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The Centre for WTO Studies was set up by the Department of Commerce, Government of India in 1999. The intent was to create an independent think tank with interest in trade in general and the WTO in particular. The Centre has been a part of the Indian Institute of Foreign Trade since November 2002. The Centre provides research and analytical support, and allied inputs to the Government for WTO and other trade negotiations. The Centre also has its own body of publications, and conducts outreach and capacity building programmes by organizing seminars, workshops, and subject specific meetings to disseminate its work, create awareness on recent trade topics and build consensus between stakeholders and policy makers.

India’s proposal on facilitating global trade in services faces tough opposition at WTO

D. Ravi Kant, Live Mint

Geneva, May 6, 2017 : Several countries on Wednesday deflated India’s proposal for a comprehensive agreement on facilitating global trade in services at the World Trade Organization (WTO), suggesting that it lacks a mandate under the unfinished Doha Development Agenda trade negotiations, according to negotiators familiar with the development.

Traditional allies like South Africa and Rwanda on behalf of the African Group, and also Uganda, which coordinates the least-developed countries, among others, politely reminded India that it is difficult to discuss the provisions contained in India’s proposal on “Trade Facilitation Agreement on Services”, citing its extremely broad scope and lack of balance. The proposal is not appropriate in the current international political climate, they suggested.

Even major industrialized members of the WTO such as the US, the European Union (EU), Canada and Australia, among others, expressed sharp concerns over the Indian proposal, stating it contains elements that are outside the remit of trade policy. The US said it needed more details as to what India seeks through the agreement, maintaining that the current environment has deepened known sensitivities, said a South American negotiator who asked not to be named.

Turkey and Switzerland, however, welcomed India’s proposal, saying that they are ready to negotiate the issues set out in the proposal. Brazil and Argentina said that they were willing to participate in discussions on the Indian proposal for facilitating trade in services. China also cautiously welcomed the Indian proposal, but raised several technical issues.

During a special session of the Doha negotiating body on services, India introduced its 13-page draft proposal for facilitating international trade in services on the lines of what was agreed in the Trade Facilitation Agreement for goods. India said the proposal is not about new market access, arguing that issues on facilitation must apply to all sectors in the WTO’s General Agreement on Trade in Services, regardless of the members’ current commitments.

India said the proposed agreement should not be viewed as a vehicle for market access and further liberalization of services. It insisted that the proposal is merely seeking modest improvements to ensure that commitments undertaken by members remain meaningful. India also clarified that the cross-border flow of information in cross-border services is not about e-commerce. It urged members not to treat improvements in temporary movement of short-term services providers services in the proposal as amounting to issues of immigration.

In response to India’s introductory comments, around 31 countries took the floor with the African Group being the first to echo its concerns. Rwanda, on behalf of the African Group, spoke first on the Indian proposal, saying there are minimal realistic prospects of taking up the proposal in the absence of any discernible progress in agriculture, especially in reducing trade-distorting domestic subsidies and a permanent solution for public stockholding programs for food security. Bolivia raised systemic concerns about the Indian proposal, while Canada said it was a bold concept that would need considerable work.

South Africa suggested that it was not in position to agree with the Indian proposal as it will widen the differences in commitments and obligations. Further, India’s proposal would reduce the scope for applying the right to regulate issues that fall in the domain of domestic policy-making. At a time when it remains opposed to both investment facilitation and e-commerce, the Indian proposal is raising these same new issues in a different context, South Africa said.

The EU said it does not see the need to work toward a formal agreement, suggesting there are some issues concerning domestic regulation in services that could be addressed. The EU also maintained that some elements such as social security issues, insurance portability, and immigration are outside the remit of trade policy. The US suggested that India's proposal will take considerable time for resolving the issues it had raised.

In an unusual intervention at the meeting, a WTO official in charge of the division on services praised the Indian proposal, maintaining that members have not seen such a lively discussion for some time now. Despite the systemic concerns raised by members, the WTO official—Hamid-Abdel Mamdouh—said the Indian proposal was very refreshing from an institutional point of view, according to people present at the meeting.

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India blocks discussion on global investment facilitation at WTO

D Ravi Kant, Live Mint

Geneva, May 11, 2017 : India on Wednesday blocked the World Trade Organization (WTO) General Council from approving an agenda to discuss investment facilitation on grounds of mandate, triggering an uproar and the suspension of proceedings, people familiar with the development said.

India has consistently maintained that there is no merit for any proposal on investment facilitation at the WTO, as investment falls outside the trade body's mandate. It has emphasized that a multilateral agreement on investment will undermine its "policy space" and "right to regulate investment" in strategic sectors.

The General Council, the highest decision-making body of the WTO, during the biennial ministerial meeting is scheduled to discuss five proposals on investment facilitation, inserted by various countries for discussion. The countries include Argentina, Brazil, China, Indonesia, Korea, Mexico, Pakistan, Russia and Turkey.

As soon as the agenda came up for approval, India rose to block the proceedings. India said it chose to block the agenda under existing General Council rules, citing legal precedents such as the Marrakesh Agreement of 1994 that do not allow investment facilitation to be discussed at the WTO, trade envoys familiar with the development said.

India, which was supported by several countries such as Uganda, Ecuador and Bolivia, asked General Council chair Ambassador Xavier Carim to take investment facilitation off the agenda.

Countries who sought a discussion on investment facilitation strongly criticized India, saying blocking the agenda is unprecedented.

China, Russia, Pakistan, Chile, Colombia, Japan, Korea, Australia, the European Union, Norway, Switzerland, and Paraguay among others demanded the inclusion of the investment facilitation in the agenda. The US argued that the item has been placed inappropriately.

Some of the sponsors said India's decision has caused a grave "systemic crisis", according to a trade envoy, who asked not to be quoted.

In response, Indian trade envoy Anjali Prasad said it was the sponsors of investment facilitation who had caused a "systemic" crisis by bringing issues that were not part of the WTO's mandate.

By bringing proposals which are not in the realm of WTO mandate, they have undermined the credibility of the WTO, the envoy said.

The General Council chair suspended the meeting, informing members that he will hold informal consultations.

On Friday, a strong push by Germany to revive the failed Multilateral Agreement on Investment under the banner of investment facilitation agreement foundered at the G20 technical experts' meeting in Berlin, after the US, India and South Africa blocked the draft agreement on different grounds.

After two days of discussions that began on 4 May, Germany held a meeting with the US, India and South Africa to see if the three are ready for a much a watered-down text on investment facilitation.

The US stuck to its stance that it is not in a position to agree to any outcome, while India and South Africa said that even a non-binding outcome on investment facilitation as proposed by the German presidency will undermine the policy space for developing countries to pursue their developmental policies.

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India objects to discussing investment facilitation issues at WTO

Live Mint

New Delhi,

May 14, 2017 : India has raised serious concerns over bringing issues related to investment facilitation within the ambit of WTO, saying these are bilateral matters and can not be decided at multi-lateral forums.

The issue was listed on the agenda of a meeting of the General Council, the highest decision making body of the World Trade Organization (WTO), on 10 May in Geneva.

"India strongly objected to the inclusion of investment and investment facilitation on the agenda list. Investment facilitation does not come in the scope of the WTO. It is a forum for trade facilitation and trade related aspects of investments only," a senior official said.

It is completely a bilateral issue and is linked to domestic policies, the official said, adding that the chair of the council has called an informal meeting on the issue. If investment facilitation, which primarily deals with a nation's policy on attracting foreign investments, gets included in the WTO agenda, it would restrict the space for formulation of domestic norms.

India has always maintained that instead of negotiating new issues like this, the WTO member countries should first focus on finding permanent solution for the food security purposes and providing protection to poor farmers of the developing countries in case of surge in imports.

Before the 11th ministerial conference of the WTO in Argentina in December, the country wants resolution of these important issues which are on the table. “We already have important agenda on the table. First resolve these issues,” the official said, adding that countries including Uganda, Bolivia and Ecuador are supporting India’s stand on the investment facilitation issue.

Five different papers were brought by different groups on investment facilitation at the WTO. The groups include MIKTA (Mexico, Indonesia, Korea, Turkey and Australia); Russia & China; and Argentina & Brazil.

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India denies blocking agenda at World Trade organisation meet

Kirtika Suneja, The Economic Times

New Delhi, May 15, 2017 : India has strongly refuted allegations of blocking an agenda to discuss easing investment norms globally in the World Trade organisation, saying it only objected to an item in the agenda, which was a matter of domestic policy and outside the trade body's purview.

On May 10, the General Council, the highest decision-making body of the WTO, met to discuss the agenda, which included the item ‘trade and investment facilitation’. India objected to this item. This move was criticised by countries, including some BRICS nations, with some accusing India of blocking the agenda of easing investment norms.

“India was happy to approve the agenda without this item,” a senior commerce ministry official said. “Investment and investment facilitation is a matter of domestic policy,” the official said, while refuting allegations of being obstructionist.

India has always maintained that the issue doesn't have the mandate to be discussed at the multilateral forum since it restricts the right of countries to regulate investment.

But it came up for discussion. A total of five proposals on Investment and investment facilitation had been submitted to WTO. Brazil and Argentina submitted a joint paper, China made its own proposal, and one paper was from MIKTA group comprising Mexico, Indonesia, Korea, Turkey and Australia.

Eight countries, including Pakistan, made a submission to WTO under the name Friends of Investment Facilitation for Development. Russia also floated a paper on this matter. Apprehensions about a multilateral system for investment facilitation exist because it is seen to open a window for investor protection — something that the Russian proposal has mentioned.

The WTO General Council later called for informal consultations where India reiterated its stance to take investment off the agenda and found support from Uganda, Ecuador and Bolivia.

Earlier, India, the US and South Africa thwarted efforts by many other countries for a multilateral agreement on investment during the G20 technical experts’ meeting.

Other pressing issues
Besides losing control of investment regulation in strategic sectors, India highlighted agriculture-related concerns that are pending in the WTO. India, in its response, accused other countries of bringing up a matter that was not under WTO's purview at a time when there was unfinished agenda that needed to be concluded.

"It is seven months before the ministerial conference, and there is important agenda already on the table," the commerce ministry official said, referring to the unfinished agenda of the Doha Development Round and finding a permanent solution for public stockholding concerns of developing countries by the end of this year.

A special safeguards mechanism to protect farmers in developing countries against sudden import surges also needs continued work, the official said. "We can't give negotiating capital (to new items) till that is resolved."

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India faces piquant situation at WTO

D Ravi Kant, Live Mint

Geneva, May 4, 2017 : India faces a piquant situation at the World Trade Organization after two South American countries—Argentina and Brazil—used New Delhi's proposal on trade facilitation for services (TFS) as a basis for discussing a "WTO Instrument on Investment Facilitation"—a proposal to which India remains opposed, according to people familiar with the development.

As India presents its TFS proposal formally at the Doha negotiating group on services Wednesday, it could face awkward reminders about what would be its stance on investment facilitation, which is being pushed aggressively by China, Pakistan, Brazil, Argentina, Russia, Hong Kong (China), Mexico, Nigeria, Colombia, Korea, and Australia, among others.

Three countries—the US, India, and South Africa—have firmly opposed any discussion on investment facilitation at the G20 meeting of Trade and Investment Work Group in Germany more than two months ago. Subsequently, the US said in a communication on 11 April that "regarding investment, the US does not support moving forward with the draft deliverable or any alternative package on investment facilitation".

The US said it "does not believe that G20 TIWG (Trade and Investment Working Group) negotiation of detailed policy prescriptions in this area is necessary or helpful at this time, nor that the TIWG should seek to prioritize policy actions in certain areas of investment over others, including with respect to which issues should be on the agenda of separate bilateral, plurilateral, and multilateral negotiations."

Despite the firm opposition from the US, several countries are pressing ahead with their proposals for commencing negotiations on investment facilitation, seeking to launch negotiations at the WTO's 11th ministerial meeting in Buenos Aires later this year.

Significantly, in a restricted proposal circulated on 26 April, Brazil and Argentina have called for a WTO instrument on investment facilitation on the lines of "India's initiative on services facilitation – as expressed in documents "Concept Note for an Initiative on Trade Facilitation in Services", "Possible

Elements of a Trade Facilitation In Services Agreement", and "Trade Facilitation Agreement for Services".

The three Indian proposals, Brazil and Argentina argued, "further added momentum to current informal discussions on investment facilitation, as such initiative encompasses the supply of services through commercial presence (mode 3)."

"From a public policy perspective," according to Argentina and Brazil, "there seems to be no reason for Members to adopt or adjust institutional and regulatory measures to facilitate investment in services only [as proposed by India] and not investments in general."

"Therefore, serious consideration should be given to the establishment of common framework encompassing investment facilitation in general, that is, in both services and goods," Argentina and Brazil argued in their joint paper.

India and South Africa have argued at the G20 that investment agreement or investment facilitation can never be part of the WTO framework on grounds that it would undermine their "policy space". The US had also opposed investment facilitation, saying there can be only rules for investment but not facilitation, according to a trade envoy who asked not to be named.

A group of eight countries—Argentina, Brazil, China, Colombia, Hong Kong , Mexico, Nigeria, and Pakistan—under the banner Friends of Investment Facilitation for Development have directed Argentina's trade envoy, ambassador Hector Marcelo Cima, to coordinate the discussion on "the role that the WTO could play as a forum to discuss measures that Members could take to facilitate investment."

"Given the increasing inter-linkages between trade and investment, their mutually reinforcing role in fostering global development and inclusive growth, and the growing interest in this area in the WTO," the sponsors underscored the need for furthering "the discussions on how the WTO could contribute to facilitation for cross-border investment, with the ultimate aim of promoting more inclusive trade and growth for its Members, especially developing and least-developed Members."

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India, South Africa, US oppose G20 draft on investment facilitation

D. Ravi Kant, Live Mint

Geneva, May 9, 2017 : The US, India and South Africa have pulled the plug on a draft deliverable on investment facilitation proposed by the German presidency at a G20 technical experts meeting in Berlin, according to people familiar with the development.

The US which had already taken a strong position on investment facilitation said it is not in position to agree to the issue. India and South Africa said they do not see any merit for an outcome on investment facilitation because it would undermine their "policy space" and "right to regulate investment" in strategic sectors.

Although they participated in the discussions and introduced several caveats in the draft, India and South Africa insisted that the chair of the G20 TIWG (trade and investment working group) issue some broad messages but not an outcome, according to a participant, who did not wish to be named.

The collapse of the discussions is a major setback to China, Japan, Russia, and Brazil who want to discuss the issue at the World Trade Organization, said a participant who asked not to be named.

Germany, which is hosting a G20 leaders meeting in Hamburg on 7 July, convened the TIWG meeting last week to finalize three deliverables—a draft package on investment facilitation; strengthening trade monitoring and trade measures for checking protectionism; and measures for providing trade assistance.

The three-day meeting which began in Berlin on 4 May was abruptly terminated on Friday after the US on the one side, and India and South Africa on the other, opposed the German draft package on investment facilitation.

Several countries such as Japan, China, Russia, Canada, Brazil, and Australia supported the German draft during the discussions. It sought to reaffirm "the Principles for Global Investment Policy Making endorsed in the Hangzhou communiqué (in September, 2016) and encourage policymakers to use them as reference and guidance."

It maintained that investment plays an important role for promoting inclusive economic growth and sustainable development through the creation of jobs and dissemination of skills and technology. Therefore, G20 leaders must agree on the package of investment facilitation measures to ensure that they are "transparent, efficient, predictable and consistent - also with international obligations," the draft suggested.

The non-binding G20 investment facilitation package includes objectives such as reaffirming and complementing the G20 guiding principles for global investment policy making; fostering open and transparent business climates that are conducive to investment; promoting inclusive economic growth, sustainable development; and a level-playing field for all investors, including SMEs.

It listed four actions by G20 countries—transparency, predictability and consistency (in investment policies), efficiency, and stakeholder relations.

However, the setback to agree on the German draft is bound to undermine efforts by China, Russia, Brazil, Argentina, and a group of countries called MIKTA-Mexico, Indonesia, South Korea, Turkey, and Australia—to discuss investment facilitation at the WTO on Wednesday .

The US also opposed the proposed deliverables on trade monitoring and measures for resisting protectionism and trade assistance, issues on which India and South Africa did not have reservations.

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Trump card: Delhi to get tough if US blocks Indian exports

Amiti Sen, Business Line

New Delhi, May 4, 2017: India has decided to pro-actively find ways to counter possible moves by the Donald Trump administration to block Indian exports as part of the US Trade Department's review process of the 16 nations with which the US has a trade deficit.

The Prime Minister's Office has asked all Ministries and Departments to take note of items from their respective sectors that are imported from the US and which could be restricted through various means if required, a government official said.

"Since seeking a resolution at the World Trade Organisation is time-consuming, we need a back-up plan in case the US takes unwarranted steps to check imports from India. We have to be prepared to counter the move with similar measures," the official said.

However, it might not be an easy exercise for India to identify imports from the US where there is a possibility of imposing restrictions.

"We import a lot of high-tech goods from the US. We absolutely need these items and there is little scope to impose restrictions here," the official added. "Similarly, we import a variety of fruits and vegetables where we have already imposed high import duties. Finding additional ways to curb these will also be difficult," the official noted. Import restrictions can be imposed through non-tariff measures, for instance, by rejecting consignments on grounds of low quality and standards.

"The fact remains that the Indian industry is more vulnerable than the American industry as we export much more to the US than we import. For instance, our sectors such as textiles and leather, which are labour-intensive, can take a big hit if the US decides to make its import policies unfavourable," the official said.

Early last month, Trump signed an executive order launching a 90-day investigation of countries, including India, against which the US runs a bilateral trade deficit.

Assistant US Trade Representative Mark Linscott, in his recent discussions with officials from the Commerce Ministry in New Delhi, reiterated that his government would seriously look at the $24 billion trade deficit it has with India and find ways to address the situation.

New Delhi, however, has some time to prepare for any unfavourable action from the US as the review process by the US Commerce Department could stretch up to June-end.

Given the fact that it is China that contributes to half of the country's total trade deficit — $347 billion of the total $648 billion — it could be Beijing, and not New Delhi, that faces the most severe measures, the official said.

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India to revamp foreign trade policy to give leg up to exports

Ruchika Chitravanshi & Deepshikha Sikarwar, The Economic Times

New Delhi, May, 5 2017 : India plans to revamp its foreign trade policy and relook at incentives to give a leg up to the export sector, which is hurt by lower global demand as well as an appreciating rupee.

The government proposes to come out with a mid-term review of the Foreign Trade Policy (FTP) 2015-20 in September, commerce and industry minister Nirmala Sitharaman told ET.

“We have asked stakeholders, whoever is interested, to give us inputs,” she said. “We are looking at it in-depth and in all its details.”

The foreign trade policy, announced in 2015, has set an export target of $900 billion, or about Rs 58 lakh crore, by 2020. In 2016-17, India’s merchandise shipments aggregated at $275 billion, or about Rs 17,70,000 crore.

To achieve the FTP target in five years, exports have to grow at 14% every year.

That wouldn’t be easy at a time when the US and some other developed countries are moving towards increased protectionism in trade.

“Between 2014 and today a lot has changed. Exports are happening, but globally trade is in a depressed situation,” Sitharaman said. “India went through a bad patch and is now recovering.”

She will hold a day-long consultations with the stakeholders on Saturday on FTP.

Make in India will continue to be a significant factor influencing the policy. Already, the policy provides for higher level of rewards to products with high domestic content and value addition compared to products with high import content and less value addition. The government is likely to provide special incentives to a smaller list of sectors from among the 25 focus areas for the Make in India programme.

Some aspects of the foreign trade policy will be modified to align in with the Goods and Service Tax, which is likely to be rolled out in July this year.

FTP 2015-20 had introduced two new schemes: Merchandise Exports from India Scheme (MEIS) and Services Exports from India Scheme (SEIS).

These schemes replaced multiple schemes, each with different conditions for eligibility and usage. Incentives under these schemes have been made available for SEZs as well. Ecommerce of handicrafts, handlooms and books among others are eligible for the benefits.

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China may push for RCEP deal without India: Chinese daily

The Economic Times

Beijing, May 4, 2017 : China may go ahead with a regional economic deal without India as there is slim hope of New Delhi signing it in view of its concerns over cheap Chinese goods inundating Indian markets, an article in a state-run daily said today.

"An optimal choice for China would be to reach a deal that includes India, as that would allow Chinese-made products to enter the Indian market with tariff concessions after the Regional Comprehensive Economic Partnership (RCEP) starts running," the article in the Global Times said.

However, given India's free trade history and the concerns expressed about its own national interests, there is only a very slim possibility that India would agree to the deal under the existing framework and mechanisms. So China should set a sub-optimal goal of reaching an RCEP deal without India, it said.

"Although this would diminish the value of the agreement, China should continue speeding up the RCEP negotiations, because enhanced cooperation with ASEAN, Japan, South Korea and Australia is of strategic importance for China," it said.

The RCEP is a 16-nation trade pact that includes the Association of Southeast Asian Nations (ASEAN), along with China, Australia, India, Japan, South Korea and New Zealand, a region that accounts for 46 per cent of the world's population and that produced nearly 30 per cent of global GDP in 2016.

China is pushing for RECP as Trans-Pacific Partnership (TPP), a trade alliance worked by the Obama administration which is on the verge of eclipse after US President Donald Trump pulled Washington out of it.

Facing threat of cheap imports from China after the bilateral trade deficit mounted to over USD 53 billion, Indian officials say India is specially seeking to protect its advantages in services and stagger the phase-out of tariffs over a longer period in the case of China, to allow Indian industry more time to adjust.

The article cited four main reasons for India being reluctant to promote the RCEP, which included worries over entry of cheap Chinese goods with tariff concessions, widening trade deficit with China, worries over domestic companies becoming less competitive, RCEP clauses on intellectual property and services will not be conducive for India.

"India has unilaterally obstructed the normal process of WTO negotiations many times. In the final analysis, India is still worried about the lack of competitiveness of its local enterprises," it said.

"However, the RCEP is of great significance for China because the nation has been excluded from the TPP. China needs to promote the conclusion of the RCEP negotiations and be prepared for India's withdrawal from it," it added.

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Building economic links part of CPEC aim: China

Elizabeth Roche, Live Mint

New Delhi, May 9, 2017 : Days ahead of China hosting an international summit on its One Belt One Road (OBOR) project, Beijing's ambassador to India Luo Zhaohui said that one strand of the giant infrastructure initiative—the China Pakistan Economic Corridor (CPEC)—is aimed at promoting economic cooperation and connectivity and not linked to sovereignty issues.

In a speech to an Indian defence think tank, Luo said that China was even willing to rename the project to assuage any Indian misgivings on the matter. The text of the speech, delivered on Friday, was made public on Monday.

Beijing, he said, had no intentions of getting involved in territorial disputes between India and Pakistan.

China supports a "settlement through bilateral negotiation in line with the Shimla Agreement. This is an example of China taking care of India's concern," he said.

China was willing to mediate between India and Pakistan "but the precondition is that both India and Pakistan accept it. We do this only out of good will," the ambassador said.

The comments come as Beijing prepares to host the leaders of some 30 countries and representatives of some 100 other countries as well as institutions on 14-15 May.

OBOR is Chinese President Xi Jinping's landmark plan to put billions of dollars in infrastructure projects including railways, ports and power grids across Asia, Africa and Europe. It is expected to burnish Beijing's free trade credentials and offer Xi a chance to elaborate China's global leadership ambitions as the US looks to promote its own "America First" policy.

India, which is invited to the Beijing meet, is yet to confirm its participation. New Delhi has its reservations about the project given that the CPEC cuts through Gilgit and Baltistan areas of Kashmir which India says is illegally held by Pakistan.

Over the weekend, finance and defence minister Arun Jaitley, speaking in Yokohama at a discussion on Asia's economic outlook organized by the Asian Development Bank, said that though India supports the idea of regional connectivity, "I have no hesitation in saying we have some serious reservations about it (OBOR), because of sovereignty issues."

Luo said: "The OBOR and regional connectivity could provide China and India with fresh opportunities and highlights for the bilateral cooperation. The OBOR is a major public product China has offered to the world. It is a strategic initiative aimed at promoting globalization and economic integration."

"As close neighbours, China and India could be natural partners in connectivity and the OBOR," he added.

He noted that China began its market reforms more than a decade before India and that compared to China, India has a few disadvantages despite having a large English-speaking population, a sound legal system, as well as its leading role in Information Technology and pharmaceuticals. This was because, "globally, the current trend of anti-globalization and anti-free trade is not in line with India's open-up efforts," Luo said.

"In this context ...China's OBOR focuses on improving regional connectivity and economic cooperation, especially infrastructure building. It can meet the need of the countries along the OBOR and provide India and other regional countries with important opportunities," he said.

While India does not have many reservations about the Bangladesh-China-India-Myanmar strand of the OBOR, Luo said, "India still has reservations over the OBOR, saying that the China Pakistan Economic Corridor passes through the Pakistan-Controlled-Kashmir, raising sovereignty concerns."

"Even we can think about renaming the CPEC," he said, adding: "China and India have had successful experience of de-linking sovereignty disputes with bilateral relations before. In history, we have had close cooperation along the ancient Silk Road. Why shouldn't we support this kind of cooperation today?"

Luo also dismissed as untrue criticism that China puts its “all weather ally” Pakistan first while handling relations with South Asia countries. “Simply put, we always put China first and we deal with problems based on their own merits,” he said.

China experts were unimpressed.

According to Srikanth Kondapalli, a professor of Chinese Studies at Jawaharlal Nehru University in New Delhi, “The Chinese ambassador’s speech has not addressed any of the problem areas between India and China”—these include the unsettled boundary issue and the Tibetan spiritual leader Dalai Lama’s presence in India.

“The only agenda that the Ambassador had seemed to be to package things in a positive way—without conceding anything,” Kondapalli said. “Without any concession to India, why should New Delhi buy the Chinese argument?” he added.

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Stronger rupee unlikely to hit India’s export competitiveness: ADB Chief Economist Yasuyuki Sawada

Kirtika Suneja, The Economic times

Yokohama, May 4, 2017: The rising tide of protectionism is worrying but not strong enough to break the global economy, the Asian Development Bank’s chief economist Yasuyuki Sawada said on Wednesday.

"This emerging orientation of US and Europe is a little bit worrisome situation but what I am saying is (that) it is unrealistic that global economy will move towards a broken economy that happened during intra-war period… I don't see that happening," Sawada said at the Asian Development Bank's annual meeting in Yokohama in Japan.

The statement came a day after Prime Minister Narendra Modi spoke to his Australian counterpart and raised concerns over Australia’s decision to abolish a work visa which allowed businesses to hire foreign workers for up to four years in skilled jobs.

Developed countries such as the US and Australia have changed their visa policies in recent months to restrict movement of professionals across borders.

Indians have been among the largest users of both the US H-1B programme and the Australian work visa. Almost 60% of Indian IT industry's revenue comes from the US.

RISING RUPEE AND EXPORTS

Seeking to allay fears that the strengthening rupee will hit exports, the ADB chief economist said that India will not lose its competitiveness since its export performance is strong. He said the rupee's strengthening should not be seen in isolation since market environment is another determinant of exports.

"You are thinking (that with the) appreciation of rupee India will lose international competitiveness… we can't really talk about only rupee appreciation in isolation. Overall, export performance of India so far seems to be quite positive. You shouldn't be too much pessimistic about exchange rate," Sawada said.

India's merchandise exports grew at the fastest pace in almost six years in March led by petroleum, textiles, engineering goods, and gems and jewellery, up 27.5% from a year ago to $29.2 billion.

DEMONETISATION IMPACT

The ADB chief economist said that India's move to demonetise high value currency notes late last year will not hit growth since the negative impact was short-lived.

"One possible challenge is demonetisation of high value currency (that happened) in November last year. Obviously that generated short-term decline in cash-based transaction and consumer sentiment. But according to our data analysis so far, this possible negative impact of demonetisation was only short-lived and we still see a medium term growth acceleration of Indian economy," he said.

The ADB has projected India's economy to grow 7.4% in 2017-18 over the previous year, compared with 7.1% in 2016-17, on the back of a pickup in consumption demand and higher public investment.

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Top ministries pitch for logistics cost cutting to boost trade

Business Line

New Delhi, May 4, 2017 : To improve India's position in the logistics cost index, there is need to lower logistics costs, according to top officials across Union ministries such as Shipping, Railways and Commerce. Also on anvil is a state-level logistics index from the Commerce Ministry.

Speaking at a logistics conference here on Thursday, the Railway Board Chairman AK Mital said there was need to lower costs.

Unhealthy competition

"We move 60 per cent of traffic on just 10 per cent of routes. We have created competing demands for various modes of transport. This is because we are competing for the same traffic, instead of complementing it. Why should road and rail be competing for same traffic?" he asked.

Referring to the Railway Ministry's public sector unit, Concor, which handles containers, he said the PSU needed to lower logistics costs by improving the conditions of its terminals.

Rajive Kumar, Secretary, Shipping, said: "As part of the Sagarmala project, the Ministry had identified where multi-modal hubs need to come up." Multi-modal hubs are being favoured to improve coordination, he said.

Varanasi would be the first inland multi-modal hub where the railways, waterways and roads would be integrated. He also emphasised that a "good logistics system needs to be green."

High logistics costs

The Commerce Ministry also stated that the share of logistics costs, as a share of total trade costs in India, was high. “The Ministry is working out a state-level logistics index,” Rita Teaotia, Commerce Secretary, said.

She also raised concerns, such as the alleged nexus between shipping lines and container freight stations, apart from having a common regulatory agency for multi-modal transport, instead of multiple regulatory agencies.

Coordination agencies
Teaotia called for promoting standardisation of electronic data interchange and having a coordination agency for dispute resolution in the sector.

“But, where should this coordination happen? In many countries, this coordinating agency is housed in Ministry of Transportation. There are some developing countries with export focus, such as China, where it is housed in the Ministry of Trade and Commerce, whereas in Singapore, there are multiple agencies – mix of industry and government,” she added.

Ramesh Abhishek, Secretary, Department of Industrial Policy and Promotion, said they had started working on a master plan for industrial parks, and would soon upload data on the land available for industrial parks.

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Why India shouldn't sign on to more free trade agreements, except on really favourable terms

Ajay Srivastava, The Economic Times

May 13, 2017 : Imposing high import duties was the most repeated poll promise of President Donald Trump. A 45 per cent import duty on products from China would reduce the trade deficit, promote manufacturing and create jobs in the US, Trump argued. But while team Trump has taken action against H1B visas and the like, one might wonder why nothing tangible has been done on the import duty issue so far.

The answer is straightforward: the US has already surrendered its flexibility to increase import duty at the WTO. Any duty increase now will fall foul of WTO commitments. Water shortage is the most fundamental trade policy problem faced by the Trump administration. Water is a standard WTO term that signifies the flexibility available with the countries to increase import duty on a product. It is the difference between bound and applied duty of a product.

Bound duty can be understood as the ceiling duty , crossing which would violate WTO commitments. So, if the bound duty for a product is 40 per cent and applied duty is 10 per cent, water will be 30 per cent and the country has flexibility to raise the applied duty from 10 per cent to 40 per cent.

Higher the water, greater the flexibility available to a country to raise duty . Now, for the US, the water or the difference between bound and applied duty is less than 1 per cent on most items. The EU, Japan, and most other developed countries have less than 2 per cent water. China, a late entrant at the WTO, is the only developing country forced by the US to have an average of 0.1 per cent water.

Most developing countries, however, retain more water. For example, water is more than 30 per cent for India on most industrial products.

The number of products on which a country notifies bound duties is called the binding coverage. The more products under binding coverage, the less flexibility there is on increasing duty. India has bound only 75 per cent of tariff lines. For the remaining lines, it can raise tariffs to any level without violating WTO commitments.

Its water problem made the Trump administration realise that it cannot impose high duties within the WTO framework. So an alternate strategy of bypassing the WTO if its rulings do not suit US interests is mooted. However, this would force other countries to do the same.

Even though Trump blames China, Mexico, and South Korea for the large US trade deficit and loss of jobs, business realities may force team Trump to change its stand again. The US consumer is critically dependent on China for the supply of most daily use products. Most Chinese goods will be cheaper even after the imposition of 45 per cent tariffs because of high American wages. Duty increase will not lead to local manufacturing.

Till last year, it looked almost certain that the three mega free trade agreements (FTAs) under negotiation would gradually morph into WTO-like institutions. With the US withdrawal under Trump two of these, the TransPacific Partnership (TPP) and the Trans-Atlantic Trade and Investment Partnership (TTIP) are already dead. Regional Comprehensive Economic Partnership (RCEP) remains the only remaining mega FTA under negotiation.

India is a high water country while China and Japan, the major RCEP countries, are low water countries. So today India can increase import duty on a product without violating WTO commitments, but China or Japan cannot. Signing of an FTA will take away our flexibility to raise duties on imports from these countries. This is because the import duties once reduced under an FTA cannot be increased, even if they are below the bound rates. Our other FTA partners like EU and Switzerland are also low wa water countries.

In the coming months, we can expect the US to stop many imports on some pretext such as labour law violation and pressurise countries to reduce duties on products of interest to the US. For most developing countries, this may be the time to rejoice at the water advantage they have and not squander it by signing FTAs, unless quantifiable benefits are available.

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