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US free trade pact with trans-pacific nations will hit Indian apparel exports

Vinay Umarju, Business Standard

Ahmedabad, 2 July, 2015: With the United States in advanced stages of signing the Trans Pacific Partnership (TPP) agreement with 11 countries, including Japan, Australia, Vietnam, Singapore and Canada, Indian textile exports, especially apparels and denim, might be adversely affected.

One of the largest free trade agreements to be signed till date and involving 12 countries, TPP will enhance trade and investment among the TPP-member countries, promote innovation, economic growth and development, and support the creation and retention of jobs, apart from providing comprehensive market access by eliminating tariffs and other barriers to goods and services.

TPP is the initiative of the US with an aim to protect its domestic industry by gaining duty-free access to markets. The negotiations to enter into TPP began in 2005 and are reaching final stages in 2015. As per a report by IndiaNivesh Securities Private Limited, Asia Pacific is an important zone with respect to trade and all non-member countries are likely to be impacted by TPP.

Quoting industry experts from Textile Export Promotion Council and Wazir Advisors, the IndiaNivesh Securities Private Limited report says, “India, along with other textile-producing countries like China, Pakistan, Bangladesh and Sri Lanka, is likely to be negatively impacted from TPP. Due to duty-free access to Vietnam exports, competitiveness of India can be impacted to a great extent.”

“India has become an isolated country and such a country can't flourish. All such isolated countries don't get free trade benefit. Now, in this TPP, one country will manufacture fibre and another garment all under one pact and no customs duty will be charged. Vietnam's growth is phenomenal and is still one of the lowest wage countries will make it quite competitive. India will have a clear disadvantage, especially in exports of commodities like T-shirts, men's wear, denim, pullovers and sweaters, among other things,” said a senior AEPC official.

Industry experts say the impact seen will be in terms of fresh opportunities that had begun to divert to India, which might now again turn in favour of the TPP-member nations. The industry also anticipates a marginal slowing of Indian apparel exports, which was otherwise anticipated to grow at 12-15 per cent per annum for the next few years.

According to the IndiaNivesh report, Vietnam is a significant player in the textiles and apparel industry. Vietnam exports of textiles to the US has increased from $2.88 billion in 2005 to $9.96 billion in 2014, signifying 14.8 per cent CAGR over the period, making it the fastest growth for any country with a sizeable market share. Moreover, Vietnam's share in the US import of textile and clothing has increased from 3.2 per cent in 2005 to 9.3 per cent in 2014.

However, Anil Rajvanshi, chairman of Synthetic Rayon Textiles Export Promotion Council, said, “The TPP will not affect Indian textile exports but rather open a window of opportunity for Indian textile companies to invest in Vietnam, which neither grows cotton nor has enough fabric units. Also, Prime Minister Narendra Modi has recently extended credit line of $300 million dollars to Vietnam, strengthening our relationship with that country.”

Both IndiaNivesh report and Rajvanshi are of the view that given the yarn forward rule of origin requires that textile and apparel products should be made using yarns and fabrics from a TPP country to qualify for the benefits of the agreement, Vietnam would require investment from other countries such as India and China, which the former can take benefit from.

"India is planning to set up capacities in Vietnam to take advantage of TPP, which would adhere to the yarn forward rule. The Vietnamese government provides tax holidays, import duty exemption, concession on land lease charges, electricity, among other things for Indian investors,\" the IndiaNivesh report stated.

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'Indian exports will face adverse prospects in TPP markets'

Press Trust of India, Business Standard

Singapore, July 12: The proposed Trans-Pacific Partnership (TPP) between the US and other Pacific economies will adversely impact Indian exports and the government should develop long-term strategies to stay relevant in global trade, a senior researcher here said.

"The effects are likely to include the challenges of upgrading to new quality standards of the TPP markets and developing long-term strategies for negotiating 'new' issues in trade governance," observed Amitendu

Palit, a Senior Research Fellow at the Institute of South Asian Studies, a think tank at the National University of Singapore.

"India's Foreign Trade Policy (2015-2020), while noting the advent and some of the implications of the TPP, does not spell out any clear strategies for addressing these," he wrote in a research paper titled - Trans-Pacific Partnership, India and South Asia.

Otherwise, Indian exports will face increasingly adverse prospects in the TPP markets, as well as in the markets of countries that are negotiating other mega-Regional Trade Agreements (RTAs), like the European Union, Palit points out.

A lack of strategic vision for mega-RTAs can gradually isolate India and South Asia from a significant part of the global trade, he said, adding, "India must look closely at the global trade agenda set by the TPP for staying relevant in world trade".

With its 12 members - Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, the US and Vietnam accounting for around two-fifths of the world output and a quarter of global trade - the TPP's rules and writ will cover large chunks of the world economy and trade.

Many of the same rules might also be implemented under other mega-RTAs that are being currently negotiated, he said.

Given that several TPP members are major trade partners of South Asian countries, these impacts would have both short- term and long-term implications, spread over time, he said.

TPP is expected to make 11,000 tariff lines duty-free for its members. This will affect the competitiveness of exports from countries that currently enjoy duty-free access in the TPP member-markets.

The biggest erosion of competitiveness will be in the US.

"The US offers duty-free access to around 5,000 items of export from developing countries under its Generalized System of Preferences (GSP). The preferences apply to all countries from South Asia."

TPP members like Australia, Japan and New Zealand, which do not have these preferences now, might get duty-free access for many of the products covered by the GSP scheme.

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Riding the Pacific trade winds

Devashish Mitra, The Indian Express

July, 13, 2015: Recently, the US Congress approved the Trade Promotion Authority (TPA), which delegates to the US president complete power to negotiate trade agreements with other countries. Under the TPA, once a trade agreement has been negotiated by the president or his representative, it is brought to Congress for ratification through an up-or-down vote. At that stage, no discussion on possible amendments is allowed.

The passage of the TPA paves the way for the successful completion of negotiations for the Trans-Pacific Partnership (TPP) by President Barack Obama on behalf of the US with 11 Pacific Rim countries, heterogeneous in various respects, including levels of development. At one extreme there are Japan, Singapore, Australia, New Zealand and Canada. At the other are Vietnam, Malaysia and Peru. The other countries are South Korea, Brunei Darussalam, Chile and Mexico. A notable omission from this list is China, although the door will be kept open for it to join the agreement now or later, if it so wishes.

The TPP is expected to be an agreement not only on trade issues such as tariff liberalisation, but also related non-trade issues such as labour and environment regulations and intellectual property rights (IPR) protection. In fact, IPR standards are expected to be much more demanding than those of the WTO. The US will aim to also bring environmental and labour standards within the TPP close to its own. In addition, the TPP is expected to have agreements on foreign investment, which will not only include IPR protection, but also have clauses to ensure non-discrimination relative to domestic investors and to prevent expropriation. There will also be liberalisation in services trade through the elimination of non-tariff barriers such as discriminatory domestic regulation.

Will the TPP affect India? The short answer is: Yes, but the overall impact is uncertain at this point. It is important to understand that there are many channels through which the TPP can affect India. First, we can expect some trade diversion and significant foreign investment diversion. A large proportion of India’s exports is in services. With the anticipated reduction in barriers to trade in services among TPP

members, there is the possibility that some of India's services exports to those countries will be replaced by services trade within the TPP. In the case of goods trade, there should not be much of an impact as the large economies within the TPP already have very low tariffs on imports from all WTO member countries.

A key component of Make in India is attracting foreign investment. If the US manages to bring TPP nations closer to its own IPR regime and make them commit to an agreement preventing expropriation, it will make it difficult for India to attract foreign investment, especially given its history of retrospective taxation. In other words, some TPP nations will then become more attractive destinations for foreign investment flows.

While the US and India have started negotiating a bilateral investment treaty (BIT), this negotiation is going to be slow. This is because there is vast divergence between the two countries' model BITs, especially on issues of IPR and market access commitments. Thus, significant foreign investment diversion, including a deceleration in foreign investment flows to India, is a possible consequence of the TPP. In addition, the TPP reduces India's bargaining power in its BIT negotiations with the US, as it expands the set of options available to the latter.

The TPP will also provide a template for any future agreements with the US. So, if India has to successfully arrive at any economic agreement with the US in the future, the labour, environmental and IPR standards in the TPP will become the minimum requirements of such an agreement. This, through spillover effects, will also be true of agreements with other countries. For example, the Regional Comprehensive Economic Partnership (RCEP) is a proposed agreement between Asean nations and six other countries, including India. There is a large overlap in the memberships of the TPP and the RCEP, so that if the TPP is the first of the two to be put in place, the TPP standards will get into the RCEP through the common member countries. This is a possibility, even though the RCEP is being envisioned as a more flexible trade agreement that does away with a one-size-fits-all approach.

One positive for India from the TPP would be the active role played by the US in the region that will, to a certain extent, neutralise China's power in the neighbourhood. Some of the potential signatories to the TPP, such as Vietnam, South Korea, Japan, etc, are also hoping for such an outcome. The TPP will impact India along multiple dimensions. But the overall long-run effect is somewhat uncertain, as there are several players involved whose behaviour is difficult to predict accurately.

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Modi to discuss SMEs, e-commerce, WTO with BRICS leaders

Amiti Sen, Business line

New Delhi, July 6, 2015: Prime Minister Narendra Modi will discuss cooperation on issues related to small and medium enterprises (SME), e-commerce and the World Trade Organisation with his counterparts at the BRICS summit in Russia later this week.

The two-day meet of leaders from BRICS nations, which include Brazil, Russia, India, China and South Africa, beginning Wednesday, will mostly focus on economic cooperation, a Government official told*BusinessLine*.

"While India will give its full support for proposed cooperation in the SME sector and the WTO, it will express its reservations in e-commerce," the official added.

Most BRICS members, especially Russia, want to create a barrier-free environment for development of e-commerce between partner countries. While PM Modi may support joint discussions for development of e-commerce in the BRICS countries, he would insist that it happen within the existing policy framework in each country, the official said. India, at present, allows 100 per cent FDI in business-to-business e-commerce but bars it in the business-to-consumer segment.

WTO strategy

The five-nations grouping will work on a joint strategy for a work programme at the World Trade Organisation (WTO). The next WTO Ministerial meet at Nairobi in December will focus on reaching an agreement on select issues from the whole gamut of areas being negotiated under the Doha Round launched in 2001.

"The BRICS nations need to work together to ensure that the developed countries do not get away by pushing for only the issues of interest to them and that developing country interests are also taken care of," the official said.

Other meetings

Finance Minister Arun Jaitley is scheduled to attend the inaugural meeting of the BRICS-backed New Development Bank on the sidelines of the BRICS meeting, while Commerce and Industry Minister

Nirmala Sitharaman will participate in the meeting of trade ministers. Modi is also likely to hold bilateral meetings with his counterparts from South Africa and China on the sidelines of the BRICS meetings.

Following the BRICS meeting, Modi will attend the meeting of the Shanghai Cooperation Organisation (SCO) in Russia as an observer. The SCO consists of six member-states from Eurasia. India has expressed its interest to become a full-fledged member of the SCO to play a larger role in the region.

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India may change its WTO stance, seek another package

Nayanima Basu, Business Standard

New Delhi, July 3, 2015: In a major change of stance, India might decide to settle for yet another package at the coming ministerial meeting of the World Trade Organization (WTO), similar to the Bali deal, through which some of its interests can be secured, instead of demanding the entire Doha Development Round be discussed.

A ministerial conference is the highest decision-making body of the WTO, after the General Council. Here, trade ministers of all member countries meet to hammer out decisions of mutual interest. The 10th ministerial conference, or MC10, will be held at Nairobi, Kenya from December 15-18, this year.

The last such ministerial conference took place in Bali, Indonesia. At that time, India was able to secure an interim measure for its food stockholding programme.

Among developing countries, India has always taken the lead on the principle of single undertaking. In other words, it has always insisted on discussing the entire

Doha Development Agenda, launched at the Qatari capital in November 2001 for tariff reduction in agriculture, as well as in industrial goods.

However, in a departure, India is now ready for another "Bali-type deal" that will offer it, as well as other developing countries, potential gains, say officials in the commerce & industry ministry.

The Nairobi ministerial might give rise to yet another package that will seek to address the concerns of

both developing and developed countries. But the question is what could India demand that rich countries will be willing to offer? This is also something being discussed at the WTO headquarters in Geneva.

Experts seem to be divided on the issue. Some say India should take on the risk of settling for yet another smaller package, which negates the very ethos of the Doha Development Agenda, only if it is confident it will get something in return. "At a time when the US is focused on the Transpacific Partnership and the European Union is busy with its own set of problems, it will be impossible to get anything from them at this juncture. The Nairobi ministerial is going to be a damp squib. If India thinks it will be a successful round such as Bali, it is wrong because Bali was largely about securing a clarification, not an objective. India should not give into pressure from the US," a former Indian ambassador to the WTO and its chief negotiator told the Business Standard.

Another set of economists say though there is no harm in deviating from the concept of a single undertaking, India should first weigh the gains. "India should look at closing the Doha round with lower levels of ambition. Some flexibility is required on the format of single undertaking. With 160 members, it isn't possible to get everyone to agree on everything anymore. So, what India can do now is demand liberalisation of agricultural trade and industrial tariffs, which, in a way, is the crux of the Doha round," said Anwarul Hoda, professor at the Indian Council for Research on International Economic Relations and former deputy director-general of WTO.

According to Biswajit Dhar, professor of economics at Jawaharlal Nehru University, the situation is different today compared to 2013 ministerial conference in Bali. Besides, at that time, there were issues on which India could bargain for a beneficial package. Dhar said though it did no harm to have a smaller package culled out of the Doha deal, India should tread carefully in making a list of demands.

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India-US solar issue: WTO panel to give final ruling by October

Economic Times

New Delhi, July 8, 2015 : WTO's dispute settlement panel will give its final ruling by October on a complaint by the US against India's domestic content requirements under the solar power programme, a Commerce Ministry official has said.

The panel would come up with an interim report soon and the final ruling is expected only around first week of October, the official added.

As per the norms, India will give its views and comments on the the interim report and it is up to the panel to include those views.

"The ruling, if it goes against India, will have implications for the domestic solar sector," the official said adding Canada has lost a similar case at the WTO.

The US filed a complaint in the WTO in February 2014 alleging discrimination by India's national solar mission against American products.

The US had alleged that India's programme appears to discriminate against US solar equipment by requiring solar energy producers to use locally manufactured cells and by offering subsidies to those developers who use domestic equipment.

It is also alleged that forced localisation requirements restrict US exports to India markets.

On January 11, 2010, India launched its national solar policy -- the Jawaharlal Nehru National Solar Mission. India had earlier set a target of generating 20,000 megawatts of solar power by 2022 which has been increased five fold to one lakh MW.

US companies see this target as a great business opportunity for them. Because of this, they want India to remove the clause of local content requirement.

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India feels the heat in WTO solar dispute with US

Nayanima Basu, Business Standard

New Delhi, July 8, 2015: India might once again face flak at the World Trade Organization's dispute settlement body over its solar mission programme case against the US even as the verdict is expected by

end of August.

The WTO dispute panel had its last hearing in early May and now the final verdict is awaited. The case was filed by US in 2013 with another follow-up case in 2014 along with the launch of both phases of Jawaharlal Nehru National Solar Mission (NSM), which aims at producing 20,000 mW of solar power by 2022.

In both the petitions filed at the WTO disputes panel, the US alleged that Indian authorities were asked for mandatory usage of domestically produced solar power panels, which restricted the entry of American imports. The US, in its submission to the WTO, stated that India has violated Article III:4 of the General Agreement on Tariffs and Trade (GATT) by not giving national treatment to imported products. Additionally, it also said India was in violation of WTO Agreement on Trade-Related Investment Measures (TRIMs), which prohibits the imposition of local content requirements.

"The panel had its last hearing and we are expecting the verdict soon… We have presented our case strongly, but the chances of having a favourable decision look bleak," a senior commerce department official told Business Standard.

The US had also complained to the WTO that solar power producers in the country receive certain benefits and advantages, such as long-term tariffs for electricity, dependent on their purchase and use of solar cells and solar modules of domestic origin.

The first case was filed in February 2013 where the US was miffed with the fact that the government was urging developers of photovoltaic projects to procure solar cells and solar modules from domestic manufacturers only. Subsequently, when the second phase was launched in February 2014, the US stated that India still insisted on domestic content requirement (DCR).

Consequently, the panel on India - Certain Measures Relating to Solar Cells and Solar Modules (WT/DS456) was established by the WTO DSB on May 23, 2014 and composed on September 24, 2014. The case was later joined by the European Union (EU), China, Japan, Australia, Russia, Canada, Brazil, Saudi Arabia, Malaysia, Norway, Ecuador and Korea as third-party observers.

According to Biswajit Dhar, economics professor at Jawaharlal Nehru University (JNU) and trade expert, the stance taken by the US was "pre-emptive and lacked merit" when in reality, their products were used,

and DCR was only a statement of intent. In the second phase of NSM, Chinese solar panels were used. Earlier in March this year, the EU also raised questions and sought more details on the government's plan to set up 1,000 mW and 15,000 mW solar power projects, which were approved by Cabinet in December 2014 and February 2015, respectively.

India recently lost a dispute over poultry imports against US at the WTO.

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WTO to miss July deadline on work programme for trade rules

D. Ravi Kanth, Live Mint

Geneva, July 10, 2015: A July-end deadline for finalizing a detailed work programme for agreeing new rules for liberalization of global trade will now be missed, the chief of the World Trade Organization (WTO) told international diplomats, prompting India and other developing nations to blame unnamed industrialized nations.

The failure to finalize the work programme casts serious doubts on WTO's ability to wrap up negotiations on the Doha Development Agenda, launched in the Qatari capital in 2001 to update the rules of world trade, at the trade body's 10th ministerial conference in Nairobi, Kenya, later in the year.

The Doha Round negotiations were initially scheduled to be concluded by 1 January 2005. But inflexible positions adopted by a number of countries have stalled negotiations.

At a heads of delegations meeting on Wednesday evening, WTO director general Roberto Azevedo informed diplomats that agreeing a work programme with precise modalities by the end of July is not possible because of "lack of convergence" on the agreements on agriculture, market access for industrial goods and services.

"Whether we can deliver a work programme is in the hands of the members and their ability to bring forward new proposals in the coming days which will pave the way to find consensus," Azevedo said.

Early this year, Azevedo announced that the Doha Round will be concluded at the 10th ministerial conference beginning on 15 December.

Azevedo had proposed a "doability" criteria with "alternative approaches" and "alternative paths" for accomplishing "a clear, detailed, modalities-like work programme" by end-July.

The director general also suggested major changes, moving away from previously agreed mandates during closed door negotiations with seven major industrialized and developing countries—the US, the European Union, China, India, Brazil, Australia, and Japan—people familiar the meetings said.

A large number of developing countries—India, Turkey; Barbados on behalf of the Africa, Caribbean and Pacific group of around 90 countries; Lesotho on behalf of the African Group; and Uganda, and Indonesia on behalf of the G-33 coalition of 46 countries—expressed concern at the failure to draw-up the work programme based on existing mandates.

"A handful of members who have been espousing the need for recalibration or simplification seem desirous of moving the discussions away not only from the 2008 texts but also perhaps from all previous mandates," said India's trade envoy Anjali Prasad at the Wednesday meeting.

Without naming the countries, she said the proponents of recalibration are redefining "their terms of engagement on the pre-condition that a couple of developing country members agree to undertake higher contributions vis-à-vis the rest."

"Such conditionalities are unprecedented as a gateway," she said. "Recalibration or simplification should not result in the rewriting of mandates contained in the Doha declaration and elucidated further in the (2004) July Framework and (2005) Hong Kong Declaration."

"But we are very alarmed that Special and Differential Treatment—a core principle of the GATT (WTO's predecessor the General Agreement on Tariffs and Trade) and the WTO and informing all pillars of the negotiations—is being viewed by some as a threshold issue now," Prasad argued.

Reiterating India's frequently-stated position, she said developing countries are being asked to "make bigger contributions in some areas while the depth of obligations of developed country members is sought to be reduced".

The manner in which the building blocks of the 2008 revised draft modalities in agriculture are being "diluted or dropped" selectively on the ground that they are not doable while insisting on bigger commitments in industrial goods underline a complete "asymmetry" in these two critical areas, India said.

"We would reject approaches that would put us in a position as taking part in a "collective" decision to deny ourselves the much needed reform—which is akin to swallowing a poisonous pill," said ambassador Christopher Onyanga Aparr of Uganda.

The US also expressed "major disappointment" with the failure to finalize the work programme.

Washington wants China and India to undertake commitments for reducing their farm subsidies—even though the two countries are exempt from doing so. The US domestic farm bill for the next five years contains subsidy programmes that are inconsistent with the Doha mandates. Therefore, it wants a work programme without complying with the previous mandates, said a trade envoy who asked not to be quoted.

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Government urged to not to sign WTO GATS agreement

PTI, Economic Times

Coimbatore, 11 July, 2015: All India Forum for Right to Education (AIFRTE) today urged the Centre to not to sign the WTO-GATS(General Agreement on Trade and Services) in education sector, as the entire higher education system in India would be changed.

"Education is a right, but WTO is considering it as a service and if the Government sign the agreement our education policies would be entirely changed," AIFRTE organising secretary Ramesh Patnaik, told reporters here.

India is expected to sign the agreement at a final meeting at Nairobi on December 15, he said.

Foreign Direct Investment will be allowed in the higher education sector, under which foreign universities would establish universities and colleges here and professors and teachers will come here and collect service charges forr rendering service in institutions, he pointed out.

Moreover the students who are receiving education through correspondence from a foreign supplier and the students go to foreign countries to pursue education, have to pay the service charges, Patnaik said.

PB Prince Gajendra Babu, General secretary, State Platform for Common School System, who was also present said +similar to the closure of primary schools, we will be also forced to close higher education institutions if the agreement come in to force.
The students will not get scholarship and the colleges will not get grants from the Government, Gajendra Babu claimed.

BJP government has already reduced Rs 4,000 crore to education sector in the budget and if the government sign the agreement with the WTO-GATS, economically poor and common man will not not be able to pursue higher education, he said.
Stating various types of agitation will be held at district level to protest against the signing of the agreement, he said that August nine, being observed as Quit India day, will be observed as +WTO- Quit our Education-education is not for sale day.

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India warns US of dumping probe in solar panel dispute

Richa mishra, Amiti Sen, Business Line

New Delhi, July 12, 2015: Are India and the US headed for a face-off at the multi-lateral body, World Trade Organisation? Seems so, as the on-going dispute between the two on rules guiding India's solar power generation programme have got more bitter.

New Delhi has warned Washington that it may initiate anti-dumping investigation against solar panels imported from America if it does not withdraw its complaint against India's compulsory domestic sourcing rules for solar power generation at the WTO.

India had been dragged to the WTO by the US for mandating that a small fraction (about 8,000 MW of a total of 1,00,000 MW its solar projects) be created with domestic modules. It says that the clause goes against the WTO rule of 'national treatment'.

WTO report soon

New Delhi's warning, however, may have come a bit too late, as the WTO panel looking at the dispute will be ready with its report next month, and it may not be "proper" to withdraw the report at this stage, those associated with the talks told *BusinessLine*.

"If the US withdraws its complaint now, it would be obvious to everyone that a deal has been struck with India outside the WTO. This is not considered proper," a senior Government official said.

The reasons cited for India's late reaction is the key players in the domestic solar power generation programme — the power generation companies and the producers of solar panels and modules — have been pushing the government in different directions.

Another official said if the US does not withdraw its complaint, India could initiate anti-dumping investigations against America-based exporters of solar power generation equipment once again.

India is under pressure from domestic manufacturers for action against cheap imports has been rising.

Cheap panels, modules

While the solar panel manufacturers want the government to impose anti-dumping duties (penal duties imposed when exporter sells goods in foreign markets at prices lower than what it charges in domestic market) against cheap panels and modules flowing in from the US and China, the generating companies want imports of the cheap inputs to be encouraged.

If the WTO rules in favour of the US and India is forced to remove the domestic content requirement norm, it may then have to seriously re-examine the option of imposing anti-dumping duties to protect domestic solar panel producers, the official added.

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'WTO Pact on Education will be at the Cost of Aam Admi'

The New Indian Express

Coimbatore, July 13, 2015: The members of State Platform for Common School System (SPCSS) and All India Forum for Right To Education (AIFRTE) demanded here on Saturday that the Union government must withdraw its offers on the education sector made to World Trade Organization (WTO) General Agreement on Trade in Services (GATS).

“If the Union government signs the WTO-GATS agreement at its final meeting in Nairobi during December 15-18, the nation’s higher education system will be affected. Education is a right but WTO considers it a service and if the government signs the agreement our education policies will be changed completely,” said Ramesh Patnaik, organizing secretary of AIFRTE while speaking to media here in the city.

“Foreign direct investment will be allowed in the higher education sector and the countries will follow four modes of trade in education. Foreign universities would set up campuses and colleges here. Similarly professors and teachers would come here and collect service charges from institutions. Moreover the

students would get correspondence education from a foreign supplier and would go to foreign countries for education and pay for the services," he said.

Speaking to media, P B Prince Gajendra Babu, general secretary of SPCSS said, "Similar to the closure of primary schools we will also be forced to close higher education institutions if the agreements come in to force. The students will not get scholarship and the colleges will not get government grants."

"The BJP government has already slashed Rs 4,000 crore from the education sector in its recent budget and if the Union government signs the agreement, aam admi (economically poor) will not be able to pursue higher education," said Gajendra Babu.

These organizations plan to organise protests in every district across the country till the 10th ministerial meet of WTO in Nairobi during December 15-18. Quit India day will be observed on August 9 in all universities and higher educational institutions of all states that will demand "WTO! Quit our education. Education is not for sale".

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Govt moves to prevent stainless steel dumping

Subhash Narayan Financial Chronicle

New Delhi, July 14, 2015: India will seek stricter compliance of rules of origin clause from countries in the ASEAN region to prevent cheaper stainless steel getting dumped into the country without any substantial value-addition talking place in the originating country.

Stainless steel imports from countries such as Malaysia has seen a surge in recent months even though there is very little value addition in the country. Cheap steel is coming with wrong certification using the zero duty benefit available under the Indo –ASEAN free trade agreement (FTA).

Under the Indo-ASEAN free trade agreement (FTA), there is no separate product specific tariff structure, but a rule of origin clause that mandates that exporting country should undertake at least 35 per cent value addition in products to qualify for lower duty under the trade agreement.

Government sources said that trade negotiators were looking at introducing product specific rule (PSR) in

Indo-ASEAN FTA to restrict zero duty on products that harm the local industry. The PSR rules are already defined under the India Korea comprehensive economic partnership agreement (CEPA) or the India-Japan comprehensive economic cooperation agreement (CECA).

"The Reserve Bank of India (RBI) has already said that the domestic steel sector poses the most serious stress for the banking segment. Barring problems in the domestic market, steel companies are also facing serious challenges from dumping. The government plans to correct this through changes in international trade agreements," a steel ministry official privy to the development, said.

It is understood that commerce minister Nirmala Sitharaman has already raised the issue at the meeting of trade ministers of ASEAN and other free trade agreement (FTA) countries that are meeting in Malaysia. She has also taken up the issue bilaterally with Malaysia to tighten in export authorisation process so that companies there could not misuse the provisions of India-ASEAN FTA.

The issue is also likely to be taken up during negotiations at the Regional Comprehensive Economic Partnership (RCEP) meeting slated in Myanmar next month.

The move for changes in international trade agreements comes at a time when the finance minister has already raised protection for carbon steel by increasing import duty by 2.5 per cent. He is also considering a proposal to further raise import duty on various grade of steel to the 15 per cent level. The total steel imports in the country, (including stainless steel), has also risen 72 per cent in 2014-15 to 9.3 million tonnes.

After registering moderate growth in 2013-14, stainless steel imports have shot up by 42 per cent to 4,59,163 tonnes in 2014-14. The domestic stainless steel production is about 1.25 million tonnes. The spurt in imports has not abated in the current fiscal year as well with 1,03,636 tonnes already imported in April-June quarter. Of the June import figure of 36,332 tonnes, imports from Malaysia stands 3,364 tonnes, the highest after China.

"Within the ASEAN country, it would not be possible to deliver a 35 per cent value addition in order to qualify for preferential duty by a simple transformation from hot rolled to cold rolled products. However, it has been increasingly found that some companies, mainly from Malaysia, are furnishing preferential certificates of origin to convince Indian customs authorities that the material has originated in Malaysia," said a steel industry analyst, not willing to be quoted on the issue because of his association with the

government.

A case in point here relates to Malaysia's Bahru Stainless, a subsidiary of Acerinox of Spain, which imports hot rolled coils from group companies like Columbus of South Africa and its parent Acerinox, in Spain and China. It has been alleged that Malaysian authorities issued a preferential certificate of origin clearing 35 per cent value addition even though the company is undertaking limited cold rolling operations, under which a 35 per cent value addition cannot be achieved. This is considered a blatant misuse of the provisions related to rules of origin.

“It is no lack of adequate capacity within the country, which is contributing to the import surge. The domestic industry has been forced to lower its prices and sell below cost or face loss of sales volume and market share,” Indian Stainless Steel Development Association (ISSDA) president N C Mathur said.

“On account of a depressed market and continued surge in imports, most domestic manufacturers of stainless steel are already operating under financial duress,” said Sanak Mishra, secretary general and executive head, Indian Steel Association.

It may be mentioned that during June, India slapped anti-dumping duty of up to $ 316 per tonne on imports of certain steel products from Japan, Korea and China, to protect domestic producers from below-cost inbound shipments.

The steel ministry is in favour of removing steel from the list of tradable items under FTA. In addition, it is also examining a proposal to bring more steel products under quality control order to prevent entry of low-grade steel into the country. At present, the ministry has fixed quality standards for 15 steel products.

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India expects headway in RCEP talks

Nayanima Basu, Business Standard

New Delhi, July 13, 2015**:** India is expecting a positive outcome from the upcoming round of negotiations on the proposed Regional Comprehensive Economic Partnership (RCEP), scheduled to take place in the Myanmarese capital of Nay Pyi Taw early next month.

Prior to that, trade ministers from all member countries would be meeting in Malaysia on Monday, for an inter-ministerial discussion. Commerce & Industry Minister Nirmala Sitharaman is also expected to attend the meeting where India is going to spell out its stance explicitly, a senior commerce department official told Business Standard.

Incidentally, India is facing stiff opposition from its domestic industry in negotiating the RCEP as it entails giving tariff concessions to China and other rival countries. The steel industry is especially up in arms and the minister is expected to discuss the matter during the meeting in Malaysia. The last round of talks took place in Japan in June. But the talks were kept in complete secrecy by all the countries.

According to the official, although the talks are "progressing successfully" it will insist on the trade pact to be divided into goods and services, separately with different set of tariff mechanism.

India, on its part, is keeping the talks under wraps as negotiating RCEP means discussing a tariff concession deal with China. Many representatives of the Indian industry have expressed their "uneasiness" in negotiating the deal as it means "opening the floodgates" to them, an industry chamber representative said on condition of anonymity.

During the upcoming talk, India is also expected to demand a differential duty concept, meaning different duty structure for different countries on imported goods. India is planning to also, insist upon excluding the 'ratcheting-up process' of the pact. In order words, consolidating the trade agreements by following the best practices among member countries.

However, China and India are hell-bent on concluding the deal at the earliest as the US-led Trans-Pacific Partnership (TPP) gathers momentum. The TPP, once implemented, will establish stringent exporting standards and rules of origin undermining all other bilateral trade pacts. India is especially concerned because it is not part of it. As a result, the RCEP will come as a reply to the TPP for India where exporting standards are severely poor and the concept of rules of origin is still at a nascent stage.

"The failure of the TPP to recognise development challenges will persist as a problem for countries outside of the TPP. It offers a binary choice - countries either meet the high standards of TPP or they do not. In contrast, the RCEP explicitly tackles capacity-building and has the scope for phased adjustment, recognising the significant diversity of the stages of development within ASEAN and across its partners," said David Nellor, adjunct professor, Lee Kuan Yew School of Public Policy, National University of

Singapore in his report. He was a consultant to the Indonesian minister of trade in preparing the RCEP.

Apparently, it is learnt that countries like Japan and South Korea are pressing for stiff intellectual property laws that might stifle the pharmaceutical industry and access to affordable medicine.

On the other hand, some of the members such as the Philippines and Vietnam have called for regulating the e-commerce sector.

RCEP, launched in November 2012, comprises 10 economies of the ASEAN (Association of Southeast Asian Nations) region - Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Vietnam - and six of its free trade partners - Australia, China, India, Japan, New Zealand and South Korea.

So far, eight rounds of talks have taken place with not a single positive outcome on any of the segments like agriculture, industrial goods, services and investments.

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Why BRICS trade in local currency doesn't work for India

P Vaidyanathan Iyer, The Indian Express

July 13, 2015: The BRICS countries are keen to start using their local currencies for mutual settlements. At the seventh BRICS Summit in Ufa, Russia, there were suggestions from the host that almost 50 per cent of intra-BRICS trading could be invoiced in yuan, the leading currency in the group. The idea has been discussed at BRICS Summits for at least four years now. It is definitely a great political statement, particularly at a time when the Bretton Woods institutions — International Monetary Fund (IMF, or just the 'Fund') and International Bank for Reconstruction and Development (World Bank, or just the 'Bank') — have failed to react to the increasingly louder voices of developing countries in a rapidly changing global economic order.

India though, must consider what advantages this brings to its own trade and industry before agreeing to help China achieve the objective of slowly replacing the US dollar with the yuan as the reserve currency.

Besides, even though India's own exchange rate is pegged to a basket of currencies, and not just to the US dollar, trading in the local currency does not add to efficiency purely from the monetary policy point of view, given the complexities of exchange rate management.
What trading in local currency essentially means is countries start invoicing their products to be exported in their own currencies. For example, India would invoice — or bill — its merchandise exports to Russia in Indian rupees. The settlement dates can be fixed by mutual consultation — they can be daily, weekly, monthly or quarterly.

But then, there is effectively no rupee-ruble currency market today. So in arriving at a rupee-ruble exchange rate, the reference again is the US dollar, because there are deep and liquid currency markets with strong demand-supply helping to discover a rupee-dollar exchange rate. At the end of the day, the dollar still provides the benchmark for currencies the world over — even though China, more than any other country, is keen to see it replaced.

Back in 2012, at the Fourth BRICS Summit in New Delhi, the five countries had signed two agreements to encourage trade in local currencies. The first agreement was to extend credit facility in local currency to each other; the second was to replace the US dollar as the main unit of trade among them. But the agreements have failed to encourage businesses to jettison the dollar — exports among the countries continue to be invoiced in the US currency.

In any swapping arrangement, the country with the weaker currency gains. India's major exports to Russia have been engineering goods and pharmaceuticals. Russia has been in turmoil, with a monetary policy that has resulted in a weakened currency. The ruble has only depreciated vis-a-vis the rupee over the last couple of years. This means the Russians pay more for Indian products, and Russian goods are cheaper in India because fewer rupees buy more. Industry, therefore, has been lukewarm to the idea of local currency invoicing. Unless partner countries can draw advantages, trading in any currency other than the US dollar will not kick off.

From a more strategic point of view, it makes sense for India to have local currency invoicing arrangements mostly with countries with which it enjoys a surplus in bilateral trade. India suffers a huge deficit with China (See chart). With Russia and South Africa too, India runs a deficit. It has a small advantage with Brazil. A local currency swap arrangement with countries from whom India imports will only encourage more imports. This apprehension is also clear from India's plan to have local currency trading arrangements with about 15-20 countries with whom it has a trade surplus. A high trade deficit of $ 48 billion with China, and Beijing's policy of keeping its currency weak, will only exacerbate the unfavourable situation.

India's exports to BRCS countries added to just $ 25 billion in 2014-15, less than a tenth of its total exports of $ 310 billion. Barring China, the other three countries — Brazil, Russia and South Africa — are not India's natural trading partners. If China is excluded, BRICS exports are less than 5 per cent of India's exports. And imports from these three countries are only $15 billion — compared to India's total imports of $ 450 billion in 2014-15.

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Chemical, petrochemical imports impacting domestic value addition, wealth creation

ANI, Financial Express

July 8, 2015: India has emerged as one of the biggest importers of petrochemicals, resulting in sizeable capital outflow apart from impacting the economy because of its inability to produce finished products and its consequent import resulting in sub-optimal wealth creation, said Surjit K Chaudhary, Secretary, Department of Chemicals and Petrochemicals.

Addressing a symposium on 'Potential of Coal Gasification in India' organized by FICCI jointly with the Department of Chemicals and Petrochemicals, Chaudhary said that India lacks reserves of petroleum and gas but has rich reserves of coal.

Still, he said, the country has not been able to provide adequate coal feedstock to its plants.

He suggested that it was time to encourage use of better technology and modern methods of exploration and production to enhance coal gasification.

While the symposium debated the potential of coal as a source for making chemicals and petrochemicals and the global developments, especially, in relation to China as also emerging technologies in the sector, especially, in the context of environmental ramifications, Chaudhary said that though it is one of the sectors which was delicensed and allowed 100 percent FDI early on, the sector never realized its true potential.

He added that India was importing chemicals and petrochemicals and was selling it to other countries. These countries were then exporting finished products to India, making a dent on India's economy and also destroying local community crafts.

Shyam Bang, Executive Director, Jubilant Lifesciences, said that India needs to adopt a strategic approach for coal gasification and industry too needs to invest in chemical coal.

With new policies in place, India is bound to increase its production and start generating surplus within a span of two years. He added that the government should promote more coal-based gas plants on the lines of the one which is in Odisha.

Coal has high ash content, said Bang, and added that technology would play a major role in coal gasification. He also stated that the pricing which is being decided by Coal India should become competitive to match the global standards.

Presentations were also made by Malini Hariharan, Global Course Director/Head of South Asia Markets, ICIS, on 'The use of Coal as a Chemicals Feedstock – the experience in other countries around the world, especially China, the opportunities for India and key challenges'; Sanjay Sharma , Managing Director , Middle East & India , IHS Chemical Consulting , Dubai on 'Coal to Chemicals Opportunities with special focus to India'; Prema Viswanathan, Associate Editorial Director – Petrochemicals, PLATTS McGraw HILL Financial, Singapore, on 'Coal to petrochemicals developments in China and lessons for India'; Dr. Ajay Kumar Singh, Head, Methane Emission & Degasification, Central Institute of Mining and Fuel Research, Dhanbad, on 'Coalbed Methane and Allied Activities' and Prof. D K Sharma, Centre for Energy Studies, IIT Delhi, on 'Clean Coal Technologies with reference to Gasification and CO – Gasification of Coal'.

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Govt's push to curb steel imports could hit its small mills

Aman Shah Mail Me, Maytaal Angel Mail Me, Live Mint

Mumbai/London, July 8, 2015: Steps by India to protect its large steelmakers from a flood of cheap imports could end up closing scores of small, local firms that process the metal, industry analysts and executives said.

These processors currently buy imported steel at up to 20% below India's pricier, domestic steel, turning it into finished steel products for industrial use.

India last month raised duties on some steel imports by up to 2.5 percentage points, with more increases expected.

India's steel imports had jumped around 70% to over 9 million tones in the year to end-March, with a surge of cheaper purchases from China accounting for about a third of the total. Imports soared 55% in April-May.

The duty hike, along with proposed steps to tighten quality controls on steel imports, should curb shipments into the country this year, industry experts said.

While that should help large steelmakers, it will pile more pressure on small steel processors, already grappling with faltering demand as the real estate sector slows. Often family-run, these firms account for almost 60% of the India's overall steel sector, according to one industry body.

"If imports get reduced, the integrated steel mills will start charging higher prices, irrespective of international price trends … secondary steel producers will not be able to survive," said Mohan Gurnani, President of the Federation of Associations of Maharashtra, which represents over 750 small associations and traders.

Steel ministry officials did not immediately respond to requests for comment.

Earnings boost?

Morgan Stanley estimates that the 2.5-percentage point duty hike could potentially boost Tata Steel earnings per share by 14% next year, Steel Authority of India's (SAIL) by 33% and JSW Steel by 30%.

"Import orders should reduce meaningfully from here as traders will become apprehensive of further increases in duties in some shape or the other," the bank said in a note.

India's largest steelmakers have been badly hit by high debt, interest costs and low appetite. But demand prospects are improving as the country starts a major tones27zation drive under Prime Minister Narendra Modi.

Indian steel consumption rose 7% in April-May, after growth of 3% in the fiscal year that ended in March.

The World Steel Association (Worldsteel) expects Modi's plans, including building 100 new 'smart' cities, to spur steel demand by up to around 6% this year.

Most analysts now expect Indian steel prices to remain steady, or rise slightly especially if the rupee weakens further, making steel imports more costly. Reuters

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Duty on wheat imports is a retrograde step

Tejinder Narang, Financial Express

July 12, 2015: The food ministry's move to impose 10% import duty on good quality wheat for enabling sale of the government's poor quality wheat procured this year is laughable, to say the least, and irrational any way. Apparently, the view is that unless market buys lower quality wheat at the official price and policy, the government will block import of good wheat that is being currently imported at a lower price by the trade in southern India.

The greatest single ambiguity is that if Maggi noodles could be banned for non-compliance with specifications, why the sale of low quality wheat is being promoted by virtually denying acquisition of superior cereal from abroad (currently Australia) at cheaper prices by millers/traders, especially from southern India. The huge difference in wholesale prices prevailing in the south and the rest of India justifies imports on commercial prudence.

Normally, south Indian millers blend superior quality wheat with low quality grains as "filler", so that customised flour (atta) for maida/rava/suji or bread/bakery making could be produced. The superior variety has suffered severe shortfall this year due to unseasonal rains in Madhya Pradesh. If the government decides to clamp down on production of such customised flour, low quality wheat that could be used as "filler" cannot also be easily consumed.

Thus, the government itself disables consumption of its wheat.

By official admission, about 30% of the 27 million tonnes (or 8 million tonnes) bought this year (2015-16) by the government is of poor quality. It remains unclear if most of grains procured "under relaxed norms (URN)" is classified as "poor quality" or URN wheat is somewhat superior to the "poor quality". Does poor quality mean inedible for human consumption? Of the 4 million tonnes offered under OMSS till May 2015, only 5,000 metric tonnes could be sold. Is the questionable quality the prime reason for tardy disposal?

A Times of India report of January 29, quoting FCI officials, mentions that 90% of the 27 million tonnes of wheat procured this year URN—24 million tonnes—equivalent to the annual production of Australia, carries higher percentages of shrivelled, broken grains and lacks lustre. Such wheat is suitable for making

chapatis (unleavened flat bread) but it suffers from shorter shelf life and needs to be consumed in less than a year.

To clear the confusion, the government may come out with facts and figures of availability of (1) good quality, (2) URN, and (3) inedible grains for human use. Any alternative course of action for their evacuation can be evaluated and planned thereafter.

The government has not notified any differential between good and lower quality grains. There is no pick-and-choose option. It is a matter of common sense that a commodity with varying specifications cannot be sold at the same price when the authorities themselves have determined a large tonnage as “of lower quality”.

Wheat of URN or lower parameters at OMSS price of Rs 1,550 per quintal plus freight and incidentals costs around Rs 1,900 per quintal in south India, versus imported grain at Rs 1,850 per quintal. Though these two qualities are not mutually comparable, still the value of better type of imported produce is cheaper. Since the WPI wheat inflation is down to about 3%, the imposition of 10% implies that the government is spurring inflation domestically, simply because holdings stuck with FCI or state governments are to be bailed out due to lack of ideas for their disposal.

Indian wheat consumption sans export is about 85 million tonnes per annum. The import of half to one million tonnes in southern India is not likely to accelerate disposal process of FCI or the government of about 20 million tonnes by adding 10% duty component. The government may also have to weigh in the political consequences of distributing “poor quality” wheat under PDS. Is there any rationalisation for penalising consumers because producers were protected? Should PDS consumers become guinea pigs for using substandard wheat, simply because it is subsidised?

For the open market sale, the government has to reduce the price for saleability in the market. That can be determined by open auction without any pre-fixation to OMSS of Rs 1,550 per quintal. The rate of disposal is directly dependent on the minimum price acceptable in open market for lower/poor quality grains.

Lustre loss wheat was classified of lower category in 2002-03 and was offered as “feed wheat”, for which there is abundant demand in India and abroad. About 4 million tonnes was exported at discounted values of 20-25% from the normal values. The authorities should have the courage of declaring suboptimal quality as feed wheat. For example, if OMSS of such wheat is discovered at, say, Rs 1,100 per quintal, the rate of disappearance will be phenomenal.

The problem in the bureaucratic set-up is no official agency is prepared to discount the price as the loss will have to be booked with reasonable justifications. But burdening 10% duty on wheat import may mean some action on paper, even though it may defy the objective.

The government must come out transparently with various qualities and quantities it has stocked, declare poor quality as feed wheat, apply calibrated discount to lower quality wheat, and then sell locally. If still the consumption does not pick up, it can export 5-6 million tonnes as feed wheat at global market price. Let the good grain be distributed under PDS to avoid political complications and shun the levy of import duty.

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US FDA bans imports from Emcure Pharma's plant

Reuters, Business Line

Mumbai, July 14, 2015: The US Food and Drug Administration has banned drug imports from Emcure Pharmaceuticals Ltd's manufacturing unit in Maharashtra over violations of standard manufacturing practices, the latest in a series of Indian firms to face such action.

In an 'import alert' posted on its Web site on Monday, the FDA said it had barred imports from Emcure's Hinjewadi manufacturing plant inMaharashtra, after an inspection revealed the company was not meeting manufacturing quality standards.

The company has nine manufacturing plants, including one in the US, and exports to a number of countries including the US, Europe, Brazil and Japan, according to its Web site. Emcure, one of India's top 20 drugmakers, is the latest among some of the country's largest drug makers to have come under fire for similar violations in the last few years, hurting the country's reputation as a reliable supplier of cheap generic drugs to the world, and impacting the growth of the $15 billion industry.

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Semi-knocked down devices' imports rise 64 per cent in June quarter

Gulveen Aulakh, Economic Times

New Delhi, July 13, 2015: Handset makers have doubled their imports of semiknocked down (SKD) mobile phone units into India, signalling a big takeoff of cellphone assembling in the country. According to data from Cybex Exim Solutions, shared exclusively with ET, top handset makers such as Samsung and Micromax imported 6.9 million SKD mobile phone units in June, more than double the 3.4 million units of imports in the same month a year ago.

In the quarter to June, import of SKD units jumped 64 per cent year-on-year to 18.14 million, while sequentially, SKD shipments soared 55 per cent. A majority of these units were smartphones. The jump in imports was triggered mainly by the government's decision to change the import duty structure, which made the assembling of phones in India cheaper than importing them.

Imported SKD units are assembled into fully working units in local factories. Assembling is considered the first step towards complete local manufacturing, a desire expressed by most of the top handset vendors such as Xiaomi, Micromax, Lava, Intex, Sony, LG, HTC and Asus.

Market leader Samsung has also talked about expanding its current production capacity, besides setting up a new factory.

"We are dedicated to strengthening our manufacturing infrastructure and we will continue to manufacture India-inspired creations to meet the growing domestic demand for mobile handsets," a Samsung India spokesperson said.
SKD imports of the South Korean company, which now assembles all of its locally-sold phones at its Noida plant, crossed 4.2 million units last month. It has been importing on an average 3.4 million SKD mobile phone units a month.

Imports of SKD units by Micromax, India's No 2 handset player, have surged 10 times over the last year. "Local manufacturing makes us stronger as a brand in competition without doubt," Micromax chief executive officer Vineet Taneja said. "I feel a lot more confident today because we're able to deliver with great efficiency and speed and better prices than before." According to data, the company assembled more than 1 million smartphones in June.

Foxconn, the world's largest contract manufacturer, sees a huge opportunity in India following the changes in the import duty structure. The company, famous for making Apple iPhones and iPads, plans to invest over $2 billion in setting up 10-12 factories for manufacturing smartphones and consumer electronics by 2020.

"Local manufacturing makes a significant impact on bottom line and to remain aggressive in the competitive market," said Gartner's research director Anshul Gupta. "In a highly competitive market with low margins, difference in import duty warrants for local manufacturing."

Intex, Lava and Karbonn, which were mainly importing all their products, are increasing local assembly by the month. Intex has increased production by four times since it started local assembly in November 2014.

"The duty differential of 11.5 per cent as compared to the vendors who are importing their finished product from outside India gives vendors having assembly operations in India a cost advantage of a few hundred rupees over other vendors on a single handset," said Counterpoint Research's senior analyst Tarun Pathak.

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DGFT tells exporters to look beyond eurozone and explore opportunities in Latin America, CIS nations and Africa

Business Standard

July 8, 2015: In the wake of the current turmoil in Greece, Indian exporters need to look beyond eurozone and explore opportunities in emerging markets such as Latin America, CIS nations and Africa, according to Mr Pravir Kumar, Director General of Foreign Trade (DGFT), Union Ministry of Commerce & Industry.

"When there are risks, it is extremely important to distribute risks and diversify elsewhere," Mr Kumar told an Open House Meet with more than 200 exporters organised by CII Eastern Region in association with the Federation of India Export Organaistion (FIEO) here today.

On its part, the Government will continue providing policy direction, incentivizing diversification and value-added exports, he said.

In his view, Indian exporters will also do well by focusing on the countries with which India has a free trade agreement (FTA).

The volume of Indian exports in eurozone is 18-19 percent of the country's total exports, and that is enough reason why Indian exporters should go and take a good good look at Latin America, CIS nations and Africa.

In line with the Prime Minister's Digital India call, the Central Government is working overtime to devise a single window clearance to make things easier for you. This is part of the Government's resolve to facilitate trade, he said.

Mr Kumar also informed the exporters that his department has designed an app on the android platform which will give them an easy access to relevant information and services. We are in the process of making our work virtually paperless", he said.

Mr Sanjay Budhia, Chairman, CII National Committee on International Trade Policy & Exports, spoke of the yawning trade deficit and cited data which says the annual trade deficit in the Asia's third-largest economy reached $137 billion in the 2014-15 fiscal - from $135.8 billion in the preceding year.

This puts tremendous pressure on the economy. The achievements in export of services, specifically IT (Information Technology) and business services and huge remittance receipts alone are not capable to bridge the gap, explained Mr Budhia, who is also the Managing Director of Patton International Ltd. He, however, praised the Central Government for its sincere attempts at policy reforms. That's quite encouraging and an impetus to the economy, Mr Budhia said.

Mr Ramesh Kumar Agarwal, Vice President & Regional Chairman (Eastern Region), FIEO, voiced concern at the declining exports from India. We are much concerned as the decline may be now in volume as well which serious ramifications, adding that the Government needs provide support to the export sector at this crucial stage.

Ms Pallavi Kaul, Chairperson, CII West Bengal State Council, said in the growing trade imbalance, India needed a futuristic policy to revive export oriented industries in the country. It is a ground work for India's involvement in international trading engagements and global value chain. Proper market and product or service strategy has been described in the policy for the enhanced participation of Indian

industries in global trade. In doing so, high importance has been given to trade facilitation, reducing cost of trade and improving ease of doing business.

These policy initiatives are in line with making India as a hub of global production. Due consideration has been given to standards and conformity assessment. This is a critical area because if we cannot produce products or services as per international best practices, we will not be able to get access to certain markets. In this integrated trade regime, technical barriers affect trade in both value and volume terms more than tariff based trade barriers do.

The industries have been encouraged to import capital goods and technologies that in turn help to build domestic capacity and competitiveness. In the same respect, some of the low value added and scrap products have been disincentivised. This is to be remembered that the Government's focus has been to make India as a producer of products and services in the higher end of value chain. This migration will not happen over the night. Together with policy incentives, it requires constant effort to improve our production processes and service deliveries. The Foreign Trade Policy 2015-20 has laid down a roadmap towards this goal.

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Oilmeals export down by 34% in June at 1.37 lakh tonnes

Economic Times

New Delhi, July 7, 2015: Oilmeals export fell by 34 per cent during last month to 1.37 lakh tonnes due to historical low shipments of soyameal on account of high domestic prices, according to industry data.

"The export of oilmeals during June 2015 is reported at 1,37,571 tonnes compared to 2,07,753 tonnes in June 2014, down by 34 per cent," Mumbai-based Solvent Extractors' Association (SEA) said in a statement.

During April-June 2015, the export of oilmeals declined by 29 per cent to to 4,41,548 tonnes as compared

to 6,25,805 tonnes in the year-ago period.

"Soyabean crushing is very much reduced due to continuous disparity and high price of domestic market, due to heavy speculation in future market vis-a-vis lower realisation for meal and oil affecting overall domestic availability of both oils and meals," SEA said.

The association said that inspite of 5 per cent reward rate under new Exim Policy and rupee depreciation, the export of soybean meal is at a historical low.

Soyameal exports stood at "just 18,017 tonnes in April, 14,046 tonnes in May and only 2,098 tonnes in June 2015," it added.

Besides fall in exports, SEA said the domestic demand has also been subdued, leading to the closure of many processing plants in the country.

"Capacity utilisation is at the lowest and many plants are closed down due to disparity in crushing," SEA added.

South Korea is a major importer of oilmeals from India.

During April-June 2015, oilmeals export to South Korea rose to 3,05,849 tonnes as compared to 2,95,249 tonnes in the corresponding period of previous year.

Exports to Iran fell sharply by 91 per cent at 9,050 tonnes in the first quarter of this fiscal as compared to 1,02,275 tonnes in the year-ago period.

Shipments to Thailand, too, fell by 72 per cent to 12,158 tonnes compared to 44,192 tonnes. Vietnam imported 59,516 tonnes compared to 56,279 tonnes, while Taiwan imported 14,779 tonnes against 20,866 tonnes during the period under review.

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Indian onion loses second rank in global exports

Nanda Kasabe, Financial Express

Pune, July 9, 2015: Onions from India have gained fame worldwide for their pungency and good quality. In the last five years, however, erratic weather and shifting policies on export have left the country behind others. Countries such as China and Pakistan are fast catching up with India both in terms of quality and increase in cultivation.

India ranked second among the top 10 onion exporting countries for several years. However, this position has taken a hit. According to officials from APMC, Nashik, India now ranks fourth in onion export in the world. Earlier China ranked first followed by India. Now China ranks first and countries such as the Netherlands, Mexico, Spain and Pakistan have joined the race.

Moreover, region that India has been traditionally exporting to such as Southeast Asia has also begun to grow onion in addition to exporting the vegetable.

According to sources from National Horticultural Research and Development Foundation (NHRDF), India had topped in export in 2009-10 with 18 lakh tonne. Average export also hovered around 14 lakh tonne. However, in the last five years, onion export from the country has taken a downward turn. In 2014-15, only 10.86 lakh tonne of onions have been exported. The decline has been as much as 20% compared to the previous year.

According to RP Gupta, director, NHRDF, erratic monsoon and uncertainty in supply has resulted in exporters not being able to fulfill their export commitment. “Policies have been such that there is no certainty over export. For two years there has been a ban on onion export and sometimes the MEP is raised. Therefore buyers have begun tapping other sources,” Gupta explained.

One major effect, according to Gupta, is neighboring countries such as China and Pakistan have begun producing onions of the same quality and pungency and their onions are a lot more cheaper in the international markets.

Moreover, countries such as Thailand, Indonesia and Sri Lanka who were traditional buyers of the Indian onion have begun to produce onions and also export them. Since the competitiveness has increased, India has not been able to match up both in terms of quality and policies, observers said.

Onion is cultivated in Maharashtra, Gujarat, Madhya Pradesh, Karnataka, West Bengal, Odisha and Tamil Nadu with a total production of some 189 lakh tonnes for all the three seasons. Onion export however account for just 1% of the total production, according to market experts.

Top officials from Lasalgaon, the hub of wholesale onions in the country, say exporters from all over India used to export from Nashik. However, in 1999 the then prime minister Atal Behari Vajpayee first brought the onion under the essential commodities list and thereafter there have been several restrictions.

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FAO raises 2015 world rice trade forecast to 42 mln tones

Reuters, Financial Express

July 9, 2015: Global milled rice trade could reach 42 million tonnes this year, the United Nations food agency said as it raised its forecast, citing India's higher shipment and more purchases by the Philippines and Bangladesh, but was still down 1.9 percent from 2014.

Global paddy output forecast for 2015 has been lowered to 749.1 million tonnes due to late and insufficient rains caused by the El Nino weather phenomenon, the U.N. Food and Agriculture Organization (FAO) said in its rice market monitor report for July.

In April, FAO forecast global rice trade at 41.3 million tonnes, down 2.5 percent from 2014, while it said global paddy output could edge up 1.1 percent to 749.8 million tonnes.

India, the world's largest rice exporter in 2014 with actual shipment totalling 11.5 million tonnes, is now forecast to export 10 million tonnes this year, FAO said in the July report released late on Wednesday, raising its forecast by 7.5 percent.

Thailand's rice export this year is expected to fall 2.7 percent to 10.9 million tonnes, which will still make it the world's top exporter in 2015, the report said.

Forecast for Vietnam's rice sales abroad this year are also cut to 6.3 million tonnes, down 2.6 percent from 2014 and a 3-percent drop from FAO's projection in April.

Rice imports this year by China, the world's largest producer of the grain, are kept unchanged at 3.2 million tonnes while its 2015 domestic paddy output would reach 209.5 million tonnes, an increase of 1 million tonnes, FAO said.

The Philippines' imports in 2015 are now expected to rise to 2 million tonnes, from 1.5 million tonnes forecast earlier, as Manila boosts stocks amid concerns over the El Nino impact on production, the report said.

Bangladesh could import 1 million tonnes for the whole of this year, up from 0.7 million tonnes in the April forecast, FAO said, citing a brisk pace of inflow that has raised the country's purchase above 700,000 tonnes as of April.

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Leather, Textile Exports Likely to Face Fallout of Greece crisis

Jonathan Ananda, The New Indian Express

Chennai, July 13, 2015: Minister of State for Finance, Jayant Sinha on Saturday reiterated the Union government's stance from a possible Greece fallout with the possibility of some volatility in the capital markets in India with marginal impact on the country's economy as a whole.

Speaking to Express, Sinha however qualified his statement saying that sectors with high exposure to the European market "will see an impact".

Tamil Nadu's vital export industries - Leather and Textiles - fall into this category with the European Union being one of the largest export markets, and any decline in the strength of the Euro will likely see an already unfavourable situation worsen.

"If there is indeed an exit from the EU by Greece, as far as India is concerned, we will have to deal with some volatility in the capital market. And certain industries with exports that are quite significant to Europe will be affected," Sinha said.

The Eurozone constitutes almost 48 per cent of the Indian textile export market and constitutes 60 per cent of the leather export market.

According to Rafique Ahmed, president of the Federation of Indian Export Organisations, the Greek crisis and the weakening Euro have already had a significant impact on the two.

"There has been an approximate 10-15 per cent decline in Indian exports from these sectors ever since the uncertainty over Greece surfaced - over the last five months," he said. Any further decline in the value of the Euro, could see conditions worsen significantly. Textile exports alone in the last five months have seen a decline of around 5 percent, according to exporters.

It all depends on the Euro. It has weakened already and that has seen some decline in our exports. We are afraid it might weaken further if Europe decides to let go of that debt," said A Sakthivel, president of the Tirupur Exporters Organisation. (Tirupur is a major textile hub - exporting Rs 20,730 crore out of a total Rs 2.62 lakh crore in total textile exports in 2014-15.) According to figures from the Directorate General of Commercial Intelligence and Statistics, textiles contributed 12.59 per cent of India's overall export figures in 2013-14 which is a significant amount.

For leather products, with the Eurozone constituting a larger export market, the situation is potentially worse.

Experts are hoping that the European Central Bank will effect a swift correction if the Euro starts declining, which will help in stemming any decline in exports from India.

"We have to see how quickly any volatility in the Euro is contained. With the European economy already in a poor state, the Greek crisis has only increased the uncertainty and reduced the purchasing power. The recovery of (the textile and leather sectors in case of Euro volatility), will be slow and we (must brace for)some tough times ahead," asserted Ahmed.

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Government looks to rope in states for export boost

Times of India

New Delhi, 15 July,2015: The government is looking to get states on board to push exports and will soon set up a Trade Facilitation Council. Separately, it is expected to flag the issue of taxation and trade policies in states at a meeting with state government officials on Wednesday.

The proposed council will be headed by commerce and industry minister Nirmala Sitharaman and secretaries of key ministries and state ministers will be the members. "The real work happens in states. We are setting up this council. We will also ask and encourage them to formulate their own State Trade Policy," a senior government official said.

The official added that the Centre also intends to take up issues related to infrastructure, local taxation,

refund of local and state levies and the regulatory environment during the meeting with the states on Wednesday.

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Fillip to basmati exports from India likely

Sandip Das, Financial Chronicle

New Delhi, July 15, 2015: India's basmati rice exports to Iran, which make a quarter of the country's total aromatic rice shipment, are expected to get further boost following likely easing of sanctions imposed on the Islamic nation by the US-led alliance.

Commerce ministry sources said India had launched a 'rupee settlement mechanism' from April 2012 with Iran to weather the sanctions from the US and EU. As part of the initiative, state-owned UCO Bank has tied up with Iranian lenders — Parsian, Pasargad, Saman and EN Banks — for settlements of dues.

However, rice exporters say that often the settlement of payment for exports of Basmati rice to Iran takes time. "It would be much more easier to get payment for the rice exports to Iran following the removal of sanction by the US," a commerce ministry official told FE.

Of total exports of 3.7 million tonne of Basmati from the country in 2013-14, 1.4 mt was shipped to Iran, the largest destination for India's aromatic long-grain rice shipment. However last fiscal, India's Basmati rice exports to Iran dropped to 9 lakh tonne because of sluggish domestic demand there.

Out of the total value of Rs 27,597 crore basmait rice exports in the last fiscal, India exported Rs 6,758 crore worth of basmati rice to Iran, which is now the second biggest destination of aromatic rice from the country.

Because of rising demand, India's basmati exports to Iran grew from 6 lakh tonne in 201–12 to 1.4 mt in 2013– 14. However commerce ministry officials said Iran needs about a million tonne of basmati rice from India annually.

Meanwhile, Iran and India have also agreed to have referral labs in India for testing rice consignments rejected by Tehran because of the presence of pesticide residue.

"Henceforth, in case of disputes on pesticide residue levels, the report of these labs would be final," an official said.

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Exporters of home textiles prefer sea route

R. Rajaram, The Hindu

Tiruchi, July 8, 2015: Despite witnessing a robust growth in air cargo exports over the years, the Tiruchi international airport has not seen shipment of home textiles notwithstanding its proximity to textile hub of Karur. Export of home textiles from Karur, a booming trade centre in the central region, continues to be routed through sea despite Tiruchi airport being at its arm's length.

Cheaper rates and the advantage of dispatching goods in bulk are factors prompting textile exporters of Karur to send their home textile products by sea than air.

The textile hub of Karur has been witness to a booming business in home textiles with the volume of exports estimated at over Rs. 3,000 crore, according to trade circles.

A mosaic of home textiles such as bed linens, pillow covers, aprons, gloves, cushion covers, tea and kitchen towels manufactured in Karur are being exported to overseas destinations.

European Union, United States, Australia and Scandinavian countries happen to be the major overseas markets for the exporters of Karur.

However, none of the major overseas nations which import a mosaic of textile products from Karur has a direct connectivity with Tiruchi airport which is at present connected to Colombo, Singapore, Kuala Lumpur and Dubai.

Exporters say bulk movement of home textiles was being shipped mainly from the Tuticorin Port to European destinations, US and other foreign markets.

Routing textile cargo by sea is cheaper and cost effective for the exporters who have phenomenal advantage of dispatching their products in bulk at one go by sea, says V. Ananthapadmanabhan, chief executive officer, Karur Textiles Manufacturers Exporters Association.

However, once international courier service kick-starts from Tiruchi airport, possibility of samples of home textiles being routed through air might take off. This was because samples would have to reach buyers at the earliest, says Mr. Ananthapadmanabhan.

Although there has been an upswing in cargo exports from Tiruchi airport ever since export cargo terminal was commissioned in 2011, the commodity profile continues to remain largely unchanged.
With the airport surrounded by agrarian districts, perishable commodities such as vegetables, fruits and flowers account for 90 per cent of the export cargo which are dispatched to Singapore, Kuala Lumpur and Colombo by different overseas flights every day.

Tiruchi is after Chennai international airport in Tamil Nadu in handling of export cargo.
With Tiger Airways planning to increase its services from Tiruchi, airport sources expect a further push in export of air cargo.

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Centre to discuss e-comm norms, export promotion moves with States on Wednesday

Amiti Sen, Business Line

New Delhi, July 15, 2015: The Centre will discuss existing e-commerce regulations in various States and trade facilitation measures required to promote trade and exports with State government representatives on Wednesday.
A ‘trade facilitation council’ chaired by the Commerce Secretary and comprising industry secretaries from different States – which will discuss issues such as infrastructure, State taxes and regulatory environment – is being set up to sort out issues affecting industry performance, including the persistent fall in exports, a government official said.
“The Centre realises that in the important areas of streamlining rules on e-commerce and removing bottlenecks in trade infrastructure to promote industrial production and exports, it is necessary to take States on board. Both the meetings scheduled on Wednesday, which include e-commerce and trade facilitation, are crucial ones,” the official added.
Commerce Secretary Rita Teotia, who will meet State industry secretaries, will also discuss the need for all States to come out with their own foreign trade policies.
The Ministry is working on State-wise de-aggregation of exports data.

Meeting with Minister

This meeting will be followed by an interaction with Commerce & Industry Minister Nirmala Sitharaman on e-commerce matters, including the possibility of allowing foreign direct investment (FDI) in the sector.

"The Commerce Minister's meeting will focus strictly on e-commerce issues including the matter of allowing foreign investments in the sector, tax-related problems faced by different companies and other hassles faced by e-retailers in particular States," the official said.

E-commerce companies have been complaining about tax problems faced in States such as Kerala and Maharashtra that seek to bring such companies under the ambit of value addition tax and sales tax. Supplying data on sales from e-commerce platforms to States on a monthly basis could also prove to be an onerous task.

The meeting on trade facilitation, on the other hand, will look at broader issues.

The trade facilitation centre is being set up to bring out the specific reasons that are holding States back in terms of industrial and export performance.

"We will look at issues of taxation. We will look at issues of refund of taxes and how quickly States do that. In fact, all issues related to infrastructure, taxes and the regulatory environment will be examined in details," the official said.

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