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India opposes inclusion of new issues under WTO negotiations

Asit Ranjan Mishra , Live Mint

New Delhi, October 11, 2017 : India has opposed inclusion of new issues under the World Trade Organisation (WTO) negotiations and asked developed countries to substantially reduce agriculture subsidies at the informal WTO Ministerial at Marrakesh.

In the two-day meeting which concluded on Wednesday, trade ministers and delegates of 35 WTO member countries exchanged views on possible outcomes and compromises in the upcoming 11th WTO Ministerial at Buenos Aires, Argentina on 10-13 December.

Representing India, commerce and industry minister Suresh Prabhu said that any meaningful reform in agriculture must first seek to reduce the disproportionately large subsidies of the developed countries. Prabhu called for continuation of the reform process in agriculture and urged nations to "avoid further widening and perpetuation of the imbalance between developed and developing countries," a commerce ministry statement said.

"Prabhu called upon WTO members to first deal with the issues which were already under negotiation, before moving on to new ones," the statement said. Developed countries have been trying to include issues such as e-commerce and investment regulations in the agenda of WTO talks which India is opposed to.

Prabhu insisted that a permanent solution on the issue of public stockholding for food security purposes must be a part of the outcomes achieved at 11th WTO Ministerial, as this is an issue of tremendous importance not only to India but also several other developing countries. “Prabhu pointed out that a solution on this issue would give a strong signal of determination to end hunger and achieve food security, as mandated in the UN Sustainable Development Goal 2,” the ministry said.

On the issue of discipline on fisheries subsidies which is seen as a potential deliverable at the upcoming WTO Ministerial, Prabhu stressed on the importance of “suitable” special and differential treatment provisions and the need to make a clear distinction between large scale commercial fishing and traditional fishing. “In India, a large number of small, largely resource poor fish workers depended on traditional fishing activity as a source of livelihood. Developing countries like India, possessing very low fishing capacity, would also need to retain policy space to promote and create such capacity,” he added.

On the sidelines of the meeting, Prabhu held bilateral meetings with his counterparts from EU, South Africa, Argentina, Brazil, Russia, Rwanda, Morocco, as well as the Director General of the WTO Roberto Azevedo.

“Constructive discussions in Marrakech at ministerial meeting. Still hard work remains if we want to make @wto in Buenos Aires a success,” Cecilia Malmström, EU trade commissioner tweeted on Wednesday.

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Suresh Prabhu’s litmus test: Marrakesh to Buenos Aires?

D. Ravi Kanth , Live Mint

October 11, 2017 : In 1994, Marrakesh heralded the onward march of multilateral trade liberalization. The fourth-largest Moroccan city and one of the busiest towns of Africa became famous after the Marrakesh Agreement led to the creation of the World Trade Organization (WTO). That agreement was signed by 124 countries, including India, on 15 April 1994. It was a pact which was hammered out after 12 years of Uruguay Round of multilateral trade negotiations. The Marrakesh Agreement marked the high tide of globalization.

The two trans-Atlantic elephants—the US and the European Union—largely carved out the rules in Marrakesh Agreement and its various annexes. They cover all aspects of international trade from agriculture to rules on safeguards, from trade in services to intellectual property rights, and from rules and procedures governing the settlement of trade disputes to plurilateral agreements limited to a few members of the coalition of willing. The developing countries, including India, embraced the Final Act embodying the results of the Uruguay Round. Then commerce minister Pranab Mukherjee, who led the Indian delegation, hailed the agreement for safeguarding India's interests in various areas, including agriculture.

Ironically, 23 years after that historic moment, trade ministers from over 35 countries congregated again in Marrakesh on 9 October to discuss the continued asymmetrical rules stemming from the Marrakesh Agreement. But this time the mood among them is one of extreme pessimism. They are not sure about the future of WTO. Reason: one of the trade elephants that played a central role in crafting the Marrakesh Agreement as per its interests has now turned roguish and running amok with its own trade agenda.

Against this backdrop, trade ministers from India, the European Union, China, Japan, Canada, Australia, Switzerland, Norway, New Zealand, South Africa, Singapore, South Korea, Hong Kong, Brazil, Argentina, Mexico, South Africa, Indonesia, Nigeria, Costa Rica, Rwanda, and Jamaica, among others, deliberated what they could possibly accomplish, if anything, at the upcoming WTO ministerial meeting in Buenos Aires in December. The notable absentee from the meeting was the US trade representative, ambassador Robert Lighthizer, who could not come because of a sudden cabinet meeting scheduled by President Donald Trump.

For commerce minister Suresh Prabhu, Marrakesh provided an opportunity to state what the Narendra Modi government's priorities for Buenos Aires are. He told his counterparts that the permanent solution for public stockholding programmes is a "must have" for New Delhi. Prabhu said the India-China proposal for eliminating the most trade-distorting domestic support or the Aggregate Measurement of Support in the developed countries such as the US, the EU, Norway, Canada, and Switzerland, among others, remains the basis for negotiations to reduce global farm subsidies. The proposal was endorsed by trade ministers from many members of the G-33 farm coalition led by Indonesia, Africa, and the ACP (Africa, Caribbean, and Pacific) countries at the meeting. Prabhu ruled out any negotiations for crafting rules on electronic commerce that is being pushed by a group of industrialized countries and their allies in the developing world. He said the special and differential treatment (S&DT) flexibilities for developing countries must continue without any disruption. Prabhu rejected attempts to introduce "graduation" among developing countries so as to deny the S&DT flexibilities to countries like India. Prabhu delivered a forceful message that India will not accept any outcome at Buenos Aires without a credible outcome on the permanent solution for public stockholding programmes for food security.

Ahead of the previous 10th ministerial conference in Nairobi, Kenya, Prime Minister Narendra Modi had told the African leaders at a summit in New Delhi on 19 October 2015 that "the Doha Development Agenda of 2001 is not closed without achieving these fundamental principles (at Nairobi)." Africa and India, said Modi, must ensure that there is a permanent solution to public stockholding for food security and a special safeguard mechanism in place to address unforeseen surges in imports of farm products. But, India, however, left the Nairobi meeting without securing any credible outcome on the pledges it had made prior to the conference. If anything, India undertook commitments on export subsidies that adversely affected its ability to provide subsidies to its cotton farmers. Therefore, it remains moot as to what India will do when push comes to shove in Buenos Aires.

Of course, things are going to be much more difficult in the Buenos Aires meeting, which is beginning on 10 December. The America First trade priorities seem to have brought a significant change. The WTO's 11th ministerial conference is going to take place at a time when Washington has launched a sustained assault on the organization it had created for advancing its core trade interests. "For too long, the American people were told that mammoth multinational trade deals, unaccountable international tribunals, and powerful global bureaucracies were the best way to promote their success," President Trump thundered, in his speech at the United Nations General Assembly last month. "But as those promises flowed, millions of jobs vanished and thousands of factories disappeared," he said.

The US has now paralysed the dispute settlement body by blocking an expeditious process for filling vacancies at the Appellate Body. It is in no mood to budge from its obstructionist positions at the global trade body because of its new trade priorities. It has nearly disengaged from negotiations for finalizing the permanent solution for public stockholding programmes for food security and other issues. Moreover, Washington chose to vehemently oppose improvements in S&DT flexibilities as demanded by the African Group. The US which sees China as its enemy number one in global trade, rejected Beijing's proposal for transparency and due process in anti-dumping and countervailing (anti-subsidy) measures. Therefore, it remains to be seen how Prabhu will negotiate in Buenos Aires when the fiercest threat for multilateral trade liberalization is coming from India's closest ally, Washington. Will Prabhu along with the huge alliance of countries that his trade envoy has built in Geneva muster courage to call a spade a spade if the permanent solution for public stockholding programmes is denied and the Doha trade negotiations are terminated in Buenos Aires?

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Food security: India to convey firm stand at Marrakesh meet

D. Ravi Kanth, Live Mint

Geneva, October 9, 2017 : Commerce minister Suresh Prabhu is expected to deliver the strongest message yet during a meeting of more than 35 trade ministers in Marrakesh on Monday that New Delhi will not accept any outcome at the upcoming World Trade Organization's (WTO) ministerial conference in Buenos Aires without a permanent solution for public stockholding programmes for food security, said a person familiar with the development.

He will also make it clear to his counterparts from major industrialized countries that India will not enter into any trade-off in other areas of agriculture for a permanent solution for public stockholding programmes that sustain hundreds of millions of poor farmers, the person said, asking not to be named.

Along with his counterparts from China and other developing and poorest countries, Prabhu will also reiterate New Delhi’s commitment to pressing ahead with the unfinished Doha negotiations so as to reinforce multilateral trade liberalization in the face of the America First bilateral trade initiatives of the Trump administration, the person said.

The Marrakesh meeting, which is planned to be a bellwether event for the WTO’s 11th ministerial conference in Buenos Aires, will not be attended by the US trade representative ambassador Robert Lighthizer due to a sudden cabinet meeting scheduled by President Donald Trump on 10 October, according to a participant from South America who asked not to be identified.

In the absence of the US and amid continued entrenched positions on a range of issues in agriculture, fisheries subsidies, electronic commerce, and other areas, the Marrakesh meeting will remain as an event for venting out wish-lists for the big Buenos Aires conference, the participant said.

On the first day, ministers from India, China, the European Union (EU), Japan, Canada, Australia, Switzerland, Norway, New Zealand, South Africa, Singapore, Korea, Hong Kong, Brazil, Argentina, Mexico, South Africa, Indonesia, Nigeria, Costa Rica, Rwanda, and Jamaica, among others will make their respective initial statements setting out their priorities.

Subsequently, key ministers will hold a series of bilateral meetings as well as participate in the meetings of their respective coalitions such as the G-33 countries led by Indonesia in which India is a leading driver, the Cairns Group led by Australia, the Africa Group led by Rwanda, the ACP (Africa, Caribbean, and Pacific) group led by Guyana, and the least-developed countries among others.

On 10 October, the ministers will make a final statement following which the chair Moulay Hafid Elalamy, the trade and industry minister from host Morocco, will deliver a statement directing the trade envoys to work on priority areas during the next 60 days. The WTO director general Roberto Azevedo will guide the Moroccan minister during the deliberations.

In the run-up to the Marrakesh meeting, it has become clear that the WTO’s ministerial conference in Buenos Aires beginning on 10 December will be a battleground for several issues, particularly for the future of multilateral trade liberalization based on the Doha work programme.

On 5 October, a large majority of developing countries, including India, rejected attempts by Russia, Japan, EU and other major industrialized as well as some developing countries for replacing the structure of the current electronic commerce work programme at the WTO so as to establish a separate working group at Buenos Aires.

Without resolving the outstanding issues in the Doha work programme, major industrialized countries and their allies seem pretty determined to embark on negotiations for new rules in e-commerce and other areas while burying the Doha negotiations at Buenos Aires, said several trade envoys who asked not to be quoted by name.

India’s trade envoy J.S. Deepak said categorically on 5 October at a meeting organized by the WTO General Council that New Delhi will not accept any change in the current work program on e-commerce which is comprehensive in scope and remains relevant to the “development needs” of developing countries, according to a person who attended the meeting.

Deepak also rejected calls from major industrialized and a few developing countries like South Korea, Singapore and Hong Kong, for a permanent moratorium for not imposing customs duties on electronic commerce transactions. India, he said, will agree to extend the moratorium for another years in exchange for moratorium on TRIPS non-violation and situation complaints. The Indian stakeholders are not in favour of a permanent moratorium on customs duties because of the potential revenue loss, he suggested.

On agriculture, the Indian envoy built a large coalition of developing and poorest countries to drive home the message that the fundamental reform of global trade in agricultural products must begin with the elimination of the most trade-distorting domestic subsidies in the industrialized countries. Following his meetings with the Group of 90 countries, the ACP (Africa, Caribbean, and Pacific) group issued a statement on 6 October endorsing a proposal from China and India on the elimination of Aggregate Measurement of Support (AMS) or most trade-distorting subsidies.

Deepak also adopted strong positions on the need to ensure fisheries subsidies for artisanal fishermen and domestic regulation for trade in services. India said issues in the domestic regulation for trade in services must first address the concerns on the movement of short-term services providers in Mode 4, an African envoy said.

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Corporate taxes must evolve with global trade

Live Mint

October 10, 2017 : Last week saw more skirmishes in the battle between European Union (EU) authorities and US tech giants. Margrethe Vestager, the European commissioner for competition, hit Amazon with a bill for €250 million in back taxes. She also referred Ireland to the European Court of Justice for failing to recover €13 billion in corporate taxes from Apple as it had been ordered to do last year. The battle is not about "political crap", as Apple chief executive officer Tim Cook had groused last year—or, at least, not only that. It is about the changing nature of international trade and business and a regulatory paradigm that has not yet evolved to catch up.

To whom should multinational enterprises pay corporate taxes, and how much? Companies like Amazon, Apple and Google are slippery customers. This is the nature of the beast: Maximizing profit is a commercial enterprise's raison d'être. And tax avoidance, while it might exist in an ethical grey zone, is legal, unlike tax evasion. It is helped along by countries like Ireland offering low corporate tax rates and regulations that make tax avoidance easier. Thus, Apple and a number of other tech multinationals have funnelled revenue through subsidiaries registered in Ireland.

They have been able to do so effectively because they traffic in ideas and services as much, or more so, than in goods. Take transfer pricing, their main tool for shifting revenue to various subsidiaries. Regulations employing the arm's length principle exist to prevent the exploitation of transfer pricing. But when companies are trading in intangibles like intellectual property, it becomes difficult to collar inter-subsidiary trade for faulty pricing.

Tech giants might be the face of the problem but they are far from the entirety of it. Since the 1990s, trade in services has grown faster as a component of international trade than any other sector, with an average annual growth rate of close to 10%. Contrary to popular perception, this isn't largely the preserve of advanced economies. As World Bank economist Ejaz Ghani has recently pointed out in this newspaper, technological changes are increasingly enabling services to be growth drivers for emerging economies as well by reducing transaction costs and information asymmetry. India is a prime example of an emerging services-led economy.

Little wonder global trade in services has shot up after the global financial crisis, unlike trade in goods. It isn't just about enterprises that deal primarily in services either. Cross-border data flows, intellectual property and services are all increasingly part of the global value chains (GVCs) of more traditional multinationals. Think car companies that collect on-board data from increasingly networked units all over the world; this has significant monetary value. While global merchandise trade climbed from around $3 trillion in 1980 to $15 trillion in 2016, cross-border data flows—which grew sevenfold between 2008 and 2013—are projected to be worth about $20 trillion by 2025, according to the World Trade Organization (WTO), McKinsey Global Institute and TeleGeography.

The relative newness of this paradigm shift means that there is a lack of regulatory clarity about how to allocate that value. The WTO General Agreement on Trade and Services and most bilateral agreements treat services as final activities that are exported—a far cry from the reality of their ubiquity in GVCs.

Political optics further complicate the issue; Cook was right in that much. Border tariffs and non-tariff barriers can regulate trade in goods, but trade in services depends more on broad domestic regulations. That puts governments in a bind in the current climate of economic nationalism across the US and EU: Do nothing and face public anger for letting corporations function as tax mercenaries, attempt to coordinate on domestic regulation and face public anger for eroding economic sovereignty.

That is why French President Emmanuel Macron's recent proposal to tax digital companies on their revenue rather than profits is unlikely to work. For one, it ignores the role of services and data in goods GVCs. Secondly, countries like Ireland, Luxembourg and the Netherlands are unlikely to sign on to such a disruptive shift that compromises their economic models. The second reason is also liable to hold true for the European Commission's attempt to create an EU-wide corporate tax base.

Allowing the current state of affairs will result in economic inefficiency where larger companies—with more resources and scope to engineer tax avoidance—will be able to undercut meritorious challengers. Too heavy a regulatory burden, on the other hand, will be bad for business and thus economies, with a potentially disproportionate effect on emerging economies that are hoping to use services as a primary growth driver. Tax regulations are not exactly the stuff of headlines—but the nature and shape of global trade in the future will depend significantly on the ability of the WTO and regional economic bodies and agreements to craft regulatory frameworks that recognize the emerging reality.

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India tries hard to keep multilateralism intact at WTO despite pressure

Kirtika Suneja, The Economic Times

New Delhi, October 10, 2017 : Ahead of the crucial ministerial conference of the World Trade Organization (WTO) in Argentina in December, India is trying hard to keep multilateralism intact at the intergovernmental trade body.

In a series of tweets on Tuesday, commerce and industry minister Suresh Prabhu said: "Trying hard to ensure multilateral WTO remain intact,despite huge pressures. Having several bilaterals with all important countries".

Prabhu is attending the WTO's two day mini ministerial in Marrakech which has trade ministers of select 40 countries deliberating the agenda for the Argentina meeting.

"Very sure we shall benefit immensely from participation of these countries with India's economy," he tweeted.

His statement comes in the wake of emergence of regional trading agreements like the Regional Comprehensive Economic Partnership (RCEP) and Trans Pacific Partnership. India is part of the 16-member RCEP.

"Multilateralism is under threat also because key players like the US and EU not actively or aggressively participating in the WTO," said a Delhi based expert on trade matters.

It is also important for India as it the WTO failed to reaffirm the Doha Development Agenda, India's main demand at the previous ministerial in Nairobi.

New Delhi is likely to reiterate its demand for a permanent solution for public stockholding (PSH) of food grains and the continued relevance of the Doha Development Agenda at the ongoing mini ministerial.

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Suresh Prabhu seeks cut in large farm subsidies of developed countries at WTO meet

Kirtika Suneja, The Economic Times

New Delhi, October 11, 2017 : India has sought a cut in the huge farm subsidies given by developed countries in a move to reduce distortions in global agricultural trade and also raised the issue of protecting its poor farmers' interests, end hunger and achieve food security at the two day mini ministerial meeting of the World Trade Organisation (WTO) in Marrakech on October 9-10.

Commerce and industry minister Suresh Prabhu who led discussions on behalf of the developing world, also reiterated India's commitment to the Doha Round that seeks to put in place a global agreement to lower trade barriers.

"He pointed out that any meaningful reform in agriculture must first seek to reduce the disproportionately large subsidies of the developed countries," said the commerce ministry in a release on Wednesday.

India and China have said the subsidies given by developed members including the US, EU and Canada under a flexibility in the WTO norms amount to nearly US$ 160 billion which is more than 90% of the total global entitlements "resulting in a major asymmetry in the rules on agricultural trade".

Prabhu held bilaterals to push India's trade issues including those on public stock holding to safeguard the interests of its low income-resource poor farmers and ensure food security to the poor and emphasised that these must be part of the outcome of the ministerial in December.

"The minister pushed the agenda on behalf of India and the developing world...WTO director general in private agreed with the points put forward," said an official in the know.

India's demands on the farm front are important as the number of people dependent on agriculture in one way or another is close to 600 million, with nearly 98% of Indian farmers being low income or resource poor and mostly engaged in subsistence farming.

Fisheries, Other issues
This informal gathering of 35 key countries is crucial in the run up to the ministerial conference of the WTO in December to provide political impetus to the negotiations and guidance on potential outcomes.

Since the previous ministerial in Nairobi failed to get a clear consensus on the future of the Doha development agenda, India reiterated its stance to first deal with the issues which were already under negotiation, before moving on to new ones. as developed countries like the US, EU and Japan and a few developing ones like Singapore are opposed to these and want new subjects like e-commerce, investment facilitation, fisheries and MSMEs (Micro, small and medium enterprises) to brought in the ambit of WTO's multilateral discourse.

However, on the issue of fisheries subsidies, India stressed on the importance of suitable special and differential treatment provisions and the need to make a clear distinction between large scale commercial fishing and traditional fishing. WTO countries are trying to negotiate an agreement to cut subsidies given for fishing activities.

Though India is already discussing fisheries subsidies and an outcome is likely on the issue, Prabhu pointed out that in India a large number of small, largely resource poor fish workers depended on traditional fishing activity as a source of livelihood. Hence, developing countries like India, possessing very low fishing capacity, would also need to retain policy space to promote and create such capacity.

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RCEP: India may face heat over token tariff-cut offers

Amiti Sen, Business Line

New Delhi, October 5, 2017 : With pressure from the Indian industry mounting against removing import tariffs on goods under the proposed Regional Comprehensive Economic Partnership (RCEP) pact, New Delhi has made only “token” improvements in its latest round of offers extended to its 15 partner countries.

India’s fresh offer is likely to attract criticism at the next round of negotiations starting October 18 in Seoul from other members including the 10-nation ASEAN, Australia and China which are pressing for greater market access, a government official told *BusinessLine*.

“Representatives from large industrial houses have been meeting Commerce & Industry Minister Suresh Prabhu to voice their unhappiness with the proposed tariff cuts under RCEP. India has therefore made some token improvements in its offers as part of the fresh round of submissions as it sees no scope of further opening up," the official said.

The Indian industry is unhappy with the offers already made by India to its other RCEP partners which also include South Korea, New Zealand and Japan.

India had earlier improved its offers by reportedly agreeing to eliminate tariffs on close to 80 per cent products for the ASEAN countries but insisted on deviations for members like China, Australia and New Zealand with which it does not have any existing free trade pacts.

On an average the tariff elimination offered by India was around 70-75 per cent, according to various sources privy to the negotiations.

"Industrialists who have been meeting the Minister have expressed their deep apprehensions about India's commitments at RCEP. They are especially concerned about India agreeing to bring down tariffs on products from China with which India already has a gaping trade deficit," the official said.

Industry body CII also highlighted the dangers of indiscriminate opening up of markets under the RCEP at a negotiating round hosted by India in Hyderabad earlier this year.

However, most RCEP members want India to improve its offers. In fact, Ramon Lopez, Trade Secretary of the Philippines, which is currently chair of the ASEAN group, said at a press conference following a meeting of Trade Ministers from RCEP countries last month, that the only acceptable re-calibration is a number that is closer to the 90 per cent to 92 per cent and anything lower or higher than that was not acceptable for ASEAN.

"Other RCEP countries were hopeful that India would improve its offers before the South Korea negotiating round. While New Delhi has made some improvements, the changes are marginal. The only saving grace is that other members, too, haven't improved their offers substantially, but their offers were higher to begin with," the official said.

New Delhi has also said that its offers in goods are subject to an over-all balance in the agreement which would include services. Most RCEP members, including the ASEAN, haven't made substantial offers in services especially in the area of facilitating movement of workers.

If approved, the RCEP will be the largest free trade bloc in the world covering about 3.5 billion of the world population and 30 per cent of the gross domestic product.

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EEPC India concerned over trade liberalising RCEP with China

The Economic Times

October 6, 2017 : Apex exporters' body EEPC India today cautioned Union Commerce Minister Suresh Prabhu against any trade liberalising broader Regional Comprehensive Economic Partnership (RCEP) framework with a pre-dominant presence of China through ASEAN.

"In order to understand India's present trade position with all the RCEP partners, we have also conducted a Balance of Trade (BoT) analysis which clearly shows that India has been consistently maintaining trade deficits with most of the trading partners.

"In the case of China, the trade deficit is much higher than the combined deficit India is having with all other RCEP member nations," EEPC India Regional Chairman (NR) Kamna Raj Aggarwalla said in a presentation to the minister.

RCEP is a proposed comprehensive regional economic integration agreement amongst the 10 ASEAN countries including Brunei, Darussalam, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand, and Vietnam, with its six Free Trade Agreements (FTAs) partners- Australia, New Zealand, Japan, China, Korea and India.

EEPC cautioned that India's concerns arise from a large trade deficit of about USD 50 billion or more it runs with China.

"Cheap and inferior quality imports mainly from China is also a major concern of Indian industry. Therefore China's presence in the RCEP framework is a major threat for the Indian domestic engineering industry. India has to be firm and calculative in terms of taking strong stand in case of China as it is working tirelessly on capacity building of its domestic industries," EEPC India said.

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IMF, World Bank push back against globalization's detractors

The Hindu

Washington, October 14, 2017 : The leaders of the International Monetary Fund and World Bank are vowing to fight climate change, combat income inequality and push back against rising populist skepticism over free trade and international collaboration.

“We know from experience that international cooperation works from reconstruction after World War II more than 70 years ago to fighting Ebola just a few years back,” IMF Managing Director Christine Lagarde told delegates representing many of the IMF’s 189 member countries.

The IMF and World Bank wrap up three days of meetings on Saturday. Finance ministers from the G-20 major economies concluded their two days of talks on Friday.

The global economic integration that the IMF, World Bank and G-20 represent is under siege. The British, unhappy with an influx of immigrants, voted to leave the European Union last year. The

Americans sent Donald Trump to the White House on a promise to tear up bad trade deals and put America first. And nationalist parties gained strength in German elections last month.

But German Finance Minister Wolfgang Schaeuble said on Friday that the populist discontent was misplaced. The IMF predicts the global economy will grow this year at the fastest pace since 2010. “We see that things are not as bad as predicted,” said Schaeuble, who is serving as the G—20 leader because Germany holds the group’s rotating chairmanship this year.

The IMF’s Lagarde warned that world leaders must take advantage of healthy growth to devise policies that make sure prosperity reaches those who are being left behind. She said “excessive inequality ... hinders growth, erodes trust and fuels political tensions.”

“It often feels like our increasingly interconnected world is in fact falling apart and countries and peoples are pulling away from each other,” World Bank President Jim Yong Kim said in his address to the annual meetings Friday.

Kim said it should be understood that the IMF and the World Bank both represented a “part of the post—1945 world order that was predicated on the notion that what affects one city, one country, one region can have immediate and lasting impacts on us all.”

Kim and Lagarde also called for world leaders to do more to fight climate change. “When it comes to climate change, we’re out of time 2016 was once again the hottest year since record—keeping began,” Kim said. “We have to reduce our carbon footprint and help countries adapt to natural disasters like the recent hurricanes in the Caribbean and devastating floods in South Asia.”

Behind the scenes, the United States found itself at odds on some major issues confronting the two multilateral lending institutions.

The Trump administration is balking at the current outlines of a World Bank request for more money to finance their lending programs.

A senior U.S. Treasury Department official previewing the meetings earlier this week told reporters the bank needs to provide financing “to countries that need it” instead of continuing to lend heavily to China, the world’s second—biggest economy. On Friday, Kim warned that without more funding the bank may be forced to slash its main lending program by a third.

But Treasury Secretary Steven Mnuchin said Friday that “more capital is not the solution when existing capital is not allocated effectively.”

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European Union pushes for adoption of a Free Trade Agreement

Dipanjan Roy Chaudhury, The Economic Times

New Delhi, October 7, 2017 : India and European Union on Friday adopted a comprehensive action plan (through a joint statement) to combat international terrorism including criticising terror act by Rohingya terrorists besides sending a clear message to China by emphasising on UNCLOS for resolving all maritime territorial disputes.

The EU on its part pushed for adoption of a Free Trade Agreement to push trade partnership with the continent being India's single biggest trading partner as a bloc. Europe that has come under series of terror attacks for past couple of years decided to expand scope and ambit of counter-terror partnership at the 14th edition of India-EU summit here.

"The leaders strongly condemned recent terror attacks in many parts of the world, underlining their common concern about the global threat posed by terrorism and extremism. They adopted a Joint Statement on Cooperation in Combating Terrorism with a view to deepening their strategic and security cooperation, and expressed their strong commitment to combat terrorism in all its forms and manifestations, based on a comprehensive approach," stated the joint statement issued at the end of the Summit.

"We have agreed to work together against terrorism and expand security cooperation in this regard. We will not only cooperate on this issue at the bilateral level but also at the global level," Prime Minister Narendra Modi said in a joint address to the media along with European Council President Donald Tusk and European Commission President Jean-Claude Juncker after delegation-level talks here.

Tusk in his remarks said India and the EU were two of the world's largest democracies and both sides had agreed to develop the political dimension of the relationship. "We adopted a joint declaration on counter-terrorism to deal effectively with the threat posed by foreign terrorist fighters, terror financing and arms supply arms supply. We agreed to cooperate in security in the Indian Ocean region and beyond," noted Tusk.

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India, EU hold 14th summit talks to boost overall ties

The Economic Times

New Delhi, October 6, 2017 : Prime Minister Narendra Modi and the top leadership of the European Union today deliberated on a range of key issues to boost overall ties between India and the 28-nation bloc.

The two sides reviewed a full spectrum of their ties at the 14th summit with a focus on ramping up two-way trade and investment.

European Council President Donald Franciszek Tusk, and European Commission chief Jean-Claude Juncker were part of the high-level EU delegation.

"Consolidating the Strategic Partnership. PM@narendramodi, @eucopresident and @JunckerEU review bilateral relations at 14th #IndiaEUSummit," the spokesperson of External Affairs Ministry, Raveesh Kumar, tweeted.

India and the EU have been strategic partners since 2004.

The bloc is India's largest regional trading partner with bilateral trade in goods standing at USD 88 billion in 2016. India received around USD 83 billions of foreign direct investment from Europe between 2000 and 2017, constituting approximately 24 per cent of the total FDI inflows into the country during the period, said Kumar.

The 13th summit was held in Brussels in March 30 last year.

The meet had failed to make any headway on the long- stalled negotiations for a free trade agreement.

Launched in June 2007, the negotiations for the proposed EU-India Broad-based Trade and Investment Agreement (BTIA) have witnessed many hurdles with both sides having major differences on crucial issues such as intellectual property rights and duty cut in automobile and spirits.

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Fresh talks on free trade pact with EU to give equal weight to goods, services, investment

Amiti Sen, Business Line

New Delhi, October 15, 2017 : India and the European Union (EU) are set to begin talks soon on re-starting stalled negotiations for a free trade pact but New Delhi will not favour pre-conditions, such as prioritising an investment agreement that the 29-member bloc had earlier insisted upon.

“It was very clearly decided at the India-EU Summit earlier this month that it would be a comprehensive agreement. So, there is no question of giving investments preference over goods and services. But all issues related to investment protection would definitely get addressed,” a government official told *BusinessLine*.

The proposed bilateral free trade pact — officially known as the broad-based trade and investment agreement (BTIA) — launched in 2007, got stalled due to differences over issues such as market openings in India for items like wines and spirits and automobiles and EU's hesitation in granting India data secure status.

The BTIA, which includes market access for goods, services and investments, is also important for India because of the increased market openings it hopes to get for its service professionals.

However, when the two sides seemed ready to get back to the negotiating table last year, India's refusal to renew bilateral investment treaties with individual EU countries that lapsed by April 2017 upset the EU, and it did not respond to India's requests for dates to re-start talks on BTIA.

"The EU was insistent that the issue related to the BITs be sorted out before re-launching the BTIA. But New Delhi has held on to its position that the investment agreement that would be negotiated to protect investments from the EU countries would be part of an over-all BTIA that includes goods and services," the official said.

New Delhi wants to renegotiate all its past BITs on the basis of a new model BIT drafted by the Finance Ministry that aims to bring down litigation against the government. While it would be negotiating the pacts bilaterally with most countries, in the case of the EU countries, it would be a comprehensive pact for all 29 nations and a part of the proposed BTIA, the official added.

The ice was broken at the India-EU Summit in New Delhi where both sides decided to start talks on relaunching negotiations for a comprehensive BTIA. The dates are yet to be confirmed, but there are indications from the EU that it might by as early as next month, the official said.

Awaiting right time

While the outlook is positive, Jean-Claude Juncker, President of the European Commission, cautioned that the circumstances needed to be right for the talks to resume.

"Once the circumstances are right – and only once they are right – we will resume. Today's Summit is an important step in the right direction and our chief negotiators will sit down in the coming days to chart a way forward," he said at a joint press conference with Prime Minister Narendra Modi after the Summit.

The EU is India's number one trading partner with exports growing from €24.2 billion in 2006 to €37.8 billion in 2016, according to European Commission figures.

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India and EU to look at ways to restart free trade pact talks

The Economic Times

New Delhi, October 14, 2017 : India and the European Union plan to take stock of the proposed free trade agreement negotiations next month and explore ways to put in place a framework to resume the stalled talks. A delegation comprising senior EU officials is visiting Delhi in November to reassess the talks and decide further course of action, an official said.

“The EU delegation will see if the talks can continue at all and if yes, then from where to pick up,” said the official, who did not wish to be identified. India and the EU have been in talks on what is officially known as the Broadbased Investment and Trade Agreement since 2007.

The talks have been stalled due to a plethora of reasons, beginning with a prolonged recession in the EU, its focus on concluding the Transatlantic Trade and Investment Partnership agreement with the US and then its move of banning 700 generic drugs tested in India. The Brexit dealt yet another blow to the talks.

“With the UK out of the EU, Germany is expected to take the lead in the negotiations,” a Delhi-based expert on trade matters said on condition of anonymity. “So, there will be less aggression on services as this was the UK’s long-standing demand. But automobiles may become an important agenda.”

The talks have also been stuck for four years on slashing of import duty on European cars and alcohol by India and recognising India as a ‘data-secure’ nation to enable free flow of data between India and the EU. While Germany is keen on automobiles, France wants lower import tariffs on wines.

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European Union likely to tighten norms for seafood imports from India

P K Krishnakumar, The Economic times

Kochi, October 5, 2017 : Indian seafood industry is afraid that the European Union may introduce some restrictions on imports from the country ahead of the visit of an expert team from EU for audit of seafood units in November. Some even fear a ban.

Though the visit of EU delegation is a biennial feature, this time it has assumed significance due to rejection of a few Indian seafood consignments of farmed shrimps by EU countries in the last one year mainly because of detection of antibiotics residues.

“Europe unlike other countries has zero tolerance limit for antibiotics,” said Kenny Thomas, a seafood exporter and former vice president of Seafood Exporters Association of India (SEAI). “They have raised the scale of sampling from 10% to 50% in the last six months, which could be the reason for more rejections,” he said.

“A ban is not tenable under the WTO laws,” Thomas said. “What we fear is that they may go for 100 % sampling.”

Europe accounts for around 18% of India’s annual marine products exports, which touched nearly Rs 38,000 crore in 2016-17.

The exotic species of Vannamei shrimp grown in farms has been driving India’s seafood exports in the last few years. India’s Vannamei shrimp production is set to touch around 5.5 lakh tonnes this fiscal, up by over 20% from last year, encouraged by good prices in the global market.

Cultured shrimps account for close to 70% of the value of the seafood exports from India.

Thomas said the quality check mechanisms installed by Indian authorities are adequate.

S Muthukaruppan, past president of Society of Aquaculture Professionals, said Vannamei shrimp production could even touch about 7 lakh tonnes this fiscal “if there are no problems” due to increase in area under shrimp farms in Andhra Pradesh, West Bengal, Odisha and Gujarat.

More than 50% of fish farms are in Andhra Pradesh.

Industry insiders said the rise in the number of farms may have led to quality issues as some farmers may have used antibiotics that are not in the approved list.

“Many farmers are illiterate and they could have used sub-standard products,” said L Satyanarain, president of All India Shrimp Hatcheries Association. “EU may be arguing for standardisation of inputs,” he said.

A section of exporters, however, feel that the ban threat could be nothing but an arm-twisting tactic by EU. “They could be building up a case for opening up of Indian economy for their products from food and diary sector,” said Norbert Karikkassery, national treasurer of Seafood Exporters Association of India.

The US is the largest buyer of Indian seafood with a share of 30%, followed by Southeast Asia with nearly the same share.

Stringent standards have forced many exporters to slow down consignments to EU. Ecuador is a major seafood exporter to EU.

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India, EU fail to fix date to relaunch trade pact talks

Arun S, The Economic Times

New Delhi, October 6, 2017 : New Delhi: India and the European Union (EU) on Friday failed to fix a date to re-launch negotiations on the proposed bilateral Free Trade Agreement (FTA), or a timeline to successfully conclude the talks that "were temporarily put on hold in summer 2013."

The negotiations on the FTA, known officially as the Broad-based Trade and Investment Agreement (BTIA), were launched in 2007 to boost "trade flows in goods and services, bilateral investments and access to public procurement."

A Joint Statement during 14th India-EU Summit held on Friday in the national capital only said the leaders of both the sides have "… noted the ongoing efforts ... to re-engage actively towards timely re-launching negotiations for a comprehensive and mutually beneficial India-EU BTIA."

Jean-Claude Juncker, President of the European Commission, remarked at the joint press conference with the European Council President Donald Tusk and Indian Prime Minister Narendra Modi on the occasion of the bilateral Summit that "…it is time for an FTA between India and the EU."

However, he added, "Once the circumstances are right – and only once the circumstances are right – we will resume. Today's Summit is an important step in the right direction and our chief negotiators will sit down in the next coming days to chart a way forward." He repeated this statement during the India-EU Business Forum, and added that there will be a bilateral meeting soon at the level of the trade ministers to tackle the issue of the impasse. He added, however, that "I don't want to raise the expectations (to a level) that we can't meet."

The talks have been deadlocked due to issues including India's pitch for a 'data secure' status (important for India's IT sector to do more business with EU firms) as well as to ease norms on temporary movement of skilled workers. Besides, there are also differences over the EU's demands on elimination of India's duties on goods such as automobiles and wines and spirits. It is also learnt that while the EU is keen on finalisation of an India-EU Bilateral Investment Treaty (BIT) before the re-launch of the FTA talks, India wants to make 'investment protection' a part of the negotiations on the proposed comprehensive FTA.

Mr. Juncker said, "Beyond the free flow of goods and services, we should also step up work to ensure the free flow of personal data between your great nation and the European continent. This is why I stressed … the importance on the need to agree to the highest standards of data protection." He further said, "Indian companies have specialised in offering back office and IT services to European companies. Many of these services – and the jobs that go with them – depend on the exchange of data. If India's standards of data protection are converging with those of the EU, the EU will be in a position to recognise the adequacy of India's rules. This is a precondition for exchanging personal data freely and securely."

According to the Delegation of the EU to India, "when concluded, this (FTA) would be one of the world's largest trade agreements, touching the lives of 1.7 billion people." It said, "Substantial progress has been made even if some outstanding issues have impeded the finalization of the negotiating process. Key areas that need to be further discussed include improved market access for some goods and services, government procurement, geographical indications, sound investment protection rules and sustainable development."

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Taking India-US trade to $500 billion not a distant dream: Arun Jaitley

The Economic Times

Washington, October 13, 2017 : The goal of increasing the annual trade between the US and India to $500 billion is not a "distant dream" given the opportunities that New Delhi offers to American companies, particularly in aviation and defence sectors, Finance Minister Arun Jaitley has said.

Jaitley said the relationship between India and the US had evolved into a very strong partnership in the last few years and goals like 'Mission-500' outline and re-emphasise the objective of the partnership.

"If one sees the opportunities that the defence and aviation sector in itself offers, increasing annual bilateral trade to $500 billion is not a distant dream," he told a Washington audience yesterday when asked if the $500 billion bilateral trade target was achievable.

According to the United States Trade Representative (USTR) figures, India was US' ninth-largest trading partner with the total two-way trade of $67.7 billion last year. It is loaded in favour of India, which runs a surplus of $24 billion.

Jaitley said a lot of US companies had made investments in India and now a lot of Indian companies feel comfortable in making investments in America.

"It is an exercise which requires to be taken forward," he said at an event organised by the Federation of Indian Chambers of Commerce and Industries held at the headquarters of the International Monetary Fund.

Jaitley said one of the suggestions which was mooted in the meeting with US Commerce Secretary Wilbur Ross was that the two countries must get back governmental participation in private sector conferences.

For the first a different concept is taking place in November when a large number of American businesses are travelling to India for the Global Entrepreneurship (GES), he said, adding that the exercise will probably be repeated in the US next year.

"This would provide a great opportunity for Indian businesses here," Jaitley said.

He said over the next decade or so India's aviation sector is all set for a huge expansion.

"US companies are a natural investor in that particular sector," he said.

"We have taken a huge initiative in the defence sector and we want these companies in partnership with Indian companies to set up manufacturing facilities in India itself," Jaitley said.

Responding to a question on land and labour reforms, Jaitley said they were not an immediate problem to the reform process started by the government in these two sectors.

"We have allowed the State Governments to make whatever necessary changes they want to make in land acquisition laws," he said.

Noting that the labour problem is overstated in India, Jaitley said the age of workers strike is long over in India.

There has not been any hurdle of substantial nature in several areas, for instance the reforms in the banking and aviation sectors, he said, adding that in the last three and a half years, the government has been broadly sticking to the fiscal deficit targets.

"We have realised the merit of trying to stick to that," he said.

The government was on target on direct tax, Jaitley said, asserting that on GST, it was too early to discover a pattern because of a transition phase.

"Our priority is to include fiscal prudence at a very high level," he said.

Jaitley said the government was trying to address the problem of the non-performing asset on a very high priority.

This has two aspects. One is to recover what is recoverable. For this the government has created new laws, amended laws and have created a new machinery, which will probably take care of it, he said.

Jaitley said there was a need to strengthen public-sector banks so that their ability to lend in India is maintained.

This issue is at a high priority area for the government, he noted.

"I can tell you that when you undertake structural reform of this kind, there could obviously be short-term impact, one quarter, for two quarters or so.

"But these transient impacts should not be construed as any form of a long-term challenge because I do see that the med-term and long-term impact of all these changes is certainly going to be very positive," Jaitley said while responding to a question on stimulus.

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Indo-Bhutan trade infrastructure to have large scale upgradation

Debasis Sarkar,

Bhutan, October 12, 2017 : To ensure seamless trade of Bhutan with India and other third parties, India is further widening its door for Bhutan.

Development and upgradation of new Indo-Bhutan cross border trade routes are expected to give a quantum jump to the commercial strata of economically backward Himalayan foothills region in northern West Bengal.

According to senior officials in Bhutan Ministry of Economic Affairs, Indian commerce Ministry has informed Bhutan that planned LCS at Loksan and Nagrakata are being upgraded to permanent instead of keeping them seasonal. In addition, other permanent LCS will be established at places including Birpara, Rangapani, Upper Khogla in Bengal adjoining foothills. This decision follows an agreement of two countries to open up 16 other new trade routes.

"The development will come as a boon for overall commercial activity of the region," said CII North Bengal chapter Chairman Rajib Lochan.

"Open international border between the two country facilitates opportunity for lakhs of Indians to get directly or indirectly involved into Bhutan's trade activities. Hence, growth in cross border trade will boost the number of these beneficiaries here," said Kamal Agarwal, a veteran trader operating predominantly in Indo-Bhutan border markets.

Industrially deprived Himalayan foothills region is entirely dependent on agriculture and tea. But both of them face deep crisis due to meteorological whims or fragile geology. "Beside modernized agriculture activities, better trade environment is the option for development of this region," opined Lochan.

Apart from the trade with its largest trade partner India, being land locked, Bhutan is dependent on Indian passage for its third country trade. Though rupee value wise the indo-Bhutan trade figure is not too high against India's total exim value, but Bhutan's external trade as a whole is too important for thousands of Indian citizens in border areas.

According to Bhutan Customs statistics for the year 2016, with external trade volume worth Rs 7237.6 crore, Bhutan's trade with India remained of Rs 5932.8 crore with Rs 2432.4 balance of trade in favour of India. These figures are without electricity, Bhutan's largest tradable commodity.

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