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WTO seeks trade deal on 'green' products

The Indian Express

Geneva, December 3, 2016 : The heavyweights of world trade, including the United States, China and Japan, meet in Geneva this weekend to establish a list of environmentally friendly products for which tariffs can be eliminated or reduced. The green products include solar panels, wind turbines and air quality monitors "that can help achieve environmental and climate protection goals," the World Trade Organisation said. EU Trade Commissioner Cecilia Malmstroem is expected at the WTO talks today along with senior officials of 17 countries, including US Trade Representative Michael Froman.

The officials hope to finalise an accord tomorrow but nothing is guaranteed, a source close to the WTO said.

Talks on the Environmental Goods Agreement began in July 2014, based on a proposal at the World Economic Forum in Davos six months earlier.

Malmstroem said some 300 environment-related products would be considered at the Geneva talks.

Over USD 1,000 billion (940 billion euros) worth of goods in this sector are traded every year, according to the WTO. If a deal is reached this weekend, countries will next year establish a list of reduced tariffs for each product, a WTO spokeswoman said yesterday. The WTO said the benefits of any agreement would be extended to all of its members.

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South Korea seeks removal of restrictions on steel supply

Banikinkar Pattanayak, The Financial Express

New Delhi, December 8, 2016 : South Korea has asked India to remove restrictions on steel supplies from that country and widen the scope of a free trade agreement (FTA) between the two sides, sources said.

“They (South Korea) say that they mainly supply certain specialised steel products, which are not produced in India in a major way. Hence, such supplies won’t hurt Indian steel producers,” an official source told FE. Both countries are reviewing their FTA, formally called Comprehensive Economic Partnership Agreement, to further boost bilateral trade. South Korea, the second-largest supplier, accounted for almost 24% of India’s finished steel imports in the first quarter of 2016-17.

To protect domestic primary steel producers from dumping from overseas, India has taken a raft of measures since last financial year, including the imposition of basic customs duty, safeguard duty, anti-dumping duty and a minimum import price. While the imports from main exporter China have been reduced, these measures have also hurt supplies from South Korea.

Annual growth in India’s iron and steel imports from South Korea slowed in the last financial year to just 3% (to $1.9 billion) from as much as 29% in the previous year. In the first half of this financial year, such imports crashed to just $0.7 billion, showed the official data. In volume terms, India’s steel imports dropped around 40% in the April-November period, while production rose 8.8%, showed the official data. South Korea mainly exports hot-rolled and cold-rolled flat steel products to India.

However, the domestic steel industry refutes South Korea’s claim. “Today, we can produce in India as much as 90% of the kind of steel that South Korea supplies to this country. Maybe, there was a time, some 10-15 years ago, when India was not producing such steel in a big way. But these days, our producers have new and state-of-the-art technology, new product lines etc,” said Sanak Mishra, general-secretary and executive head of the Indian Steel Association.

For its part, India is asking Korea to offer greater market access for farm items, which Korea is reluctant to offer, said the official. India’s exports to South Korea dropped 23% in the last financial year to $3.54 billion, while imports fell just 3.6% to $13.04 billion in 2015-16 from a year before.

Earlier this year, Hyunghwan Joo, South Korea’s minister for trade, industry and energy, said both the sides need to further strengthen their institutional foundations of trade and investments by upgrading the CEPA. He said the current CEPA suffers because of a “low utilisation rate due to complex rules of origin and low level of concessions” and that CEPA is benefiting only 62% of Korean exports to India. South

Korea is seeking a widening of the scope of CEPA by including more products, including steel products and machinery.

Indian steel producers, however, have been demanding that steel products be kept out of the FTA with Japan and Korea, jittery as they are of these countries flooding the domestic market with cheaper steel products by cashing in on concessional duty rates.

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Brexit: Britain moves to change WTO terms

Live Mint

London, December 5, 2016 : Britain is beginning work on becoming an independent member of the World Trade Organization (WTO) after Brexit, using the EU's current terms as the template, international trade secretary Liam Fox said on Monday.

Britain is currently represented in the 164-member body through its membership of the European Union, but when it leaves the bloc it will need to establish its own terms, or schedules.

"In order to minimise disruption to global trade as we leave the EU, over the coming period the government will prepare the necessary draft schedules which replicate as far as possible our current obligations," Fox said in a written statement to parliament.

"The government will undertake this process in dialogue with the WTO membership."

"This work is a necessary part of our leaving the EU. It does not prejudge the outcome of the eventual UK-EU trading arrangements."

Prime Minister Theresa May has promised to begin formal exit talks with EU leaders by the end of March, but has refused to give a "running commentary" on her negotiating strategy.

She says she wants "maximum possible access" to the European single market after Brexit, and last week a senior minister, David Davis, suggested the government would consider paying for this.

May has also stressed she wants to control immigration, putting her at odds with EU leaders who say freedom of movement is a pre-requisite of membership to the single market.

In a speech to the WTO last week, Fox said: "Britain stands ready to take a leading role within the WTO.

"We have the diplomatic experience and economic gravity to be considered by those countries who share our values on free trade, and our vision for the global economy.

"Director General (Roberto) Azevedo has already offered his support and that of the WTO Secretariat as we consider our transition to becoming an independent member." AFP

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India, EU free trade pact talks stumble as bilateral investment treaties are set to lapse

Amiti Sen, Business Line

New Delhi, December 6, 2016 : India and the EU are in disagreement over whether to negotiate a bilateral investment treaty (BIT) for mutual protection and promotion of investments as part of the proposed free trade agreement (FTA), or separately.

The EU wants the two partners to enter into a BIT as soon as possible and the FTA should follow later as the individual investment protection agreements signed by its member-countries with India have already started to lapse. It has also urged India to allow the existing BITs to continue till a new one is negotiated.

"New Delhi, however, wants the new BIT, which is to be negotiated with the EU as per the model text approved by the Cabinet, to be a part of the FTA. It is also not keen on extending the existing treaties with individual EU member countries after they lapse," a government official told *BusinessLine*.

Officials from the EU, who met senior officials from India's Department of Economic Affairs and Commerce Department last month and discussed the matter, are now expected to respond on how the FTA negotiations should proceed, the official added.

Contentious issues

The proposed India-EU FTA, officially known as the broad-based trade and investment agreement, has been stuck for the past few years due to disagreement between the two sides over contentious issues such as lowering of import duties on automobiles and alcohol by India and recognition of India by the EU as a 'data-secure' country.

The FTA, which would focus on goods and services, will also have a separate chapter on investments which would include measures for its promotion and protection.

India' BIT with Netherlands has already lapsed on November 30 and similar agreements with most other EU member countries are set to lapse in the first half of next year. New Delhi has come up with a model BIT draft based on which it now seeks to re-negotiate all its existing investment agreements to avoid a string of litigations it has been facing over the last few years from global companies. It understandably doesn't want to give extensions to the existing agreements that lapse.

Investor interest

The EU argues that the gap between the expiry of the existing BITs and the implementation of the new BIT would result in an uncertain situation for investors from the country. While the existing investments would already be covered under the provisions of the existing BITs for the next few years even after they lapse (as the existing agreements provide for such coverage), it would not hold true for new investments made.

Indian officials, however, say that even if new foreign investments were not covered under a BIT for sometime, it would not spell doom as the existing laws in India, especially under the 'Make in India' campaign, were foreign investor friendly.

The EU is India's top trading partner, ahead of China and the US. EU investments in India amounted to €38.5 billion in 2014, increasing from €34.7 billion in the previous year, according to EU figures.

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Netherlands Ambassador Alphonsus Stoelinga wants India, EU meet for FTA

Dipanjan Roy Chaudhury, The Economic Times

New Delhi, December 12, 2016 : India and the European Union should meet at the political level at the shortest notice to resume negotiations for India-EU Free Trade Agreement that would also safeguard investments from both sides, said Netherlands Ambassador to India Alphonsus Stoelinga.

Following Delhi's decision to terminate the India-Dutch bilateral investment protection treaty on November 30, current Dutch investments in India and vice versa will be protected for a 15-year period under the old treaty, according to the Ambassador.

"The Netherlands is the fourth largest investor in India, and India is the fifth largest investor in the Netherlands. The Indian government has decided unilaterally to terminate bilateral investment protection treaties with all European nations. The Indo-Dutch bilateral investment treaty ended on November 30 and Holland became the first country whose treaty was terminated," Stoelinga told ET in an exclusive interaction, days after the expiry of the pact.

The envoy pointed out that existing Dutch as well as Indian investments currently have 15 years protection in each other's country after November 30. However, no new investments from either side to each other's country will now have any protection, he noted.

"We had urged the Indian government to give a window of six months after November 30, but that was not agreed to. We hope that the political leadership here and in the EU now expedite the Indo-EU FTA which will offer protection to European investments in India and vice-versa," said Stoelinga.

Delhi's decision is not the right signal, especially when India is pitching for the Make in India initiative and ease of doing business, senior Dutch government officials told ET.

"While some progress has been made during the past two years in the ease of doing business in India and states are offering more incentives to foreign investors, we are hoping for additional reforms now that India is the brightest spot in the economy globally," said the senior diplomat. The total investment from Netherlands between April and September 2016 is $1,615 million, according to DIPP.

India has announced that in general it wishes to adjust some bilateral tax treaties as well. This has been done with regard to Singapore, Cyprus and Mauritius. The tax treaty with the Netherlands is different in the sense that the Netherlands does not allow double non-taxation of capital gains.

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Freight railroads don't expect big trade changes under Donald Trump

The Indian Express

December 1, 2016 : Major US freight railroads expect their business to fare well as long as the economy continues growing despite President-elect Donald Trump's promises to overhaul US trade policy and renegotiate bad deals. Railroad executives didn't seem worried about major trade changes Wednesday when they spoke at a Credit Suisse investor conference. And railroads would benefit if major infrastructure projects are approved or the Trump administration relaxes environmental restrictions on coal.

Union Pacific Chief Financial Officer Rob Knight says he thinks logic will prevail because trade is needed for economic growth. Edward Jones analyst Dan Sherman says that based on the people Trump has picked to join his cabinet he doesn't expect major changes in trade.

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Trade regime with India remains unchanged: Pakistan

The Economic Times

Islamabad, December 2, 2016 : Pakistan has said that trade regime with India remains unchanged despite tensions in the bilateral relationship.

Commerce Minister Khurram Dastgir made the remarks at the Senate Standing Committee on Textile Industry in response to a point raised by Committee Chairman Senator Mohsin Aziz, who said a huge quantity of Indian raw cotton had been stopped at Karachi Port, state-run Associated Press of Pakistan reported.

Responding to the question, Dastgir yesterday said that the government has not issued any notification in this regard.

However, he said the government has put restriction of importing 500,000 cotton bales in a year through Wagah border while there was not any such restriction on Karachi port.

Aziz said the government should instead ban value-added products from the neighbouring country in a bid to protect the local textile industry.

The meeting was informed that the local textile industry was in a dilapidated condition and its exports were on the decline due to a number of issues including high prices of gas and electricity, high tariffs on import of input materials for industries, lack of progress on restructuring of bank loans and failure to revive sick units.

Dastgir said the government was committed to resolve all the genuine issues of the textile industrialists and it had already met a number of their demands including provision of uninterrupted electricity and gas to the industry.

It was decided that a meeting would be held in Karachi to resolve the issue of banking sector with the textile industry in which representatives from the textile industry, the State Bank of Pakistan, National Bank of Pakistan and private banks would be invited.

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No decision yet on revoking MFN status to Pakistan: Nirmala Sitharaman

Live Mint

New Delhi, December 5, 2016 : Government is yet to take a decision on revoking the most favoured nation (MFN) status accorded to Pakistan, Parliament was informed on Monday. Asked whether the government has any proposal to revoke MFN status to Pakistan, commerce and industry minister Nirmala Sitharaman said: “No such decisions have been taken so far.”

In a written reply in the Lok Sabha, she said that Pakistan is yet to transition fully to MFN status for India. Replying to another query on whether trade between India and Pakistan has been affected due to recent tensions between the two countries, Sitharaman said: “While there has been marginal decline in value of bilateral trade between the two countries from $1,208.75 million in the period April to October 2015 to $1,167.91 million in the period April to October 2016, the change in value of exports of individual commodities shows a mixed trend.”

On whether the government proposes to make some changes in trade relations with Pakistan, she said: “No decision has been taken, so far, in context of various factors including composition of bilateral trade.” Asked if a panel has been formed to discuss trade-related issues between the two countries, the minister said: “No such committee has been constituted so far.”

The MFN status was accorded in 1996 under World Trade Organisation’s (WTO) General Agreement on Tariffs and Trade (GATT). Both India and Pakistan are signatories to this, which means they have to treat each other and rest of WTO member countries as favoured trading partners.

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Cash ban affects trade with Bhutan

Dipanjan Roy Chaudhury, The Economic Times

New Delhi, December 1, 2016 : The demonetisation drive has adversely impacted India's border trade with Bhutan, Delhi's closest neighbour in South Asia.

Farmers and exporters in Bhutan's Phuentsholing town bordering India have been badly hit following the currency ban. Cardamom and potato supply from Bhutan to India has dropped drastically as Indian traders are struggling to make payments in cash, informed sources said.

Indian currency is used as a legal tender in Nepal and Bhutan. Phuentsholing is the main land border entry point between India and Bhutan.

Sufficient cash is not available for the export-oriented businesses in Phuentsholing market, sources said. Most of the transactions on the border are cash-based.

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China says new North Korea sanctions not meant to harm 'normal' trade

The Indian Express

Beijing, December 1, 2016 : New UN Security Council sanctions on North Korea, imposed after its fifth and largest nuclear test in September, are not intended to harm "normal" trade with the isolated country nor affect civilians, China's Foreign Ministry said on Thursday. The sanctions are aimed at cutting North Korea's annual export revenue by a quarter.

The 15-member council unanimously adopted a resolution to slash North Korea's biggest export, coal, by about 60 percent with an annual sales cap of $400.9 million, or 7.5 million metric tonnes, whichever is lower. China, believed to be the only country buying North Korean coal, would slash its imports by some $700 million compared with 2015 sales under the new sanctions, diplomats said.

China is North Korea's most important economic and diplomatic backer, despite its anger at Pyongyang's nuclear and missile tests, and Beijing frequently comes under suspicion for not properly enforcing sanctions. Chinese Foreign Ministry spokesman Geng Shuang said China has always enforced UN resolutions responsibly, and that would be the case with the new sanctions.

"Resolution 2321 formulates new measures, showing the resolve of the Security Council, and also points out they must avoid creating adverse consequences for North Korean civilian and humanitarian needs, and are not intended to create negative effects on normal trade," he said. Geng repeated a call for a return to talks, and also said all sides should avoid doing anything to worsen the situation.

“China opposes the deployment of the THAAD anti-missile on the peninsula, and urges relevant parties to immediately stop this process,” he added, speaking at a daily news briefing. China says the planned US deployment of a Terminal High Altitude Area Defence (THAAD) anti-missile system in South Korea would seriously affect China’s security and do nothing to get North Korea back to the table.

China also believes the United States, South Korea and Japan should not simply rely on bringing Chinese pressure to bear on North Korea to get it to give up its nuclear weapons. The Global Times, an influential tabloid published by the official newspaper of China’s ruling Communist Party, said in an editorial that China could not break the deadlock alone.

“China holds that all the parties should assume their due responsibility. But the U.S. and South Korea think they are fully right and justified to point fingers at others for the current situation on the Korean Peninsula,” it said. “The US has imposed sanctions on many countries in the world, but wielding sticks without any carrots mostly amounts to nothing.”

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India defends duties on telecom products

Amiti Sen, Business Line

New Delhi, December 11, 2016 : India has defended its decision to impose import duties on four telecom products, including voice over internet protocol phones and optical transport equipment, brushing aside claims made by the EU, the US and Japan that these are covered under the IT Agreement (ITA-1) of the World Trade Organisation and should be duty-free.

New Delhi, in a recent meeting at the World Trade Organisation, said that while the argument put forward by the three WTO members claiming that the items fell under the codes that are covered under the ITA 1 could be valid, the products were outside its mandate as they did not exist when the pact was signed.

“India is not intending to take any fresh commitment on goods for which it did not sign the ITA 1, and which have subsequently evolved,” India said in its representation.

It added that when ITA 1 was negotiated, the code for telecom equipment (HS Code 8517) referred to telecommunication apparatus for “carrier-current line systems and digital line systems”.

However, in the last few years, several new technologies have been developed. Subsequently the said code has been expanded to include new technological developments.

“Since our ITA-1 obligations are limited to those items that confirm to the 1996 definition of products for “carrier current line systems and digital line systems”, new products that have lately been classified under this category cannot be considered as part of ITA 1 agreement,” it said.

New Delhi’s firm stand on the matter would discourage future challenges by WTO members if it chooses to impose duties on newly developed IT and telecom equipment that fall under categories covered under the ITA 1.

10% import duty

In July 2014, India had imposed 10 per cent import duty on soft switches, VoIP phones, media gateways, gateway controllers and session border controllers, optical transport equipment and IP radios, carrier ethernet switch, multi-protocol label switching-transport profile products and multiple Input/Output and long-term evolution (LTE) products.

Not a part of ITA 2

India's representation further added that to cover products that had evolved after 1996, several WTO members had signed the ITA 2, of which it was not a part.

The country decided to stay away from ITA 2 as it had a bad experience with ITA 1 which required member countries to bring down import duties on several IT products to zero. The agreement gave a severe blow to India's electronics and IT hardware industry which could not develop to its potential due to cheap items coming in from countries such as China, the US and South Korea.

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