INDIA'S TRADE NEWS AND VIEWS
1 Nov to 15 Nov 2016

Straight talk on trade

Are economists partly responsible for Donald Trump's shocking victory in the US presidential election…

Trade policy hurdles await new US leader

Is it a moment to heave a sigh of relief today, as the brutal US election comes to a close…

Industry watchers optimistic about India-US trade ties under Donald Trump

Donald Trump's electoral victory may not have an adverse impact on India-US…

Demise of TPP and its signal for other trade pact negotiations

Civil society groups across Asia, Latin America, Oceania, and North America are upbeat on what they are calling…

Huge opportunities exist to boost Indo-Israel trade: Rita Teaotia

Huge opportunities exist in sectors like agriculture and pharma for India and Israel to boost their bilateral trade…

'EU wants to start talks with India on a bilateral investment treaty'

Jyrki Katainen, Vice-President of European Commission (Jobs, Growth, Investment & Competitiveness), was recently…

India, Bhutan sign new bilateral trade agreement

India and Bhutan signed a new bilateral trade agreement on Saturday to enhance trade…

RCEP: India gets Trade Ministers on board on 'single undertaking' for goods, services

India has managed to convince its partner countries negotiating the Regional Comprehensive Economic Partnership…

China's secret weapons in trade battle with India are NTBs

A small-time exporter from Mumbai wanted to ship out engineering goods to China…

Chinese hurdle to be India's concern at international trade meet

The government is looking at ways to handle the Chinese headache while negotiating…

Centre for WTO Studies, 7th Floor, IIFT Bhawan, B-21, Qutab Institutional Area, New Delhi – 110016
Tel: 91-11-26965124, 26965300, 26966360 Ext-725,710 Fax: 91-11-26853956 Email: cws@iift.ac.in

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.

Straight talk on trade

Dani Rodrik, Live mint

21, November, 2016 : Are economists partly responsible for Donald Trump's shocking victory in the US presidential election? Even if they may not have stopped Trump, economists would have had a greater impact on the public debate had they stuck closer to their discipline's teaching, instead of siding with globalization's cheerleaders.

As my book *Has Globalization Gone Too Far?* went to press nearly two decades ago, I approached a well-known economist to ask him if he would provide an endorsement for the back cover. I claimed in the book that, in the absence of a more concerted government response, too much globalization would deepen societal cleavages, exacerbate distributional problems, and undermine domestic social bargains. The economist demurred. He said he didn't really disagree with any of the analysis, but worried that my book would provide "ammunition for the barbarians". Protectionists would latch on to the book's arguments about the downsides of globalization to provide cover for their narrow, selfish agenda.

It’s a reaction I still get from my fellow economists. There is always a risk that our arguments will be hijacked in the public debate by those with whom we disagree. But I have never understood why many economists believe this implies we should skew our argument about trade in one particular direction. The implicit premise seems to be that there are barbarians on only one side of the trade debate.

In truth, many trade enthusiasts are no less motivated by their own narrow, selfish agendas. The pharmaceutical firms pursuing tougher patent rules, the banks pushing for unfettered access to foreign markets, or the multinationals seeking special arbitration tribunals have no greater regard for the public interest than the protectionists do. So when economists shade their arguments, they effectively favour one set of barbarians over another.

It has long been an unspoken rule of public engagement for economists that they should champion trade and not dwell too much on the fine print. This has produced a curious situation. The standard models of trade with which economists work typically yield sharp distributional effects: income losses by certain groups of producers or worker categories are the flip side of the “gains from trade”. And economists have long known that market failures—including poorly functioning labour markets, knowledge or environmental externalities, and monopolies—can interfere with the reaping of those gains.

They have also known that the economic benefits of trade agreements that reach beyond borders to shape domestic regulations—as with the tightening of patent rules or the harmonization of health and safety requirements—are fundamentally ambiguous.

Nonetheless, economists can be counted on to parrot the wonders of comparative advantage and free trade whenever trade agreements come up. They have consistently minimized distributional concerns, even though it is now clear that the distributional impact of, say, the North American Free Trade Agreement or China’s entry into the World Trade Organization were significant for the most directly affected communities in the US. They have overstated the magnitude of aggregate gains, though such gains have been relatively small since at least the 1990s. They have endorsed the propaganda portraying today’s trade deals as “free trade agreements”, even though Adam Smith and David Ricardo would turn over in their graves if they read the Trans-Pacific Partnership.

This reluctance to be honest about trade has cost economists their credibility with the public. Economists’ failure to provide the full picture on trade, with all of the necessary distinctions and caveats, has made it easier to tar trade, often wrongly, with all sorts of ill effects.

For example, as much as trade may have contributed to rising inequality, it is only one factor contributing to that broad trend—and in all likelihood a relatively minor one, compared to technology. Had economists been more upfront about the downside of trade, they may have had greater credibility as honest brokers in this debate.

Similarly, we might have had a more informed public discussion about social dumping if economists had been willing to recognize that imports from countries where labour rights are not protected do raise serious questions about distributive justice. It may have been possible then to distinguish cases where low wages in poor countries reflect low productivity from cases of genuine rights violations. And the bulk of trade that does not raise such concerns may have been better insulated from charges of “unfair trade”.

Likewise, if economists had listened to their critics who warned about currency manipulation, trade imbalances, and job losses, instead of sticking to models that assumed away such problems, they might have been in a better position to counter excessive claims about the adverse impact of trade deals on employment.

In short, had economists gone public with the caveats, uncertainties, and scepticism of the seminar room, they might have become better defenders of the world economy. Unfortunately, their zeal to defend trade from its enemies has backfired. If the demagogues making nonsensical claims about trade are now getting a hearing —and, in the US and elsewhere, actually winning power—it is trade's academic boosters who deserve at least part of the blame.

[Back to top]

Trade policy hurdles await new US leader

D. Ravi Kanth, Live Mint

21 November 2016 : Is it a moment to heave a sigh of relief today, as the brutal US election comes to a close? Given the tight race and vitriolic campaign that centred around so many divisive issues ranging from immigration to racial hatred and bigotry, it is anybody's guess whether Hillary Clinton or Donald Trump makes it to the White House. But the world's elite media and their pundits seem pretty confident that Clinton will cross the line. There is also a sense of foreboding that her success might not heal the wounds in the short term.

However, if Trump were to come to power, a la the Brexit—which occurred despite the elite media's prediction that it won't happen—it is going to be a different ball game. That he embodies unpredictability and crass authoritarian tendencies is an understatement. As the Sanskrit saying goes, *yatha raja tatha praja* (as the king, so the people). Perhaps Americans, after inventing constitutional "clientelism" more than two centuries ago, according to political scientist Francis Fukuyama, could be entering a period of heightened intransigence and intolerance.

Nevertheless, it would be interesting to see how these two diametrically opposing candidates prioritize their trade policy objectives. Following the bombastic rhetoric of their campaign, will they scrap the Trans-Pacific Partnership (TPP) right away or renegotiate it in ways that would make it difficult for other countries to join? Will Clinton discard her previous baggage of pro-corporate free trade policies because of the political roots-cum-support from the unions, especially the AFL-CIO (American Federation of Labour and Congress Industrial Organizations), and the anti-corporate-progressive caucus in the senate led by Bernie Sanders and Elizabeth Warren? Will President Trump redefine American trade policies both on the bilateral and multilateral fronts in such a way that it would erase all the existing rules and dribble along in the World Trade Organisation as part of traditional Geneva trade policy envoys' comfortable narrative? Will Trump's big-bang version of trade policy—retaliatory tariffs on Chinese and Mexican goods—attract many takers?

That TPP hangs in the balance is well-known. "I have no idea what will happen with TPP in lame-duck (Obama administration)," says professor Crawford Falconer, an international trade policy expert and chair of several trade dispute settlement panels. (The Obama administration, which is already a lame duck, wants the Congress to ratify TPP before he completes his term on 17 January so to ensure that it is part of his legacy.)

Falconer says the TPP "faces two problems". First, there are "substantive itches which the Republicans need scratched, e.g., patent protection for biologics, financial data flows, etc." The chair of the US senate finance committee, Senator Orrin Grant Hatch, has made "a point of these being must haves". "I don't know if at the technical level the (Obama) administration will be able to give satisfaction on stuff like this," Falconer told *Mint* in an interview on 3 November. "But second, even if they (Obama administration) can, it is the overall political climate that is hardest to deal with," he argued.

What if Trump gets in and if the belligerent anti-Trump Republicans in the Congress vote for it? "Essentially, Republican legislators will effectively be giving the raspberry to their incoming president (and) some of them will be fine with that… But can the House and Senate leadership do that politically?" he asked.

"Not impossible, but a huge task—because make no mistake, it is Republican votes that will do this while relatively few Democrats will vote for it," the veteran NZ trade policy expert argued. "And while they might get more Democratic votes if they thought it would be fun to tell Trump where to get off, it is hard to see many of them (Democrats) going for it," he suggested. The Democrats who are guided by AFL-CIO are dead against provisions such as the investor-state dispute settlement.

Does it change if Clinton gets in? "It's different but not much overall as the administration still has to get Republicans onside (and) to do that, they have to shift the content substance a bit further to the right and they can't soften the stuff Democrats don't like because they would lose Republican votes," Falconer said.

"Do they (Republicans) vote for an agreement that is done on Obama's watch as his legacy and, more to the point, do they pass up an opportunity to make Hillary squirm in the future as she has to come to terms with what she can do on trade with Congressional Democrat membership that hates TPP?" Falconer asked. Even after the lame-duck administration, it is hard to see either of them—Republicans or Democrats—making TPP a priority next year. It's just too divisive, too toxic and not a high enough overall priority to push it up the list.

Indeed, "they will take quite some time to get to anything big on trade—whether TTP, TTIP (Transatlantic Trade and Investment Partnership with the European Union), TISA (the plurilateral agreement on trade in services agreement or whatever," according to Falconer. "It is probably likely that Hillary in her heart of hearts is 'okay' on trade, but she really can't do a backflip on this and certainly not in the first year or two."

In short, the US seems caught in a dysfunctional political equilibrium, as Fukuyama argued in his book *The Origins of Political Order*—wherein everyone agrees on the necessity of addressing long-term fiscal issues, but powerful lobby groups can block things because of ideological rigidity and plutocratic interests.

[Back to top]

Industry watchers optimistic about India-US trade ties under Donald Trump

Kirtika Suneja, The Economic Times

New Delhi, 10 November 2016 **:** Donald Trump's electoral victory may not have an adverse impact on India-US trade relations as his hawkish statements during campaigning suggested. Industry watchers said his statements on free trade including immigration, outsourcing, renegotiating treaties with other countries on American terms and even pulling out of the World Trade Organization were mostly election rhetoric.

In a note, State Bank of India said candidates who in the past scraped through in the US elections seemed to have performed better in terms of managing the economy.

"If this is statistically significant, it augurs well for the US and India in the coming years," the note said, but emphasised the need for the US to adopt a realistic position so that it can avail itself of Indian expertise where it will tend to benefit.

Abhijit Das, head of Centre for WTO Studies at Indian Institute of Foreign Trade, said, "In the campaign, he came out as a person not favourably inclined towards trade. We need to see how much of that was election rhetoric, and how much gets actually translated into policy shifts."

One key pressure point has been the export and temporary movement of Indian labour to the US, especially professionals in the IT industry. President-elect Trump has been critical of Americans losing their jobs to migrants including Indians and experts fear non-tariff barriers such as an increase in visa fees in the coming days.

"One should have a comprehensive and integrated approach towards global economic engagement instead of looking at one sector only. Indians are the front runners of cutting edge technology companies in the US and have proved their contribution in sustaining big businesses there through employment generation," said Ram Upendra Das, professor at the external affairs ministry think tank Research and Information System for Developing Countries.

Incidentally, some of the biggest US-based technology firms such as Google, Adobe and Microsoft are led by Indian Americans.

"No doubt trade policy could bear the imprint of president's personal vision. However, one must also remember that it is the commercial interests of business groups which provide continuity to trade policy," Das said.

Further, Trump's vehement opposition to the US-led 11-member Trans-Pacific Partnership (TPP) trade agreement may not turn into reality because regardless of his victory the TPP could be ratified by a 'lame duck' session of Congress, which is held after the election but before the new president is sworn in.

"We don't expect any adverse impact on our bilateral trade relations but if TPP takes a backseat, it will benefit us," said Ajay Sahai, director general of the Federation of Indian Export Organisations.

[Back to top]

Demise of TPP and its signal for other trade pact negotiations

P. T. jyothi Datta, Business Line

Mumbai, 16 November 2016 **:** Civil society groups across Asia, Latin America, Oceania, and North America are upbeat on what they are calling the “definitive demise” of the Trans-Pacific Partnership (TPP).

The mother of all trade agreements, the TPP was criticised for the cloak of secrecy surrounding its negotiations that would have impacted the health, environment and labour of the countries involved. Civil society groups have been opposing it for over seven years now.

On Friday, the US Obama administration conceded it could not gain congressional approval of the TPP, which had been its top priority since the pact’s February 2016 signing, a note from the civil society groups said. “And the bipartisan revolt against the deal in the US electorate that played out in congressional and presidential elections has left no path for a resurrected TPP, signifying its definitive demise,” it added.

So are there some signals for India in the “demise” of the TPP, at a time when it is involved with multiple trade negotiations in the region and with the European Union?

The TPP is a mega deal that involves 12 countries, including the US, Australia, Canada, etc. And it was criticised by pro-health and other civil groups for its proposals that could expand monopolies for pharmaceutical firms, expand investor rights, deregulate finance etc. A key concern was also the enhanced protection of intellectual property (IP) and the Investor-State Dispute Settlement (ISDS) provision that allowed foreign investors to sue a Government internationally, if they felt domestic policy had hurt their investment in the country.

The lesson for India from the “death” of the TPP is to proceed with caution in its trade negotiations – be it the Regional Comprehensive Economic Partnership (RCEP) or the free trade agreement with the European Union, says Gopakumar with The Third World Network. However, he observes, while the TPP in its present version is dead, it could resurface in a different avatar under the new US President.

“People and planet”

Anti-TPP groups are clear they will continue the fight against any other trade deal that did not put “people and the planet first”. The TPP, they say, would have “expanded corporate power to destroy peoples’ livelihoods, undermine human rights and the environment, threaten financial stability, increase the cost of life-saving medicines and attack health and other pro-people safeguards.”

The key lesson from the TPP’s defeat is that “just because the President of the United States and transnational corporations want something, it doesn’t mean we need to give it to them,” says Arthur Stamoulis, executive director of Citizens Trade Campaign, a fair trade coalition that fought the TPP in the US. “With peoples’ movements united across borders and across sectors, we were able to stop a power grab by some of the most powerful economic and political interests in human history. That’s something to keep in mind during the hard years to come under President Trump and other corporate-aligned political leaders,” he added.

[Back to top]

Huge opportunities exist to boost Indo-Israel trade: Rita Teaotia

The Economic Times

New Delhi, 17 November 2016 **:** Huge opportunities exist in sectors like agriculture and pharma for India and Israel to boost their bilateral trade, a top government official said today.

"Our (bilateral) trade is about USD 5 billion and that is really much less than either of us believe that it could really be in terms of potential and complementarities of both the economies," Commerce Secretary Rita Teaotia said here.

She was speaking at India-Israel Business Forum meeting organised by Ficci.

She said that businesses of both the sides can look at collaborations in sectors like solar, agriculture, irrigation and pharmaceuticals.

Teaotia said India is growing at a healthy rate and the government is taking several steps to improve business climate, trade facilitation, logistics and taxation structures.

"Israel has huge strength in communications and the 'Digital India' effort offers huge opportunities. We are looking at collaborations across all lines of the value chain and that starts from physical infrastructure reaching down to the last rural habitation, allowing large data transfers," she said.

She added that services and defence sectors too have huge scope for collaborations.

Seeking investments, the secretary said India has extensively relaxed its FDI policy.

"Lot of opportunities are there. In agriculture, we have lot of challenges and Israel has found some answers. I hope this will be an area of active interest for the Israeli delegation," Teaotia said.

India received FDI worth USD 107 million from Israel during April 2000 to September 2016.

In taxation, GST is a major step which will provide an easier market for investors, she said.

"Trade agreements are always significant and we are committed to engage further," she said.

Speaking at the event, India's Ambassador to Israel Pavan Kapoor too informed the Israeli delegation about the opportunities which exist in the country.

He said that irrigation and water management are important areas where India can utilise Israeli expertise.

"Israel has technologies for all of our flagship programmes like Make in India," he said.

[Back to top]

‘EU wants to start talks with India on a bilateral investment treaty’

Nayanima Basu, Business Line

16 November 2016 : Jyrki Katainen, Vice-President of European Commission (Jobs, Growth, Investment & Competitiveness), was recently in India to initiate talks for an India-EU Bilateral Investment Treaty (BIT) as some of these pacts which India has individually with EU member-states are expiring soon. In an interview with BusinessLine, Katainen said EU is willing to fast-track the talks beyond the purview of the free trade agreement. Excerpts:

You held meetings with the Finance and Commerce Ministers to restart the stalled negotiations on free trade agreement or Broadbased Trade and Investment Agreement. What was their response?

Both the Ministers said they are interested in resuming the FTA negotiations and also to negotiate a new investment protection agreement. FTAs are strategically important for the EU because it helps in renewing the European economy. We would like to add India on top of the list because it is a big market.

Were you able to identify a common timeframe when the FTA talks would resume?

There is one challenge that we would like to address before the FTA negotiations and it is the continuation of bilateral investment treaties (BIT). Now when India is terminating these agreements with the European countries, it will take some time to negotiate a new BIT, which will take at least two years.

How will expiry of the BITs impact investments from the EU?

The first one, which India has with the Netherlands, will expire in the next two weeks. And the rest will expire in March, April and May. Moreover, there will be a legal gap between the time when a BIT expires and a new agreement comes to place. It’s a very serious matter. Some of the European companies have said it will adversely impact them if there is no protection on their investments at all. Because, in the interim period, it will raise capital costs and then it may harm European investments into India.

So, according to you, what could be an immediate solution?

Our proposal has been that India holds on to the BITs and not let them expire unless new BITs come in. We can fast-track the BIT talks and try to get it done as soon as possible but it will take time, may be two years or so.

Is the EU willing to negotiate the BIT out of the FTA talks?

We are ready to fast-track BIT talks. We want to have the BIT ready and implemented before the FTA is ready. But we want the legal gap filled up with something and the easiest way is to continue with the existing BITs till we have a new one. This is a practical solution for the companies that are willing to invest here.

Were you able to finalise a date for the BIT talks to start?

We have not finalised a date yet but we are ready to start as soon as possible.

Are there plans to club the BIT with FTA, at a later stage?

Yes, we can merge the two when the FTA will be ready.

How do you assess India's model BIT?

According to our assessment, we have lots of common ground. So, it won't be too difficult to have a joint BIT quickly and we have same interests. Although I do not know the details of the Indian model, I know there are some similarities in both models.

On the FTA, are you willing to start the talks from scratch, something that India has asked?

Both sides know each other's priorities unless they have changed sides. But at least from the European side, our priorities have not changed. If there is a political will, we could find lots of areas in which we can find a common ground. It's a matter of negotiations and compromise.

The present regime has made it clear that it will not go in for tariff elimination. But EU had been demanding zero tariffs in wines and spirits and automobiles?

Automotive sectors, spirits and food and beverage sectors are very important for Europe. I do not want to prejudge the outcome and there are bound to be differences and similar interests.

Indian exports to the EU had been plummeting for the last couple of years. What are you doing about it?

The EU is the world's largest single market and we are interested in trade and investments with India.

The FTA will make it easier and cheaper. It will also bring regulatory convergence.

[Back to top]

India, Bhutan sign new bilateral trade agreement

The Indian Express

New Delhi, November 13, 2016 : India and Bhutan signed a new bilateral trade agreement on Saturday to enhance trade between the two countries through trade facilitation by improving procedures, an official statement said. "The bilateral agreement aims at cutting down on documentation and adding additional exit and entry points for Bhutan's trade with other countries. It is also expected to further strengthen the excellent relations between the two countries," Commerce Ministry said in a statement.

The agreement was signed by Commerce and Industry Minister Nirmala Sitharaman and H.E. Tengye Lyonpo Lekey Dorji, Minister for Economic Affairs, Bhutan. Sitharaman also had a bilateral meeting with a high level Bhutanese delegation led by Dorji where both the leaders discussed various issues related to bilateral trade, transit and investment.

The first agreement on trade and commerce between Bhutan and India was signed in 1972. Since then, the agreement has been renewed four times. The last agreement was renewed on July 28, 2006 and was valid till July 29, 2016. The validity of the agreement was extended for a period of one year or till the date of coming into force of the new agreement, whichever is earlier, by exchange of diplomatic notes between the two countries.

[Back to top]

RCEP: India gets Trade Ministers on board on 'single undertaking' for goods, services

Amiti Sen, Business Line

New Delhi, November 13, 2016 : India has managed to convince its partner countries negotiating the Regional Comprehensive Economic Partnership (RCEP) to insert the words 'single undertaking' for both goods and services in the joint statement of the second inter-sessional Trade Ministers meeting in Cebu last week.

This will ensure that the pact on services is signed jointly with the one on goods and the country does not lose its negotiating plank for services.

"We were concerned when the first ministerial meeting in Laos earlier this year did not mention 'single undertaking' in the declaration as it led to the possibility of a separate agreement in goods being carved out, leaving services for later. We pursued the matter and ensured that the important words get incorporated this time in Cebu," a government official told BusinessLine.

The RCEP, which has 16 members including the 10-member ASEAN, India, China, Japan, South Korea, Australia and New Zealand, aims to create one of the largest free trade blocs in the world as the countries account for 45 per cent of the world population and over $21 trillion of gross domestic product.

Need for 'deviations'

India also asserted the need for 'deviations' in goods that would enable it to give lower concessions to countries such as China, New Zealand and Australia with which it does not have free trade pacts. "India has demanded the flexibility to protect more items against high tariff cuts in the case of certain countries, including China, and also longer implementation period," the official said.

A single undertaking, as promised in the latest joint statement of RCEP Trade Ministers, means that the final agreement would see pacts in all the three core areas of goods, services and investment being signed simultaneously. New Delhi had lost out on the chance to strike a good deal in services with the ASEAN in the free trade agreement signed between the two, as it had agreed to seal a pact in goods first. This resulted in no bargaining chip left for the country when it negotiated a deal in services.

Officially agreeing on a single undertaking by RCEP members is just half the battle won for the country. It has to not only ensure that most of the important sectors in all important modes of services--including Mode 4 which refers to free movement of professionals — get covered, but the concessions offered also have to be generous.

“The details of the concessions in goods and services are yet to be thrashed out. What India gives in goods will definitely be also tied to what it gets in services,” the official added. In the joint statement, the Ministers asked all negotiators to follow through on the strategic guidance provided and be responsive of the need of members to exercise flexibility in addressing the sensitivities and interests of each participating country.

[Back to top]

China’s secret weapons in trade battle with India are NTBs

Banikinkar Pattanayak, The Financial Express

November 4, 2016 : A small-time exporter from Mumbai wanted to ship out engineering goods to China. He was told that a Chinese team was required to visit his factory and he would have to pay for it. He agreed, and spent some R10 lakh on the team’s visit. After six months he was told that another team would land up at his factory again before getting to the next stage of obtaining the permit. Assuming that this was going to be a long, arduous and expensive process, he decided to dump the idea and looked for another destination.

The list of such non-tariff barriers (NTBs) by China goes on and on. This reflected in trade between the two sides. While India’s goods exports to China stood at just $9 billion in 2015-16, imports from that country touched $61.7 billion, leaving an unprecedented trade deficit of $52.7 billion. So many here were nonplussed when, reacting to the call for boycott of Chinese goods by some private individuals for its “continued support” to Pakistan, the Chinese embassy in Delhi last week issued a statement stressing any such move would negatively impact India-bound investments from its enterprises and that the biggest losers will be Indian traders and consumers. For its part, the Indian government has made it clear that it hasn't changed its policy towards China.

In a recent meeting with the Chinese ambassador-designate to India, commerce and industry minister Nirmala Sitharaman gave "examples after examples" on how non-tariff barriers are hurting India's exports to that country. The ambassador is learnt to have said he would convey New Delhi's concern to Beijing. A Chinese delegation that had come to see Indian labs for phytosanitary clearances hasn't yet responded. Sitharaman is learnt to have told the ambassador that "China cannot consume so much time for these things".

China's exports to India were 1.8 times India's outbound shipments to that country in 2000-01, showed official data. In 2015-16, what China exported to India was close to six times what India shipped out to China. "Non-tariff barriers imposed by China are a major concern. While India has been using the tariff route to discourage imports in certain areas (especially agriculture), China has been very effectively using non-tariff barriers to curb imports that it wants to avoid," said Biswajit Dhar, professor at the Centre for Economic Studies in Jawaharlal Nehru University. So while India's average tariff rate of 13.5% (it is the highest among Regional Comprehensive Economic Partnership nations of which China is a part) is criticised by some global analysts as a deterrent to greater trade flows, China's restrictions on imports by stealth, through the application of NTBs, often remain invisible.

Already, analysts attribute the NTBs to China's frosty political ties with India and acute self-centred trade policies. For instance, China is one of the largest buyers of non-Basmati rice from Pakistan, but it doesn't allow such supplies from India. Certain oilseed exports require as many as 11 certificates stating the items are pest-free. Interestingly, 10 of the 11 pests are already present in China. The neighbour has also put restrictions on supplies of Indian buffalo meat, India's second-largest farm export item, citing foot and mouth disease among cattle in this country. However, China has been the biggest buyer of Indian cotton and yarn for years now, as it needs the raw materials to keep its massive textile and garment industries running.

While half of India's top 10 segments of items for exports to China in recent years are low-value primary goods, all the top 10 product categories that China ships to India are manufactured goods. In fact, a study by research body RIS punctured the conventional wisdom that China is flooding the Indian market because its products are cheaper. It said India imported "uncompetitive products that can easily be supplied by other competitors of China at cheaper prices to India" to the tune of $9.7 billion, or 19.5% of its total imports from the neighbour, in 2012.

"Many of the Chinese standards such as the CCC standard require certification by the Chinese authorities before a product can be put on the Chinese market," said Engineering Export Promotion Council chairman TS Bhasin. He said the factory has often to be inspected at the expense of the exporter, which is a lengthy and costly procedure. "Many exporters, in particular SMEs, are discouraged to export in such a difficult environment," he added.

The sanitary and phytosanitary certification requirements for items such as seeds, seafood products and fruit and vegetables exceed international standards. Worse, the international system of arbitration for trade disputes is not recognised there.

[Back to top]

Chinese hurdle to be India's concern at international trade meet

The Economic Times

New Delhi, November 4, 2016 : The government is looking at ways to handle the Chinese headache while negotiating Regional Comprehensive Economic Partnership Agreement, which will create one of the world's largest free trade blocs.

The issue will be foremost on commerce and industry minister Nirmala Sitharaman's mind when she meets trade ministers from the 16 countries, including China, South Korea, Japan, Australia and Asean members in the Philippines later this week.

At the last ministerial meeting, India had agreed to a common approach for tariff reduction for all countries instead of its earlier plan of a three-tier approach where it was offering to slash customs duty on less than half its imports from China while offering to open its market more for others such as Asean, Japan and South Korea, with which it has trade agreements. A second set of countries included those such as Australia with which a trade pact is being negotiated.

Having agreed to a common approach, sources said, the government is now going to seek greater flexibility so that it can sequence its tariff reduction plan for various countries and offer higher cuts for some. So, the govern ment may offer to open up more quickly for imports from, say, Vietnam than for China. India's trade deficit with China, which rose to nearly $53 billion last year, is a major worry for the domestic industry as well as policymakers, who are keen to reduce the gap by boosting exports and also checking imports, which included mobile phones, electric bulbs and iron and steel.

Sources said India would not like to open up 85% of its market to all countries, something that was offered under the bilateral trade agreement with Japan. “For India, China is the concern. Being ambitious beyond Japan is going to be very difficult,“ a key negotiator said. Sources said when it came to China, even Japan and Korea were cautious.

Sitharaman is also set to flag India's concerns over limited progress in opening up of services, which is being resisted by the Asean members led by Singapore. The flow of Indians beyond software professionals was a key focus area for the government.

[Back to top]