (BHP.AX) (BLT.L) dominate.

Before the sustained slump in global iron ore prices, Sesa was targeting a six-fold jump in output in the year to March 2015 after the Goa ban was lifted. Sesa's mining operations are mostly in Goa. India used to be the world's No.3 exporter of the steelmaking ingredient until higher costs along with mining bans in key states Goa and Karnataka slashed shipments. India's exports to top market China stood at 7.5 million tonnes over January-August, ranking ninth, behind Chile and Malaysia.

Along with existing high taxes and freight charges, India is also planning to increase the royalty on iron ore - or the percentage of sales paid to state governments - to 15 percent from 10 percent. The high costs, Duvvuri said, might force smaller miners in Goa to either sell their mines or close down. "As far as fresh mineral extraction is concerned, it's not viable at all. So it's not a question of what are the margins. Margins are not there," said Ambar Timblo, managing director of Goa-based miner Fomento Resources.

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Global food prices slide for 6th month to 4-year low as dairy, sugar fall
Dilip Kumar Jha, Business Standard

Mumbai, 9 Oct 2014 : In September, global food prices fell to a 50-month low, the sixth consecutive monthly decline, owing to oversupply resulting from bumper agricultural output in major producing countries, including India. A steep fall in dairy and sugar prices aided the fall.

In a report released on Thursday, the United Nations' Food and Agricultural Organization (FAO) said, "The FAO Food Price Index averaged 191.5 points in September, down 5.2 points (2.6 per cent) from August and 12.2 points (six per cent) from the corresponding month a year ago. The September slide, the sixth consecutive monthly drop, brought the value of the index to its lowest since August 2010."

Among the sub-indices, those for sugar and dairy prices weakened the most, followed by cereals and oils; the index for meat remained firm. Among the underlying factors, the dollar's broad appreciation continued to weigh on all international commodity prices.

For September, the FAO Cereal Price Index averaged 177.9 points, down 4.6 points (2.5 per cent) from August and 17.1 points (8.8 per cent) from September 2013; this was the fifth consecutive monthly fall in the index. Good production and large export availabilities were the primary factors behind falling wheat and maize prices. Rice prices, which had risen steadily in recent months, registered a decline in September, reflecting accrued competition among exporting countries, ahead of the coming harvests.

This year, global cereal production is estimated at 2,523 million tones (mt), 65 mt higher than FAO's forecast in May. The revision in estimate was primarily due to continued upgrades of this year's coarse grain harvests, especially that of maize. It is expected global cereal production will fractionally decline from the 2013 peak, with wheat production standing at a record 718.5 mt, and production of coarse grains virtually on a par with last year's high of 1,308 mt.

By contrast, unfavourable weather conditions have lowered the prospects of rice production. Now, this is estimated at 496.4 mt, down 0.4 per cent from 2013. Global cereal carryover stocks, therefore, are likely to stand at a record 627.5 mt, owing to a marginal decline in utilisation, at 2,461.3 mt.

"This year's abundant supplies have already resulted in sharp declines in international prices of all cereals, with the exception of rice. However, the lower prices are not expected to stimulate trade, as the major cereal-importing countries are holding large supplies, which might depress import demand," the report said.

The Dairy Price Index averaged 187.8 points in September, down 13.0 points (6.5 per cent) compared to August and 62.4 points (24.9 percent) less on a year-on-year basis. Quotations for all dairy products covered in the index fell, especially those of skimmed milk powder. The continued decline in prices reflects abundant export availability. A movement away from the production of cheese by the European Union for sale to the Russian Federation has resulted in increased output of butter and skimmed milk powder within the European Union. In other regions, the fall in skimmed milk prices stimulated whole-milk powder production.

The Sugar Price Index averaged 228.3 points, down 16.1 points (6.6 per cent) from August and 18.2 points (7.4 per cent) compared to September 2013. In recent months, large supply prospects and expectations global production will exceed consumption in 2014-15 continued to exert downward pressure on international sugar prices, leading to average prices in September falling to their lowest since January.

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Has Asean opened the floodgates to Indians?
Nayanima Basu, Business Standard

New Delhi, 9 Oct 2014 : The free trade agreement (FTA) on investments and services that India recently signed with the 10-member Association of Southeast Asian Nations (Asean) might prove to be a game changer for the country. It has the potential to open up new vistas for the country's teeming professionals. However, it all depends on all the Asean members ratifying the agreement.

Ever since coming to power in May, the government headed by Prime Minister Narendra Modi has taken a cautious approach to signing trade deals and has ordered a 360-degree review of all bilateral and multilateral trade pacts as it wants to bring out a comprehensive model for negotiating such agreements. The FTA with Asean last month is the first trade pact inked by the National Democratic Alliance government, though it had been negotiated and readied by the previous regime.

For the government, it was necessary not to delay signing the services and investment FTA. One, because delaying the agreement would have cost the government high at a time when its foreign policy is so heavily tilted towards strengthening the 'Look East Policy'. Two, this FTA has been under negotiation for over seven years now. Originally, it was supposed to be signed with the goods FTA, which was implemented in 2010, but it got stuck because Asean members like Vietnam and the Philippines refused to relax the conditions for greater entry by Indian professionals into their services markets.

The services sector is India's economic strength - it accounts for about 60 per cent of the country's GDP. The India-Asean services and investment FTA will give a boost to trade relations and, according to Mumbai-based foreign policy think tank Gateway House, allow India to leverage its competitive offerings in finance, education, healthcare, information technology, telecommunications, transport and the movement of professionals.

However, Gateway House has also said that the deal has been "elusive" so far with some countries yet to ratify the pact in their parliaments. Asean consists of Singapore, Malaysia, Indonesia, Vietnam, Philippines, Brunei, Thailand, Cambodia, Myanmar and Laos. The official press release after the signing had said: "Nine out of the ten Asean countries have signed the same. The Philippines is completing its domestic procedure and it is expected to sign soon." The agreement was earlier scheduled to be operationalised by July this year. With the delay, it is likely to come into effect only after the Asean-India Summit scheduled to take place in Myanmar next month.

"The India-Asean services and investment FTA will supplement the India-Asean FTA in goods and help in getting greater market access for India's professionals in the 10-member block," says Sidharth

Birla, president, Federation of Indian Chambers of Commerce and Industry. "We are happy that an annexure on the movement of natural persons has been included in the agreement, which will benefit our professionals."

Greater flow of money

According to the ministry of commerce and Industry, each Asean member has tabled an individual schedule of commitments that are equally applicable for India and other Asean states. India, on the other hand, has tabled three schedules of commitments - one for the Philippines, one for Indonesia and one for the remaining eight Asean members.

India also agreed that in order to increase participation of the least developed countries, no additional requests would be tabled to the CLMV countries (Cambodia, Laos, Myanmar and Vietnam). All the three schedules tabled by India are well within the existing autonomous regime of India.

Amid all this, the most crucial factor for the successful implementation of the FTA is its ratification by the member countries without which this deal will become irrelevant. "The agreement on services is unlikely to meet India's expectations for the very fact that several Asean members have not warmed up to this development," says Biswajit Dhar, professor in the Centre for Economic Studies and Planning at the School of Social Sciences in Jawaharlal Nehru University, New Delhi.

"Many of the Asean members consider India as a competitor and this is particularly relevant for the Philippines, which has already been recognised as the country that has the biggest potential to challenge India's IT and ITES sectors. While the exact contours of the market access opportunities being offered to India is unclear, India needs to be wary of the behind-the-border restrictions that exist among the Asean members."

Within the trading bloc, India has separate bilateral trade arrangements with some of the countries, including Singapore, Malaysia and Thailand. All these agreements have not proved useful. With Singapore, especially, the problems have multiplied with India failing to gain much access to that country's market.

Dhar adds that issues relating to domestic regulation will have to be taken up immediately if India is to prevent a repeat of its experience with Singapore, which saw Indian banks struggling to establish their presence in that country because of regulatory hurdles. He also underscores the challenge arising from the establishment of the Asean Economic Community for Indian entities seeking to make an entry into the Asean region. The 10 nations in the group are seeking to base the Asean Economic Community on a common set of rules and regulations. While on paper this process would result in streamlining of procedures, the level at which these regulations are established will be of particular interest to India.

The investment link

According to Bipul Chatterjee, deputy executive director of CUTS International, a trade advisory body, the agreement, once fully ratified, will help India in getting better market access in countries where the service sector is growing fast and whose growth is linked with foreign direct investment.

Additionally, India is also party to the mega trade pact called the Regional Comprehensive Economic Partnership, RCEP for short, that is currently under negotiation among Asean, India, China, Australia, Japan, New Zealand and South Korea. It is thus all the more important for India to sign the deal with Asean because some of the countries in RCEP are also part of the US-led Transpacific Partnership Agreement, of which India is not a member.

"The FTA on services and investment will help India in mitigating some possible negative impacts of this mega-regional pact on its services exports to those countries, particularly Malaysia and Singapore," says Chatterjee. "Because services and investment are negotiated as part of RCEP agreement and India is a party to that, these agreements can act as templates in RCEP negotiations and future bilateral/regional trade agreements of India.

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India’s cotton yarn export registration below 100 million kg for fifth month
Banikinkar Pattanayak, The Financial Express

New Delhi, 10 Oct 2014 : After 33% spurt in the last fiscal, India's cotton yarn export registration tumbled below the 100 million-kg mark for the fifth straight month in August, as Chinese demand slowed, according to official and industry sources. Traders registered contracts to export 93.54 million kg of cotton yarn in August, 8% lower than a year before and compared with 98.81 million kg in July, showed the latest data by the Directorate General of Foreign Trade. The registration of cotton yarn export contracts had hit 1,415 million kg in 2013-14, compared with 1,067 million kg a year before.

"Chinese demand for Indian yarn witnessed a drop this fiscal. Domestic yarn prices have been falling, too, in sync with a fall in cotton prices," said DK Nair, secretary-general of Confederation of the Indian Textile Industry. "The problem is buyers bargain for a cut in yarn rates in step with the latest cotton prices without realising that the yarn was made of cotton bought in previous months at higher rates. So any price fluctuation hurts," he added.

Cotton prices in Gujarat were ruling at R39,900 per candy of 356 kg as of October 4, down from R42,000 and R42,600 at the start of April and May, respectively. The expectation of a bumper harvest this marketing year that started on October 1, coupled with subdued prices globally, weighed on domestic rates. The Cotton Association of India has forecast India to pip China as the world's largest producer in 2014-15, with output expected to hit 40.73 million bales, marginally higher than last year. However, cotton yarn exports fared better than other textile segments last fiscal.

Industry executives said cotton price volatility in recent months has caught many mills off-guard as they couldn't pass on the rise in raw material costs entirely to buyers. The silver lining is Chinese demand seems to have picked up since September, and mills are betting big on robust domestic consumption in view of the festival and upcoming marriage season.

According to Prem Malik, CITI chairman who has also served at a senior level in companies such as Bombay Dyeing and Mafatlal Industries, the festival season is expected to boost consumption of all textile products, while a pick-up in Chinese purchases, improvement in the US economy and a revival of demand in the EU would help boost exports.

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Indian & Japanese tax authorities to ink bilateral advance-pricing agreement (APA) soon: Revenue Secretary, Shaktikanta Das
Business Standard

9 Oct 2014 : FinMin to start industry interaction for Budget 2015-16 from November. The first bilateral advance-pricing agreement (APA) between Indian and Japanese tax authorities in case of a particular company based in Japan has been finalised and would be inked very soon, Revenue Secretary, Mr Shaktikanta Das said at an ASSOCHAM event.

We are undertaking efforts to speed up and quicken the process of APAs and I am happy to mention that the APA between India and Japan in a particular company's case is finalised and it would be inked very soon, said Mr Das while inaugurating the 11th International Tax Conference organised by The Associated Chambers of Commerce and Industry of India (ASSOCHAM).

This will bring in lot of clarity between our tax perception and activity of that particular company and the agreements between tax authorities in India and Japan, said the Revenue Secretary. He said that it augurs very well for investors from Japan who are looking at India owing to a very successful visit undertaken by the Prime Minister, Mr Narendra Modi.

I think the APA to be signed between tax authorities of India and Japan will definitely give a very strong signal to all other Japanese investors and companies to look at India more positively, added Mr Das. He further informed that Department of Revenue would start the activity relating to the budget of 2015-16 from next month.

From November onwards we will get on with our interaction with various industry groups, we will be starting our homework as part of preparation of the next budget, said Mr Das. As we're moving towards the next budget we're looking forward to an active engagement, very concrete and actionable suggestions from the industry, he added.

Talking about the advance ruling facility being given for resident taxpayers in this year's budget, Mr Das said, The threshold limit is under discussion and we would be coming out with the threshold limit for that and the whole notification. He further said that the principles of transfer pricing, range concept, multi-year data have been introduced by the Government thereby showcasing a very clear cut commitment of the Finance Ministry. The notifications in this regard will be issued very shortly as they are under finalisation.

The Revenue Secretary also said that the clarity given on earning of foreign portfolio investors to be treated as capital gain is a very encouraging signal for foreign portfolio investors to shift base and locate themselves in India. He said that providing a predictable, business friendly and enabling taxation regime is a two-way process and it has to be outcome of partnership between the department and tax experts, professionals, tax executives and leading industrialists/entrepreneurs.

It has to be a partnership effort between industry and practitioners/experts and the Revenue Department as there is a need for constructive engagement, said Mr Das. We should move away from this whole business of aggressive tax planning vis-a-vis aggressive assessments, he added. In an appeal to all stakeholders including investors, corporate houses and tax practitioners, he said that there is a need to keep aside the 7-8 high-profile pending cases and come together, move ahead and work in a spirit of co-operation and partnership.

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India plans committee to ease customs norms for boosting international trade
Dilasha Seth, The Economic Times

New Delhi, 10 Oct 2014 : Two months after it blocked an international agreement on easing trade regulations, India has initiated measures to reform customs procedures and cut red tape to speed up international trade.

The government has decided to set up a national committee on trade facilitation, which will suggest and implement measurers to ensure seamless movement of cargo by addressing constraints like high transaction costs and poor infrastructure.

"The national committee on trade facilitation will be put in place soon, which will have representation from 7-8 departments. It will look after all aspects of trade facilitation," a senior commerce department official told ET on condition of anonymity. "India is not against trade facilitation. We are expeditiously working towards it."

India had on July 31 vetoed the trade facilitation agreement at the World Trade Organisation (WTO), which sought to speed up global trade by reforming customs procedures, arguing that there should be a parallel deal on food security. Delhi, however, maintained that it was fully committed to trade facilitation.

The trade facilitation goal requires harmony between departments like customs, shipping & ports, road transport & highways, and the Directorate General of Foreign Trade (DGFT). It is important to get each of them on board, said the official quoted above. The WTO trade facilitation pact, signed in December 2013, contains legally binding provisions to standardise customs rules in all 159 member-countries for faster and more efficient movement of cross-border cargo.

"WTO deal or no deal, we are carrying out trade facilitation and customs reforms. It will cut transaction cost for exporters," said the official. "We are anyway working towards ratifying the WTO TFA. We need to make legal amendments in two to three places. We are prepared," he added. During his US visit, Prime Minister Narendra Modi had told President Barack Obama that trade facilitation was important for India and it expected the US' support in addressing India's concerns over public stockholding for food security.

Finance minister Arun Jaitley had made several announcements in the budget, allocating significant funds towards trade facilitation. It included extension of 24x7 customs clearance facilities to many more ports, airports and sea ports.

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Food security: India toughens stand at WTO
Amiti Sen, Business Line

New Delhi, 13 Oct 2014: India has decided to strike a harder bargain on food security at the World Trade Organisation than it did in July. It wants restrictive conditions attached to the use of the peace clause dropped. New Delhi, which had wanted the ‘peace clause’ offering protection against retaliatory action for breaching farm subsidy caps extended indefinitely in return for support to the trade facilitation pact, is now seeking more.

“We want the peace clause to be worded in a way that we can actually use it,” a Government official told Business Line.

In its present form, the peace clause requires mandatory submission of various documents related to a country’s procurement programme before it can be used. Not only the Centre, but States too have to submit data for five years giving details on the food security programme and all related numbers. “This may be impossible to provide, as many States do not maintain all this data,” the official said.

Information has to to be supplied on agencies running the programmes, crops covered, provisions relating to purchase of stock, determination of administered price, accumulation of stock, release of stock, determination of release prices, and the eligibility to receive procured stocks.

Moreover, the peace clause notes that protection against legal action for breaching subsidy limits will be given only if the stocks procured under such programmes do not distort trade or adversely affect the food security of other members.

“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,” the official added.

In July, India had blocked an agreement on trade facilitation — a pact to smoothen flow of goods across by upgrading the Customs infrastructure — as it wanted its concerns on food security addressed first. It was decided at the Bali Ministerial meet of the WTO last December that a protocol on trade facilitation would be signed by July 31 2014. Countries such as the US and Australia have now accused India of breaching the trust.

But New Delhi is unwilling to relent and wants an amendment to the Agriculture Agreement of the WTO so that price support for public procurement and food aid in developing countries — to benefit low-income farmers or those who lack resources — is considered a 'Green Box', or non-trade distorting, item and allowed without limits. Alternatively, it wants a change in the reference price year for calculating the subsidies.

At the Bali WTO Ministerial, India was offered the `peace clause' so that no action is taken against its subsidies till a solution to its problem of subsidy calculation is found. However, New Delhi later realised that the offer was only for four years, till the next Ministerial meeting in 2017.

"Although the US has now approached us in Geneva (WTO headquarters) to tell us that they are willing to extend the peace clause indefinitely, our Ambassador to the WTO has told them that we are not ready to accept that yet," the official said.

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US Trade Representative says India 'reneged' WTO TFA
Nayanima Basu, Business Standard

New Delhi, 12 Oct 2014 : Keeping the pressure on the Government of India to sign the World Trade Organization's Trade Facilitation Agreement (TFA), US Trade Representative Michael Froman blamed India for going back on a promise to do so, while urging it should be implemented "immediately."

"Unfortunately, a handful of countries led by India reneged on the commitment they made in Bali just last December and blocked implementation of the agreement. It should be implemented immediately, not only because of its direct economic importance but also to give new life to the multilateral trading system," Froman said in an Opinion piece in British daily Financial Times.

The US and European Union, plus some other countries, had been vocally critical on the GOI's stance during the General Council meeting at WTO headquarters in Geneva this July. The issue was also raised by US President Barack Obamaduring his meeting with Prime Minister Narendra Modi in Washington last month. The PM had told him India was not opposed to the TFA, which seeks to ease global Customs barriers. However, it wants other countries to first agree on a consensus for its food security concerns.

According to the joint statement issued after the meeting, both leaders directed their officials "to consult urgently along with other WTO members on the next steps". The US is keeping up the pressure on India. The matter also came up during a meeting recently between deputy USTR Wendy Cutler and commerce secretary Rajeev Kher.

Back in Geneva, during the Preparatory Committee on Trade Facilitation on September 29, US ambassador Michael Punke had asked for discontinuation of the committee as it believes all work on the TF is over and there is no reason why it should meet. The US said it believed further work on addressing this issue should take place within the General Council and not in the PCTF, which had completed its work.

India, on the other hand, said more discussion needed to take place on TFA, even as it stayed firm on its position, which is to have a permanent solution to its concerns on public stockholding for food security.

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Review of FTAs almost finalised: Sitharaman
Press Trust of India, Business Standard

Kolkata, 11 Oct 2014 : The review process of the existing Free Trade Agreements that India had entered into with partner countries is almost finalised and domestic manufacturers would benefit from the revised pacts, Minister of state for Commerce and Industry Nirmala Sithraman said on Saturday.

"We did review the FTAs as well as the SEZs and the process is almost in the final stages," Sitharaman told reporters after a meeting on the jute industry here. She said there was a perception that some of the FTAs were benefiting the partner countries rather than India.

"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," she said.

The new foreign trade policy, to be announced shortly soon, would give Indian manufacturers and exporters benefit from the revised FTAs, the minister said. Sitharaman said India was keen on FTAs with the ASEAN countries. To a query, Sitharaman said that India's tough stand on the WTO Trade Facilitation Agreement would not put the future of Doha Round into peril.

"India is keen on Trade Facilitation Agreement and also for a permanent solution on public stockholding on food grains", she said. She said that the government believed on multi-lateral agreements but not at the cost of the country's sovereignty.

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WTO at a crossroads amid blocked trade deal
Deccan Chronicle

Geneva, 12 Oct 2014 : "We are in a unique situation in the history of the organisation," a European diplomat said on condition of anonymity ahead of a meeting later this month that others warn could fatally undermine the global trade body if the deal is not rescued.

A draft of the so-called Trade Facilitation Agreement emerged at the WTO's Bali conference in December last year and was meant to be finalised at the end of July.
But sparring between members, notably over demands from India that the world body gives the green light to the developing power's stockpiling of food, have put the long-sought deal on ice.
India and its supporters say such stockpiling is essential to ensure poor farmers and consumers survive in the cut-throat world of business, while Western countries meanwhile have raised concerns that this food could be syphoned onto global markets, skewing trade.

If WTO gives in to India's demands, this would "create a very bad precedent", the European diplomat said, warning this would open a Pandora's box as other member states would certainly take the move as a licence to change positions and block texts they had helped pass by consensus.

"How could we know if another member state won't say: we don't accept anymore what we have agreed?" the diplomat said. The Europeans staunchly insist that Bali cannot be renegotiated, the diplomat said, warning that WTO's credibility was at stake. Instead, "we need to find a solution based on Bali," the diplomat said.

The 160 countries which make up the WTO set trade rules among themselves in an attempt to ensure a level playing field and spur growth by opening markets and removing trade barriers, including subsidies, excessive taxes and regulations.
Bali was the first multilateral agreement concluded by the WTO since its inception in 1995.

It also signalled the first concrete progress on the Doha Round of trade liberalisation talks, launched in 2001 and aimed at underpinning development in poorer nations.
It took nearly a decade to conclude the trade facilitation part of the talks, which began in 2004, and the organisation is loath to return to the drawing board.

At Bali, India was granted the right to continue its food stockpiling subsidies until a final solution is found by the end of 2017. But last July the country insisted it wanted the issue conclusively settled by the end of this year. Western countries however insist the trade facilitation deal must move in lockstep with other parts of the Doha deal on agricultural and industrial goods.

Late last month, Indian Prime Minister Narendra Modi told US President Barack Obama he hoped for a deal "soon" to allow the blocked trade facilitation deal to go forward.

"India supports trade facilitation. However, I also expect that we are able to find a solution that takes care of our concern on food security. "I believe that it should be possible to do that soon," Modi said. WTO Director-General Roberto Azevedo has been tirelessly campaigning to save the deal, which would streamline global customs procedures, and, he claims, create billions of dollars in benefits each year.

"We must resolve the current impasse and begin to define the path forward for the WTO," he told business leaders in Toronto this week. WTO's General Council, its executive branch, will seek to resolve the issue when it meets on October 21. "If on October 21, there is no solution, the organisation will enter into an existential (crisis)," warned a diplomat based in Geneva, where WTO has its headquarters. If there is no resolution, the consequences will be "too heavy," the diplomat warned.

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