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Doublespeak of the rich at WTO

Amiti Sen, Business Line

August 7, 2017 : Unfair rules need to be challenged even if they seemingly have been democratically framed. This is exactly what India and China have done with their latest paper at the WTO on elimination of the so-called trade distorting subsidies. The countries have demanded that the developed world should give up their huge disproportionate entitlements to such sops before discussing further reforms.

Developed countries dole out several times higher subsidies to their farmers than the rest of the world. They label most of the sops as non-trade distorting (green-box subsidy at the WTO) which, supposedly, have minimal effect on world trade.

The paper, ‘Elimination of AMS to reduce distortions in global agricultural trade’, reveals that developed countries cornered the right to a lion’s share in the total trade distorting subsidies allowed for agriculture (or amber box subsidies at the WTO), also called aggregate measure of support, worldwide. This amounts to 90 per cent of the total entitlement for such subsidies. Most developing countries, on the other hand, cannot risk increasing the amber box subsidies to more than the de minimis (ceiling) of 10 per cent of total production value of a specific commodity as they could then be penalised. It is important to note here that product-specific subsidies apply largely to the developing world, whereas the developed world, by having an overall ceiling for all farm products, can manipulate the subsidies for individual products.

In effect, the developed world can give as much as $160 billion of trade-distorting subsidies that affect prices and production every year without attracting penalties. It could go up to 300 per cent or more for certain items in some countries. This exposes the hypocrisy of the rich nations which routinely reprimand countries such as India and China for their minimum support price programmes for poor farmers.

Fooling the system

The WTO rules, on the face of it, do not seem so unfair. While developing countries face the 10 per cent ceiling of the production value for their product-specific AMS, the same for developed countries, or some of them, stands at just 5 per cent. Developed countries exercised an option of either accepting a product specific ceiling of 5 per cent, or an overall cap. The former was exercised by those whose subsidy levels were very high at the time the Agreement on Agriculture was being negotiated in the 90s.

For instance, if a country’s overall AMS limit is $10 billion, it could concentrate the entire amount on one crop. On the other hand, developing countries such as India are stuck with product-specific de minimis limits of 10 per cent. This means that for no crop can the AMS limit be higher than 10 per cent of its value of production.

Taking advantage

This outrageously unfair arrangement came about because at the time when the Uruguay Round was negotiated, very few countries, including India, understood its implications. Back in the 1990s, they did not have either the technical prowess or the human resource to negotiate well, and allowed developed countries and a handful of developing countries get away with high AMS limits.

But do the high entitlements for AMS actually result in developed countries giving high levels of subsidies? The India-China study shows that developed members including the US, the EU and Canada have, using the flexibility, subsidised a large number of items heavily at some point of time over the past two decades. In the US, the product-specific support was 10 per cent or more of the value of production for 30 products in at least one year during 1995-2014. Some of the products with subsidies exceeding 50 per cent of the value of production include dry peas (57 per cent), rice (82), canola (61), flaxseed (69), sunflower (65), sugar (66), cotton (74), mohair (141), and wool (215 per cent).

The study further shows that even the latest figures of 2014 reveal that product-specific support for items such as sugar and sesame in the US was over 50 per cent, while for items such as peanuts, millet and cotton, it was 14-16 per cent.

For the EU, in respect of 43 products, the product-specific support was 10 per cent or more of the value of production in at least one year during 2000-13. Some products with subsidies exceeding 50 per cent of the value of production include butter (71 per cent), skimmed milk powder (67), apples (68), rice (66), olive oil (76), white sugar (120), tobacco (155), and silkworms (167 per cent). While the EU has managed to keep its product-specific AMS for most products below 10 per cent since 2010 (although it could choose to increase it if it likes), for silk worms it is maintained at a high 133 per cent.

Canada provided product-specific support at 10 per cent of the value of production, or more, to seven products in at least one year during the period 1995-2013, the reported stated. Products that have consistently benefited from very high level of subsidies as a percentage of value of production include milk (14 years), sheep meat (nine years) and corn (five years).

Compared to such high product-specific subsidies in the developed world, it seems a bit bizarre that India is consistently warned by countries like the US, Australia, the EU and Japan about its rising MSP support to food grains and cereals like rice, wheat and pulses when they are actually all well below the de minimis limit of 10 per cent at the moment.

Cuts that hurt

Equally unfair is the fact that even with low over-all subsidies, India has to worry about breaching the 10 per cent ceiling for rice once the food subsidy programme is fully implemented as it could then get into trouble. How can subsidies given by developing countries to support their poor be open to challenge when they barely cross 10 per cent, while many rich countries are entitled to trade distorting sops several times the de minimis ceiling?

The answer to the question is obviously to be found in the WTO rule book, that China and India have rightly challenged and should continue to in more such revealing reports.

India can hope to get its long-standing grievances in the area of food security and inadequate safeguards against import surges seriously discussed, deliberated upon and possibly redressed at the forthcoming WTO ministerial meeting in Buenos Aires only if it manages to have developed countries on the defensive.

The joint paper with China on AMS could well be the first step in this direction. It needs to keep up the momentum and adopt a more offensive posture by laying bare more such inequities in the Agreement on Agriculture that is habitually brushed under the carpet by the powerful. If a lie can pass off as truth when repeated a thousand times, the truth, too, can gain recognition when it is well articulated and is loud enough.

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Onus on developing nations to ensure credible outcomes at WTO meet

D. Ravi Kanth

Geneva, August 2, 2017 : Before proceeding for summer break last week, trade envoys squabbled over several issues at the World Trade Organization (WTO). Some of them who can be identified as the wretched of the earth from Africa and elsewhere remained angry with the director general for not properly conducting negotiations as per the agreed practices. Some others known as the Friends of the System praised the same director general for his excellent work. And, the US, which ranks first among the equals at the trade body, spoke selectively on what it wanted while turning a deaf ear to the unresolved issues raised by the large majority of members.

Indeed, a tale of two contrasting messages emerged ahead of the 11th ministerial conference. That meeting will take place in less than four-and-half months in Buenos Aires, Argentina. The continued dislocations in the international trading system following the Brexit and America First trade policies by the Trump administration are well known. "No two countries are doing more to strain the fabric of modern trade than America and Britain," says *The Economist* in its leader on "Trade deals—A special relationship with reality" on 29 July. It has suggested that "Britain and America suffer from similar delusions when it comes to trade."

Therefore, the burden of ensuring credible outcomes at Buenos Aires remains a major challenge. More so, when the champions of free trade are now crying hoarse over the system of forced and violent extractions they had forced over the colonies under the banner of free trade during the past two centuries. Now that they are blatantly embracing nationalist and insular trade policies, the burden of mobilizing forces for accomplishing developmental outcomes depends squarely on big developing countries. China and India along with other developing and poorest countries have to play a major role in ensuring that the trade majors of the Atlantic West lived up to the promises/commitments they made over 16 years ago.

The Asian giants have now joined forces in demanding the elimination of what is called the Aggregate Measurement of Support (AMS) for the most trade-distorting farm subsidies. That the AMS to the tune of $160 billion—provided by the US, the European Union (EU), Japan, Norway and Switzerland among others —remains at the heart of continued distortions in global farm trade is graphically showed by China and India in their proposal. Without the elimination of the AMS, which was built into the existing Uruguay Round deal on Agriculture, there cannot be any fair international trade in farm products.

Of course, as a counter to the demand for the elimination of AMS, the US points a finger at the alleged distortions caused by India and China under Article 6.2 of the Agreement on Agriculture. Under this provision, the developing countries are allowed to provide investment subsidies to agriculture as well as input subsidies for low income or resource poor farmers without any exemption.

The US and the rest of the Atlantic West are not prepared to treat public stockholding programs for food security under what is called the green box which is exempted from any reduction commitments.

Significantly, the US and the EU provide more than $200 billion of farm subsidies through the green box which are found to be trade-distorting.

Against this backdrop, two women trade ministers from India and Argentina spoke on how to salvage the multilateral trading system. India's trade minister Nirmala Sitharaman and Argentina's minister Susana Malcorra, who is going to chair the WTO's 11th ministerial meeting in Buenos Aires from 10 December, offered their respective ideas during two separate meetings in Geneva.

In her first visit to Geneva as the trade minister of more than 1.2 billion people, Sitharaman called for credible outcomes at the 11th ministerial conference. She delivered a key note address on "Reclaiming Multilateralism" at Geneva's Graduate Institute. The only way to rebuild the multilateral system is by concluding the unfinished Doha Development Agenda trade negotiations, Sitharaman suggested. She said the industrialized countries managed to secure the maximum beneficial outcomes for them and it is now their turn to agree to credible outcomes based on the Doha work programme that was launched in 2001.

Otherwise, the asymmetries in the global trading system will not only continue but will further aggravate the frictions. She challenged the narratives advanced by the industrialized countries and their developing country allies for burying the Doha Round while embracing new issues. "These narratives make a mockery of what we agreed to at Doha," she said.

"While some countries are pushing for initiating negotiations on the new issues, we cannot ignore many of the legacy issues of the Doha Round. Let the WTO members decide by consensus that the Round has been concluded," Sitharaman said. She rejected the new issues—rules for electronic commerce, disciplines for small and medium enterprises, and investment facilitation—that are not part of the Doha mandate. "All compromise[s] is based on give and take but there can be no give and take on fundamentals," she said, quoting Mahatma Gandhi. "Any compromise on mere fundamentals is a surrender. For it is all give and no take."

Clearly, the emphatic statement from the Indian ministers seemed at setting right the wrongs that were committed at the last ministerial meeting in Nairobi in December 2015. "The first step in this direction has to be building confidence and establishing mutual trust among WTO membership, which unfortunately seems to have been eroded over the years and dealt a body blow by the developments at the Nairobi ministerial conference," she said.

In contrast, Argentina's Susana Malcorra praised the Nairobi outcomes. Shockingly, she did not even mention the Doha Round in her address to members at the WTO. She said "there are new issues of the 21st century that require attention". In short, battle lines are drawn. It remains to be seen whether Sitharaman will prevail or Malcorra will score the goal at Buenos Aires.

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India revises draft plan on trade facilitation for services

D. Ravi Kanth

Geneva, August 7, 2017 : India has moderated the level of ambition in its proposal on trade facilitation for services (TFS) at the World Trade Organization (WTO) by informing its counterparts that the proposed TFS agreement will only apply to the existing commitments scheduled under the General Agreement on Trade in Services (GATS), according to the latest proposal reviewed by *Mint*.

After facing headwinds from both developing countries, including allies such as South Africa, as well as many industrialized countries on the earlier TFS proposal, India has now floated a revised draft proposal which is largely moderated so that it remains as a bargaining chip during the current negotiations on the domestic regulation barriers in services, according to a trade official who asked not to be quoted.

In the 18-page restricted job document issued on 27 July, India has maintained that it is "in the spirit of constructive engagement."

"India has sought to refine the TFS text by making changes to incorporate the various comments and suggestions raised by members in order to make the TFS text more meaningful and acceptable," it suggested.

Further, India ensured that the proposal is in line with the ongoing negotiations on domestic regulation that are based on the revised draft texts issued by two chairs during 2009 and 2011. The proposed changes include that "the TFS agreement is being limited to commitments that are scheduled under GATS, with the exception of Art. 8.2 (dealing with Mode 2 movement for persons seeking medical treatment)."

In the first draft circulated last year, India had said "Article 2 on Publication had also been made applicable to all sectors, whether or not scheduled." "But we have now limited Article 2 also to scheduled commitments," India said in its latest proposal, suggesting that the proposed TFS is primarily aimed at making scheduled commitments more effective.

In a similar vein, India's initial draft had used the term "immigration formalities" to refer to entry measures (visas, work permits, etc.) which are relevant for the entry of short-term service providers offering services for specific durations. This term is being replaced with the phrase "measures relating to entry and temporary stay", given the various sensitivities expressed by several members associated with the term "immigration", India maintained.

"However, we have in this revised draft limited Article 3 on "Administration of Measures" to the two main types of measures affecting supply of services, namely: authorisation and measures relating to entry and temporary stay," it argued.

The term "authorisation" refers to permits/licences, etc. required for a service, and "measures relating to entry and temporary stay" pertains to visa/work permits required for Mode 4 movements.

The reason for limiting Article 3 to only two types of measures, India said, is because this provision deals with "administration" related aspects, and places several onerous requirements relating to timeframes, and procedural requirements for dealing with applications, etc. "Since the main thrust of concern on TFS is measures pertaining to authorisation and measures relating to entry and temporary stay, we have limited this provision accordingly."

The main objective, according to India, is to ensure that existing scheduled commitments by members in the GATS are made "more effective." India has clarified that the term "immigration facilities" such as visas, work permits that are relevant for the entry of natural persons under Mode 4 of the GATS in the original draft proposal is now replaced with the phrase "measures relating to entry and temporary stay." This would address the "sensitivities" expressed by members associated with the term "immigration," India has argued.

In response to concerns raised by the African Group about the right to regulate trade in services, the revised draft says "recognizing the right to regulate, and to introduce new regulations, on the supply of services within their territories in order to meet national policy objectives and, given asymmetries existing with respect to the degree of development of services regulations in different Members, the particular need of developing countries to exercise this right."

India has argued that the proposed TFS agreement "should not be construed to prescribe or impose particular regulatory approaches or any particular regulatory provisions in relation to measures affecting the supply of services."

By re-calibrating its proposal, India has retrieved a lot of ground and ensured that the proposal remains a strong bargaining chip during the negotiations on domestic regulation barriers in services ahead of the WTO's eleventh ministerial meeting in Buenos Aires later this year. A group of industrialized countries and their allies in the developing world are seeking transparency-related improvements without addressing the main barriers faced by countries such as India in the movement of short-term services providers, said a trade analyst, who preferred not to be quoted.

The US, which is tightening the provisions on H-1B visas for short-term services providers is likely to oppose India's latest proposal on TFS even though it has lowered the level of ambition, the analyst said.

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TFA implementation: Government formulates action plan with timelines

The Economic Times

New Delhi, August 6, 2017 : The government has formulated a detailed action plan with timelines for smooth implementation of WTO's trade facilitation agreement (TFA), an official said.

Members of the World Trade Organisation (WTO) including India has ratified TFA, which aims at easing customs procedures, expediting movement, release and clearance of consignments.

For the implementation of the pact, the government has last year set up Cabinet Secretary-headed National Committee on Trade Facilitation (NCTF).

The official said recommendations made by four working groups on legislative changes, time release study, outreach programme and infrastructure augmentation are included in the National Trade Facilitation Action Plan (2017-20).

Implementation of the plan, which also includes suggestions of the private sector, have been divided into short term (0-6 months), medium term (6-18 months) and long term (18-36 months).

The short term action plan includes augmentation of storage infrastructure for perishable goods and clearance of such goods within 12 hours of landing for import and 8 hours for export.

The plan for mid term includes updation of all regulatory information available on the internet on a single window portal; to put in place adequate bio-security measures for livestock imports and publication of all fees on a singe window website.

Cargo release time, both for export and import purposes, would also be reduced within a time period.

For imports, sea and air cargo release time would be reduced to three and two days respectively. Similarly, for exports, sea cargo release time would be brought down to two days and air cargo the same day.

The CBEC and the commerce ministry would also work on streamlining policy for e-commerce which includes cutting documentation requirements and providing single submissions.

Further, as part of the action plan, legislative changes have been proposed in the Customs Act 1962 for processing of documents among other things.

The agencies and ministries involved in the implementation process includes Central Board of Excise and Customs (CBEC), Directorate General of Foreign Trade and Animal & Plant Quarantine, textiles and environment ministries.

The 164-member Geneva-based WTO is engaged in making rules for free and fair trade across the globe.

Federation of Indian Export Organisations (FIEO), which is involved in the action making exercise, said that India is ahead in implementing provisions, which it has committed in the TFA.

"We have two years for implementing category A commitments. We are ahead in most of the things. TFA will help boost global trade," FIEO Director General Ajay Sahai said.

Category A contains those provisions which a developing member country designates for implementation upon entry into force of this agreement.

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Future of India-UK relations is extremely bright: Yashvardhan Kumar Sinha

The Indian Express

London, August 4, 2017 : The future of India-UK relations is “extremely bright”, especially on the trade front with some 800 Indian companies emerging as the second largest job creator in the country, India’s High Commissioner to the UK has said. “There will be a sea change in the India-UK relations when we celebrate 75th anniversary of India’s Independence day,” Yashvardhan Kumar Sinha said.

Sinha, who was Chief Guest at a function organised by the Bharatiya Vidya Bhavan here in connection with the celebration of India Independence Day, said “future of our relations (India-UK) is extremely bright. “There is consensus to forge special relations. We have already defined our relations in trade. About 800 Indian companies operating in the UK are the second largest job creator here,” Sinha said.

Noting that India has made considerable progress since it achieved its independence, he said “today we are one of the fastest growing economies in the world”. He admitted that “this journey has not been easy –

there has been up and down but the country has withstood the vicissitude of time. In the last three years we have firmly positioned ourselves on the trajectory of growth."

Citing official figures, he said (in the recent past) the country has made tremendous progress in the fields of building roads and electrification, particularly in the rural areas. "However, we have a long way to go – the journey is going to be hard but I am sanguine that the goal will be reached," he said.

Stating that it is important to encourage people from both countries to travel to each other's country, Sinha said the "E-Visa introduced by India has enabled people of UK to visit India in large numbers.

Joginder Sanger, Chairman of the Bhavan here said "the Bhavan is the best cultural institute outside India." Lord Ranbir Suri lauded the economic growth India achieved during the last 70 years.

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China warns against 'trade war' with US

Live Mint

Beijing, August 14, 2017 : China warned on Monday that nobody would win in a "trade war" with the US as President Donald Trump prepared to launch an investigation into Chinese intellectual property practices.

Trump was due on Monday to sign a memorandum directing US trade representative Robert Lighthizer to determine whether any Chinese laws, policies or practices discriminate against or harm US innovators and technology companies.

The investigation could lead to sanctions against Beijing.

Asked about the US move, foreign ministry spokeswoman Hua Chunying said any member of the World Trade Organisation (WTO) must respect WTO rules.

“Fighting a trade war has no future. There will be no winner and everybody will lose,” Hua said at a regular news briefing.

“I believe China and the US should continue to work together for the stable and sound development of China-US economic and trade relations,” she said.

US officials, who spoke on condition of anonymity, bluntly accused China on Saturday of “stealing our intellectual property”—long a concern of Western companies seeking a share of the enormous Chinese market.

The looming investigation follows high tensions between Washington and Beijing. Trump has accused China of failing to rein in the nuclear ambitions of its ally North Korea.

The US officials, however, said the North Korean issue and the investigation into China’s trade practices are not linked.

China on Monday announced that it would ban from Tuesday imports of iron, iron ore and seafood from North Korea as it follows through on new United Nations sanctions approved in early August.

“I want to say that China-US cooperation should be based on mutual respect and mutual trust,” Hua said.

“The Korean peninsula nuclear issue and the China-US trade issue are totally different and it’s not appropriate to use one issue as a tool to keep pressure on the other issue.”

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Trade war looming between India-China: Chinese state media

The Economic Times

Beijing, August 14, 2017 : A trade war seems to be looming between India and China after New Delhi imposed anti-dumping duties on 93 Chinese products amidst a military standoff in Doklam area, two state media reports here said today.

An article in The Global Times, part of the ruling Communist Party's publication group, urged Chinese firms to "reconsider the risks" of investing in India and warned New Delhi to be "prepared for the possible consequences for its ill-considered action."

The article said that China "could easily retaliate" with restrictions on Indian products, but added that it "doesn't make much economic sense" for the country.

It cited figures from the Indian embassy in China to show that Indian exports fell by 12.3 per cent year-on-year to USD 11.75 billion while India's imports from China rose by 2 per cent to USD 59 billion, resulting in a trade deficit of USD 47 billion.

According to the Indian Commerce Ministry, the trade deficit with China last year mounted to over USD 52 billion when the bilateral trade stood at USD 70 billion.

"A trade war between China and India seems to be looming after the latter moved last Wednesday to impose anti-dumping duties on 93 products from China," the report said.

"If India really starts a trade war with China, of course China's economic interests will be hurt, but there will also be consequences for India," it said.

The report on trade comes as India and China have been locked in a tense military standoff in Doklam in the Sikkim sector.

India has protested the construction of a road by the Chinese military in the area claimed by its ally Bhutan, fearing it would allow Beijing to cut off India's access to its northeastern states.

The Global Times report warned that "given the tense bilateral trade ties, China may consider temporarily suspending investment or economic cooperation projects in India to ensure the security of these investments."

Another article in China Daily said boycotting Chinese goods would harm India.

Referring to the calls of boycott of Chinese products, it said the ongoing standoff in Doklam seems to have spilled over into bilateral exchanges.

"Suffice to say, calling for the boycotting of Chinese products and those related to Chinese investors is not just a fool's errand but also risks backfiring," it said.

Any attempt to keep Chinese cellphone companies at bay or shut down Chinese-invested factories will hurt the Indian economy and cost Indian jobs, it said.

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China, BRICS trade ministers vow to fight protectionism

The Indian Express

Shangai, August 6, 2017 : China and the other BRICS nations pledged on Wednesday to fight protectionism and safeguard intellectual property rights, even as US President Donald Trump considers action against what he sees as unfair trade practices by China.

Trade ministers from Brazil, Russia, India, China and South Africa concluded two days of meetings in Shanghai agreeing to deepen trade and investment links, and "safeguard and develop" the multilateral trading system, according to a statement by Chinese Commerce Minister Zhong Shan.

"Ministers were committed to continue to firmly oppose trade and investment protectionism, recommitted to their existing pledge for both standstill and rollback of protectionist measures, and called upon countries to join in that commitment," the statement said.

The ministers also approved guidelines for cooperation between the five countries on intellectual property rights (IPR).

"Ministers agreed to promote exchanges and cooperation on IPR legislation and enforcement in order to create favourable conditions for trade and innovation-driven economic development," the statement said.

On Tuesday, a senior Trump administration official said Trump could decide as early as this week on how to respond to what he considers China's unfair trade practices.

A Chinese commerce ministry official declined to answer questions about Trump.

The United States has a long list of grievances about China on trade, including accusations of steel dumping and theft of US intellectual property. Trump promised tough measures during his campaign last year but so far has not followed through.

Trump's interest in penalizing Beijing has risen because of his concern at what he perceives to be Chinese inaction on reining in an increasingly belligerent North Korea, which is pursuing its missile and nuclear weapons programmes in defiance of UN Security Council resolutions.

Beijing has repeatedly said its influence on North Korea is limited and that it is doing all it can. Moreover, it argues trade between China and the United States benefits both sides and that Beijing is willing to work with Washington to improve their trade relationship.

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Nirmala Sitharaman talks trade deficit with Chinese counterpart

The Indian Express

Shangai, August 6, 2017 : Engaging in "candid" talks with her Chinese counterpart, commerce minister Nirmala Sitharaman on Tuesday sought China's assistance in reducing India's trade deficit and allowing greater market access on the sidelines of the BRICS trade ministers meeting in Shanghai. This was Sitharaman's second meeting with Chinese minister of commerce Zhong Shan after having met on the sidelines of the Regional Comprehensive Economic Partnership (RCEP) ministerial meet in Hanoi in May this year. China's Ministry of Commerce had also said last week that India should avoid abusing trade remedy measures after the government launched an anti-dumping probe over photovoltaic cells and units imported from China, Taiwan, and Malaysia.

According to a statement by the Indian Consulate in Shanghai, the two commerce ministers exchanged views on developing a strong, balanced and sustainable trade and investment partnership between India and China. "In particular, Minister Sitharaman sought the assistance of Chinese Ministry of Commerce in reducing the trade deficit, facilitating greater market access and for providing a level playing field for Indian IT, pharmaceuticals and agro products in China," the statement said. India's trade deficit with China stands at $51 billion in 2016-17, a marginal decline from the previous fiscal. Bilateral trade with China stands at $71.48 billion.

The Indian consulate also said that Sitharaman reiterated her invitation to Zhong to visit India for the 11th Joint Economic Group (JEG) meeting. "Minister Zhong Shan accepted the invitation with pleasure and suggested that the dates for the 11th JEG meeting be decided through the diplomatic channels, whilst indicating that it could be held later this year," the statement from the consulate said.

The two ministers also underscored the existing "complementarities" between India and China and agreed to further intensify cooperation efforts. "The ministers also agreed to further intensify India-China," the consulate said. With Brazil, Russia, India, China and South Africa (BRICS), accounting for nearly one-quarter of global economic output, Zhong said BRICS nations play an increasingly significant role in driving the global economy and governance, while addressing the BRICS trade ministers meet.

He called on BRICS nations to "expand cooperation" amid "uncertainties" in the global economic recovery. According to China's state-run news agency Xinhua, Zhong said: "Safeguarding the multilateral trade system and the rise against protectionism serve the common interests of emerging and developing economies. As the host nation of this year's meeting, China has confidence in implementing the consensus reached by leaders of BRICS nations. The Shanghai meeting will pave way for the leaders summit later this year."

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China’s RCEP push veils grand plan

Arun S, The Hindu

New Delhi, August 6, 2017 : Community social media platform ‘LocalCircles’ recently did a survey on the Indian consumer’s perception about items imported from China. The results gave a peek into the minds of Indian consumers. It showed 52% of participants were of the opinion that for the same product, the quality of a ‘Made in India’ version was superior to the one from China. However, 83% said they buy Chinese products as those items were the cheapest. On the issue of addressing ‘quality concerns’ about imported Chinese items, 98% said there should be better screening of such products before they enter the Indian market — including ensuring that only those imports meeting the Indian (BIS) standards are allowed.

The poll assumes significance as it comes amid ongoing negotiations for a mega-regional Free Trade Agreement (FTA) among 16 Asia-Pacific nations, including China and India. Known as the Regional Comprehensive Economic Partnership (RCEP), the proposed FTA, aims to boost goods trade by eliminating most tariff and non-tariff barriers — a move that is expected to provide the region’s consumers greater choice of quality products at affordable rates. It also seeks to liberalise investment norms and do away with services trade restrictions.

The RCEP is billed as an FTA between the 10-member ASEAN bloc and its six FTA partners — India, China, Japan, South Korea, Australia and New Zealand. When inked, it would become the world’s biggest free trade pact. This is because the 16 nations account for a total GDP (Purchasing Power Parity, or PPP basis) of about $50 trillion (or about 40% of the global GDP) and house close to 3.5 billion people (about half the world’s population). India (GDP-PPP worth $9.5 trillion and population of 1.3 billion) and China (GDP-PPP of $23.2 trillion and population of 1.4 billion) together comprise the RCEP’s biggest component in terms of market size.

The RCEP ‘guiding principles and objectives’ state that the “negotiations on trade in goods, trade in services, investment and other areas will be conducted in parallel to ensure a comprehensive and balanced outcome.” However, it is learnt that China, using its influence as the global leader in goods exports, has been deploying quiet diplomacy to ensure consistent focus on attempts to obtain commitments on elimination of tariffs on most traded goods.

China is keen on an agreement on a ‘high level’ of tariff liberalisation — eliminating duties on as much as 92% of traded products. However, India’s offer is to do away with duties on only 80% of the lines and that too, with a longer phase-out period for Chinese imports (ie, about 20 years, as against 15 for other RCEP nations).

Duty impact on India

A highly ambitious level of tariff elimination without enough flexibility would affect India the most on the goods side. This is because in the RCEP group (except Myanmar, Cambodia and Lao PDR), India has the highest average ‘Most Favoured Nation (MFN) tariff’ level at 13.5%. MFN tariff, as per the WTO, refers to normal, non-discriminatory tariff charged on imports — excluding preferential tariffs under FTAs and other schemes or tariffs charged inside quotas.

A March 2017 discussion paper on RCEP by the think tank RIS also said, “India is the only participant that has a high level of merchandise trade deficit … Its trade deficit with RCEP countries is also more than half its global trade deficit.” The paper, by V.S. Seshadri, also showed that India’s trade deficit with China “is over three times its exports to China (in 2014), a situation not matched by any other RCEP member except Cambodia…” It further said, “considering India’s vulnerabilities and large bilateral trade deficits, India will need substantial flexibilities to deal with China… A longer phase out period with backloading of concessions, particularly on sensitive products, will be essential.”

On the sidelines of the recently held RCEP talks in Hyderabad, representatives from the Indian industry laid out their apprehensions before the industry bodies of other RCEP nations and the trade negotiators. Their main worry was that the proposed FTA, owing to the possibility of elimination of duties across most sectors, could lead to a surge in inflow of low-priced goods, mainly from China. This, India Inc.

feared, would result in their share in the domestic market contracting, and consequent downsizing/closure of operations, as well as job losses. This could lead to lower incomes and reduced consumer spending.

Also, since India already has separate FTAs with the 10-member ASEAN bloc, Japan and Korea, India Inc. feels that on account of the RCEP, India may not gain much on the goods side with existing FTA partners. India is also negotiating separate FTAs with Australia and New Zealand. However, be it through a separate FTA or via RCEP, India's gains on the goods segment from Australia and New Zealand will be limited as MFN tariff levels of those two countries are already low. China is the only RCEP country with which India neither has an FTA, nor is in talks for one. Therefore, Indian industry sees RCEP as an indirect FTA with China, especially since, given the sensitivities involved, there could be a hue and cry if the India opts for a direct FTA with that country.

Trade deficit woes

Ajit Ranade, chief economist, Aditya Birla Group, said even without a bilateral FTA, India was already affected by China's overhang of excess capacity in sectors including metals, chemicals and textiles. Goods imports from China have been far outpacing India's shipments to that country (India's exports are mainly troubled by China's non-tariff barriers). This has led to goods trade deficit with China widening from just $1.1 billion in 2003-04 to a whopping $52.7 billion in 2015-16, though easing slightly to $51.1 billion in 2016-17. Mr. Ranade said India's FTA strategy has to be guided by the 'Make In India' initiative that aims to boost domestic manufacturing and job creation within India.

In return for greater market access in goods, India, with its large pool of skilled workers and professionals, might be trying to use the RCEP to gain on the services side, by securing commitments from the other nations to mutually ease norms on movement of such people across borders for short-term work.

However, the RCEP is just one element of China's grander plans for global dominance. In February, its foreign minister Wang Yi said, "We hope to … speed up the RCEP negotiation process and strive for an early agreement, so as to contribute to realising the greater common goal of building the Free Trade Area of the Asia-Pacific (FTAAP)." The FTAAP spans 21 Asia-Pacific Economic Cooperation countries, including the U.S. and China, but does not cover India (though it has sought to be a APEC member). With the U.S. withdrawing from the Trans Pacific Partnership — a mega-regional FTA not involving India and China — that similarly aimed to help establish the FTAAP, the path is clear for China to push ahead with this strategic initiative to its advantage through the RCEP.

In May, Chinese Commerce Minister Zhong Shan said the RCEP "highly echoes the Silk Road spirit." The Silk Road Economic Belt (on land) and the Maritime Silk Road (via the ocean) comprise China's Belt and Road Initiative, that India had opposed on strategic grounds.

Joshua P. Meltzer of the think-tank Brookings said in an article that the impact of the BRI — to which China has committed $1.4 trillion — "on regional trade integration should also be seen in light of trade agreements such as the RCEP."

"Once completed, RCEP will also provide preferential access to each country's markets. BRI could help China address some of its excess capacity in industries such as steel and cement, since infrastructure projects supported by the initiative would boost external demand for Chinese exports. The initiative could provide a means for Chinese industries with excess capacity to export equipment that is currently idle." It is pertinent for India to note this larger picture even as it sees the RCEP as "a beacon of hope for free trade" and a pact offering "a positive and forward-looking alternative in the face of growing protectionism across the world."

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India under pressure to ease protection of industry, agriculture at RCEP talks

Amiti Sen, Business Line

New Delhi, August 13, 2017 : India will be under a lot of pressure to raise its offer on eliminating tariffs on goods at the trade ministers' meeting of Regional Comprehensive Economic Partnership (RCEP) countries in the Philippines next month, after senior officials of the 16-member grouping failed to reach a compromise on the issue at the last round in Hyderabad.

"In Hyderabad, all members put unrelenting pressure on India to increase its commitment in goods. With Singapore, which already has zero tariffs on almost all items, heading the negotiating group on goods, members were just not ready to hear about India's sensitivities. "A team from the PMO took stock of the situation prior to the Hyderabad meet, but more difficult decisions need to be taken before the trade ministers' meeting," a government official told *BusinessLine*.

What makes the situation more tense for India is the fact that the RCEP, which includes the 10-member Asean, China, India, South Korea, Japan, Australia and New Zealand, is serious about concluding the pact sometime in 2018 and, therefore, wants offers to be concluded this year.

"It is clear that the time of dilly-dallying is over. A final decision on how much market opening India can cope with has to be taken and effectively communicated. It is now mostly a political call," the official said.

Rooting for zero tariffs

RCEP members are talking about huge numbers when it comes to tariff elimination and reduction. While most members are rooting for zero tariffs on 92 per cent of the items, some proposals further suggest that tariffs should not be higher than 5 per cent on another 6-7 per cent of tariff lines. "It is just not possible to take such ambitious commitments as both Indian industry and agriculture is not prepared for it," the official said.

New Delhi, so far, indicated to other RCEP members that it might agree to eliminate tariffs on about 80 per cent of the items, provided it is allowed to protect a larger number of items from China, Australia and New Zealand (by using deviations), with which it does not have bilateral free-trade pacts. With China, India would also like a longer period, much more than 10 years, to implement the cuts.

Indian industry, led by industry body CII, played a key role in Hyderabad in communicating to RCEP members that it was not ready to deal with zero tariffs on most products yet, as many sectors were still developing and not ready for duty-free competition.

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India can create data democracy that gives control to people: Nilekani

Johnson TA, the Indian Express

August 6, 2017 : In a world where data is an increasingly vital resource, firms and agencies that make the first move end up having a monopoly over it, the former chairman of the Unique Identification Authority of India (UIDAI) Nandan Nilekani said on Tuesday. Delivering the sixth C K Prahlad memorial lecture, the architect of the Aadhaar system said there is a need for not just data protection but also the creation of data democracy in India so that control of their data can be handed to the people, Nilekani said. Speaking on the subject — "Does the data explosion give India a strategic opportunity?" — at the lecture organised by the CII, Nilekani said that "one of the attributes of this data world is that it has a winner-take-all model where the guy with the most data wins''. "When an organisation has a lot of data it is very difficult for a new organisation to come in and get millions of people to shift to the new platform,'' he added.

"In the US digital advertisements are dominated by two companies — Google and Facebook. They have captured 71 per cent of the digital advertising market. China's mobile payment systems which are the most advanced in the world are dominated by two companies — Alipay and WeChat. Both these own 93 per cent of the payments market in China,'' Nilekani said while citing examples of firms which have managed to establish market dominance. India is in a position of creating policy that inverts the power of data and hands it to people to empower them on account of the data emerging at lightning speed around the Aadhaar, GSTN and Bhim infrastructure that has been put in place, the former UIDAI chairman said. "India has the advantage that if people have data then we can have business models where people can use the data for their future'' like obtaining credit, skills or education and will be able to overcome the issue of knowledge asymmetry that would exist otherwise, Nilekani said. "If you invert data and give it in the hands of people you can overcome knowledge asymmetry. Data can be the engine for improvement of the economy for people to get a better life.''

“Data is empowering. We can have a data democracy where people have a right to their own data to improve their lives. Government should unlock public data so people have access to their own data,’’ Nilekani said. A law for data protection is also needed and the current group looking at this under Justice Srikishna will hopefully look at the empowerment aspect of data because “data protection focussed on seeing how governments and companies do not misuse data is a defensive argument’’ and the “argument must be based on how people use data for their own future,’’ he said.
The issue of data democracy goes beyond privacy issues is about enabling people to use data for their own ends, he said. “The fact of the matter is that we are entering a world that is increasingly digital where everybody is going to have phones, a world that is digitally heavy, and we have to figure out how to make things secure and there is no choice. We should also put in place the appropriate privacy infrastructure,’’ Nilekani said.

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WCO to unveil norms for e-commerce trade

Arun S, The Hindu

New Delhi, August 2, 2017 : The World Customs Organization (WCO) will soon bring out guidelines on ‘cross-border e-commerce’, which will focus on preventing illegal trade as well as addressing the challenges stemming from the ‘digital divide’, according to the WCO Secretary General Kunio Mikuriya.

In an interview to The Hindu on his recent India trip, Mr. Mikuriya said, “We are developing guidelines on e-commerce to see how best Customs can facilitate legitimate trade through that route.” He added, “We [the WCO] will address issues related to digital divide by looking into what is blocking e-commerce trade, and what kind of enabling environment is needed to support developing countries so that they benefit more from e-commerce.”

Terming e-commerce as a “game changer” in global trade that is benefiting small firms and consumers, he said the new guidelines would, however, include provisions to prevent illegal trade and illicit financial flows. This would be ensured through measures that would help strengthen information exchange between Customs administrations of countries as well as collaboration with other government agencies.

Working groups

The WCO has a Working Group on e-Commerce and four sub-groups. To develop guidelines on cross-border e-commerce, the work packages identified are: ‘trade facilitation and simplification of procedures’, ‘safety and security’, ‘revenue collection’, and ‘measurement and analysis’. According to the UN body ‘UNCTAD’, the value of online trade jumped from $16 trillion to $22 trillion between 2013 and 2015.

“The continuous increase in online trading has raised questions regarding regulation, consumer protection, revenue collection and national security,” according to the WCO’s ‘Study Report on Cross-Border E-Commerce’ (March 2017). “These questions cannot be dealt with individually, but require a common, broad approach by the international Customs community, together with all relevant stakeholders as a whole.”

The WCO said more sophisticated equipment was needed to combat illicit trading through low-value shipments in the postal, express and cargo streams.

“Pre-arrival information on the consignment and the consignee could be of great importance in detecting and intercepting illicit trade. In addition, the improvement of non-intrusive inspection equipment and an increase in the number of trained staff could help to enhance the detection rate of illicit goods,” it said.

In an article on e-commerce, the WCO’s Director of Compliance and Facilitation Ana Hinojosa pointed out that in many countries, there were de minimis thresholds that allow low-value packages to enter a country with little or no duties or taxes, and with much more simplified procedures.

‘Clever manipulations’

“This has led to clever manipulations by either the shipper or the consumer to avoid the extra charges by splitting invoices, undervaluing the invoices or mis-declaring the items altogether,” wrote Ms. Hinojosa. Another type of manipulation used was to classify the item as something else or claiming a different country of origin for the product, to take advantage of better duty or tax rates, the WCO official said, adding that these distortions had had an impact on many countries’ revenue collection volumes. Therefore, “some countries... are re-evaluating their established thresholds due to the significant implications that the changes brought about by these growing volumes of low-value small packages are having on their fiscal revenues,” observed Ms. Hinojosa.

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ASEAN, China adopt framework for crafting code on South China Sea

The Indian express

August 6, 2017 : Foreign ministers of Southeast Asia and China adopted on Sunday a negotiating framework for a code of conduct in the South China Sea, a move they hailed as progress but seen by critics as tactic to buy China time to consolidate its maritime power. The framework seeks to advance a 2002 Declaration of Conduct (DOC) of Parties in the South China Sea, which has mostly been ignored by claimant states, particularly China, which has built seven manmade islands in disputed waters, three of which are equipped with runways, surface-to-air missiles and radars.

All parties say the framework is only an outline for how the code will be established but critics say the failure to outline as an initial objective the need to make the code legally binding and enforceable, or have a dispute resolution mechanism, raises doubts about how effective the pact will be. Chinese Foreign Minister Wang Yi said the adoption of the framework created a solid foundation for negotiations that could start this year, if “the situation in the South China Sea is generally stable and on the premise that there is no major interference from outside parties.”

He told reporters there had been “really tangible progress” so there was “a need to cherish momentum on the South China Sea”. Signing China up to a legally binding and enforceable code for the strategic waterway has long been a goal for claimant members of the Association of South East Asian Nations (ASEAN), some of which have sparred for years over what they see as China’s disregard for their sovereign rights and its blocking of fishermen and energy exploration efforts.

Beijing insists its activities are for defence purposes, in areas it considers its waters. Malaysia, Taiwan, Brunei, Vietnam and the Philippines, however, all claim some or all of the South China Sea and its myriad shoals, reefs and islands. Some critics and diplomats believe China’s sudden interest in the code after 15 years of delays is to drag out the negotiating process to buy time to complete its strategic objectives in the South China Sea, through which more than $3 billion of ship-borne trade passes annually.

WEAKER HAND

Opponents also say it is being pushed through at a time when the United States, long seen as a crucial buffer against China’s maritime assertiveness, is distracted by other issues and providing no real clarity about its security strategy in Asia, thus weakening ASEAN’s bargaining position. The framework has not been made public but a leaked two-page blueprint seen by Reuters is broad and leaves wide scope for disagreement.

It urges a commitment to the “purposes and principles” of the United Nations Convention on the Law of the Sea (UNCLOS) but does not specify adherence to it, for example. A separate ASEAN document, dated May and seen by Reuters, shows that Vietnam pushed for stronger, more specific text in the framework, wanting mention of a dispute resolution mechanism and respecting “sovereignty, sovereign rights and jurisdiction”.

Sovereign rights cover entitlements to fish and extraction of natural resources. Several ASEAN countries, including Vietnam and the Philippines, have said they still favour making the code legally binding, something experts say China is unlikely to agree to.

Wang said he would not try to anticipate what the code will comprise, but said whatever is signed must be adhered to. Robespierre Bolivar, foreign ministry spokesman of host Philippines, said the adoption of the framework symbolised the commitment to creating a “substantive and effective” code.

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India, Egypt discuss opportunities to expand trade ties

The Indian Express

Cairo, August 1, 2017 : India and Egypt today discussed opportunities to expand cooperation in key areas such as trade and reaffirmed that bilateral relations were "very strong" and wide in scope having great potential for expansion. "Last year, India and Egypt had concluded a G to G (government to government) agreement for supply of rice to Egypt at a friendship price," India's Ambassador to Egypt Sanjay Bhattacharyya said. Bhattacharyya on Tuesday met with Egyptian Minister for Supply and Internal Trade Supply Ali El Moselhy to discuss opportunities for expansion of bilateral cooperation.

During the meeting, the Egyptian minister recalled "India's great assistance" on that occasion and noted that the "bilateral relations were very strong and wide in scope with great potential for expansion", the Indian envoy said.

This G to G agreement was a path-breaking development achieved after several decades and was recognised in the joint statement between Prime Minister Narendra Modi and President Abdel Fattah el-Sisi during the latter's state visit to India last year, Bhattacharyya said.

"There are many opportunities for expanding this (cooperation) to other items such as tea, sugar, wheat, oils among others," the Indian Ambassador told PTI. Bhattacharyya said the economic situation in the two countries have similarities with need to address requirements of the poor through government organised distribution systems. There are also policy issues such as subsidies and subsidy targeting on which both sides can exchange experiences.

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Pakistan, Afghanistan to resume high-level trade talks next month

The Indian Express

August 10, 2017 : Pakistan and Afghanistan have decided to resume high-level trade talks next month, the first such engagement between the two countries in nearly two years as Kabul wanted to involve India in dialogue. The proposal for resuming talks by convening a meeting of their Joint Economic Commission (JEC) in Kabul was made by Afghanistan's ambassador to Pakistan Hazrat Omar Zakhilwal during a meeting yesterday with Pakistan's Finance Minister Ishaq Dar.

It will be the first high-level talks between the two neighbouring countries since November 2015 when Afghan President Ashraf Ghani's condition to continue talks with Pakistan on all issues, including trade, subject to involvement of India.

The deteriorating security situation also triggered an intermittent war of words between the two countries with Afghan officials holding Pakistan responsible for each such incident. "It will be a great opportunity for Islamabad and Kabul to repair their diplomatic and business relations which have discontinued since November 2015," a source privy to the development told Dawn.

An official statement issued after the meeting said ambassador Zakhilwal stated that the next session of the Pak-Afghan Joint Economic Commission (JEC) was due and proposed that it might be held in Kabul in September. Dar welcomed the proposal and said mutually convenient dates be decided to hold the session next month.

The deadlock between Afghanistan and Pakistan was due to Kabul's insistence that India should be included in bilateral and trilateral agreements. Kabul wanted to include India in the Trilateral Transit Trade Agreement — Pakistan, Afghanistan and Tajikistan.

Afghanistan also wants access to markets of India and SAARC countries through Wagah border, according to officials. Dar was of the opinion that the JEC meeting should provide an opportunity to discuss measures for furthering the cause of economic cooperation between the two countries.

The Afghan envoy was informed that Pakistan's economic affairs division would cooperate with the Afghan embassy to work out details for the JEC meeting whose main focus will be enhancement of bilateral trade and economic cooperation. The 10th Pak-Afghan JEC session was held on November 23, 2015, in Islamabad.

The JEC is a highly important forum that takes into consideration important issues, including trade facilitation, enhancement of bilateral and transit trade, highway and railway projects, scholarship scheme for Afghan students, as well as potential joint ventures in various other sectors.

One of the fallout of the suspension of talks was a decline in bilateral trade. Pakistan's exports to Afghanistan dropped by a significant 27 per cent over the past one year, owing to several factors.

Pakistan's exports to Afghanistan had reached an all-time high of USD 2.4 billion in 2010-11. It remained over USD 2 billion in the subsequent two years. Since then, exports started to dwindle and hit USD 1.43 billion in 2015-16. In the first quarter of the current financial year, exports were recorded at USD 362.5 million. It clearly reflects that the annual exports to Afghanistan will now be around USD 1 billion when the figure for 2016-17 is finalised.

Talks on several issues have been on the back burner for a couple of years because of Kabul's loss of interest in concluding a trade liberalisation regime with Pakistan. In 2014, both sides agreed to initiate negotiations on a bilateral preferential trade agreement (PTA), with Pakistan sharing a draft text of the agreement with Afghanistan.

In 2015, Afghanistan conveyed to Pakistan that it would formally respond to the draft PTA by January 2016. This issue will be raised at the upcoming JEC meeting, the report said. To encourage business-to-business interaction between the two countries, a joint business council (JBC) comprising leading businessmen from both sides was established.

The first meeting of the JBC was scheduled for August 2015. When Kabul failed to send its response, a new date for the JBC meeting was scheduled for February 17 last year in Islamabad. However, no meeting of the JBC has been held so far.

Pakistan recently reminded Afghanistan to convene the 7th meeting of the Afghanistan-Pakistan Transit Trade Coordination Authority in Kabul as had been agreed at the last meeting held in 2016. It will be one of the important issues to be raised at the JEC meeting. The draft text on avoidance of double taxation was also shared, but no follow-up meeting has been held so far.

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India a major foreign policy priority for US: Richard Rahul Verma

The Indian Express

August 10, 2017 : The Trump Administration has recognised India as a major foreign policy priority, a former top American diplomat has said, noting that the credit for strong ties between the two nations goes to Prime Minister Narendra Modi and former President Barack Obama. “I do think India has been recognised as a major foreign policy priority (in the Trump Administration) and one that from the president on down, people are vested in, and that’svery encouraging,” Richard Rahul Verma, the former US Ambassador to India, said.

“The over all trajectory of the relationship has been quite good,” he said. Verma, 48, is currently the vice chairman of The Asia Group, a strategy and capital advisory group based in Washington DC. “As you know, in the last two to three years of the Obama administration we made a lot of progress and all the credit goes to Prime Minister Modi and (former) President Obama. We were doing things in so many different areas, so many different dialogues, but with really tangible results. I think for people in both countries and it was our hope that progress would continue,” he said.

The former envoy played a key in strengthening US-India ties during his tenure in the Obama Administration. Terming ties with India as the single most important for the United States in this century, Verma said, “We should not just assume that because things are going well, we can let things be on autopilot.”

“This is the kind of relationship that really matters to our collective futures and it really takes a lot of time and energy,” he said. In his first post-Ambassadorial interview, Verma said he thinks that the meeting between the President Donald Trump and Prime Minister Narendra Modi in June was good.

“A solid joint statement, I think was a re-affirmation of a lot of the priorities that we were focused on in the prior administration,” he said. He said he would love to the two countries developing their relationship in terms of investment in the defence sector.

“It’s important that India and the United States have the kind of defence relationship and that we develop the kind of advanced technologies together that allows India to have the edge in contested domains, whether that’s on land, in air, on the sea, in outer space or cyberspace. I think it’s really important that India have those capabilities,” he said. Verma hoped that the US will “really pursue” the Major Defence Partner status granted to India, which is completely brand new and unique.

“I’d love to see the Congress play a more active role because they can play such an important leadership role like they did during the civil nuclear arrangement,” he said. The former American Ambassador also emphasised on increasing bilateral trade to the goal of USD 500 billion. “The US-India economic story is again very unique that this not a zero-sum game. That if an American company opens up a plant in India, it doesn’t mean a loss of American jobs necessarily. It means potentially an expansion of market share and opportunities in Asia, and I think the same thing is with Indian companies investing in the US,” he said.

Much of the increase in bilateral trade will happen in the private sector and by focusing on areas — technology, innovation and high-tech co-operation and channelling a lot of the private sector innovations into the public sector, he said. “The Indo-US civil nuclear deal is critical in that area but in other areas, such as wind and solar, there's a huge opportunity and in a range of other areas, skilling, smart cities and infrastructure particularly on homeland defence, coastal security and maritime security," he added.

Noting that there is immense potential in Indo-US bilateral trade, Verma said the sky is the limit and USD 500 billion is a modest goal. "Think about it, we've tripled the trade in ten years. This is without formal talks on trade and investment. This is without a bilateral investment treaty, this is without any kind of, I think, convergence in the trade and economic area. And I think if we can reach that convergence…we absolutely can get there," he said.

About the challenges that the relations between the two countries face, Verma said there are a lot more opportunities than challenges. "I think there is so much convergence happening. As you know, we broke every record last year in trade and visas and students. Clearly there are some differences, there are some headwinds and particularly on immigration and I'd like to see those get resolved," he said. Responding to a question on the H-1B visa issue, Verma said one has to keep this in perspective.

"The United States probably issued over a million visas to Indian nationals last year, sixty thousand of them were H1Bs. So we have to keep this in perspective even though India gets the lion's share of H1B visas, the number of those visas is still fairly small," he said.

"There's also no doubt there have been abuses in the H1B system and that some companies have played, kind of, not straight and narrow on the rules," he added.

Verma said the Indian side has be to aware about the disruption and job loss caused by modern technologies and by a lot of jobs going offshore and hat is the way forward. The H1B visa is a non-immigrant visa that allows US companies to employ foreign workers in speciality occupations that require theoretical or technical expertise in specialised fields. The technology companies depend on it to hire tens of thousands of employees each year.

In April, Trump had signed an executive order for tightening the rules of the visa programme to stop "visa abuses". "We don't want to see a reduction in the interest or the kind of enthusiasm for those people who want to immigrate to the United States. My family and I are immigrants – we should be encouraging and celebrating immigration and diversity in our country — that's what America stands for," the former ambassador said.

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Government issues circular to prevent misuse of FTA with South Korea , ASEAN

Ram Sahgal, The Economic Times

Mumbai, August 13, 2017 : The government has taken the first concrete step to deal with duty free imports of gold jewellery and coins from South Korea under ASEAN Free Trade agreement (FTA) , which domestic trade associations allege are distorting the market by putting those importing bullion at 10% duty at a distinct disadvantage.

The finance ministry issued a circular last week asking importers to provide, among others, information about origin of such goods, whether made in South Korea and if so to provide photographs of exporters' manufacturing facilities, raw material used in their manufacturing, name and address of the manufatcurer, manufacturing capacity etc. Customs would release further consignments from South Korea only if the responses furnished are satisfactory, sources said, amid concerns that some of the jewellery and medallions imported did not allegedly originate in South Korea and were being melted and sold as bullion, against the norms of the treaty.

ET has reviews a copy of the circular.

The issue cropped up after GST, the new indirect tax that subsumed Vat and excise, kicked in on July 1. Gold and jewellery imports under the ASEAN free trade agreement at concessional 1% duty were subjected to a 12.5% excise (CVD) to create a level playing field with domestic players selling bullion at 10% import duty pre-GST. Jewellery made from the bullion in turn attracted 1% each VAT and excise levy, taking the total tax on ornaments to a little over 12%, inclusive of a cess.

However, with GST on gold being fixed at 3% those importing under FTA agreement from ASEAN nations would not have to pay the Countervailing duty put in place earlier to check misuse. They can now import duty free by paying a 3% IGST, which can be recovered from the customer. This is because any change in duty structure cannot be done unilaterally under FTA.

The All India Association of Gold Refineries & Mints alleged that the treaty was again at risk of being misused as certain importers could melt the jewellery and coins into bullion and sell it at a discount to the prevailing gold rate inclusive of 10% duty.

" Such imports are market and price distorting and put domestic manufacturers at a distinct disadvantage," Rajesh Khosla, president, AGRM, told ET earlier. AGRM has brought the issue to the notice of the government since GST was introduced last month.

Against this backdrop, the new circular to prevent potential misuse could provide relief to the industry.

" This is the first step (by the government) and could be a potential deterrent against misuse of the ASEAN FTA, " said Surendra Mehta, national secretary, India Bullion & Jewellers Association .

Trade sources claim 10 tonnes have so far been imported from South Korea. They add that the FTA provides that bonafide imports should originate from the country of export and once imported into India should not change form, that is be melted, but sold as is.

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India, Peru to start FTA negotiations this week

The Economic Times

New Delhi, August 7, 2017 : India and South American nation Peru would start formal negotiations for a proposed free trade agreement (FTA) from this week, a senior official said today.

The FTA aims at liberalising norms for trade in goods and services with a view to further boost bilateral economic ties between the countries.

"This will be the first round of negotiations," the official said.

The two-day deliberations would focus on contours of negotiations and decide on structure of different working groups such as goods, services and investments.

Approval for the talks was given by the Union Cabinet earlier this year.

A joint study group, constituted by both the sides had agreed to carry forward the discussions on the proposed agreement.

In an FTA, two countries significantly reduce or eliminate duties on most of the goods traded between them besides relaxing norms and rules to promote trade in services and increase bilateral investments.

Peru ranked third among export destinations for India in the Latin America and Caribbean (LAC) region during 2015-16.

The bilateral trade between the nations increased to USD 1.8 billion in 2016-17 from USD 1.52 billion in 2015-16.

Latin America is one of the important markets for Indian exporters.

India has recently expanded preferential trade agreement with Chile.

Chile is the fourth largest trading partner of India in LAC region after Brazil, Venezuela and Argentina.

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