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India export subsidies may have to be phased out soon

Asit Ranjan Mishra, Live Mint

New Delhi, April 28, 2017 : India may soon have to phase out its export subsidy regime in the current form as World Trade Organization (WTO) rules bar it from offering export incentives to any sector, including textiles, when it reaches certain thresholds that it is nearing. The deadline for ending direct subsidies to textile companies is December 2018.

Under the special and differential provisions in the WTO's Agreement on Subsidies and Countervailing Measures, least developed countries and developing countries whose gross national income (GNI) per capita is below $1,000 per annum at the 1990 exchange rate, are allowed to provide export incentives to any sector that has a share of below 3.25% in global exports.

In case a sector in such a country crosses the 3.25% threshold for two consecutive years, it has to phase out export subsidies for that sector within eight years. India's textile exports crossed the 3.25% mark in 2010, requiring it to end its export incentives to the sector by December 2018.

Schemes such as the Merchandise Exports from India Scheme, Export Promotion Capital Goods scheme and interest equalization scheme for the textiles sector under the Foreign Trade Policy (FTP) 2015-20 are likely to get impacted.

The commerce ministry looks ill-prepared to handle the change.

An official at the Directorate General of Foreign Trade, which is now in the process of conducting a mid-term review of the FTP, said it is not looking at reviewing such export subsidies. "We are not concerned about it right now. We will look at it when it happens. Under the mid-term review of FTP, we are mostly looking at compliance of such incentives under the goods and services tax (GST) and other such issues," he added on condition of anonymity.

Simultaneously, India is also set to face the larger challenge of completely phasing out all export incentives. Its per capita GNI is set to cross $1,000 for three consecutive years, after which it has to stop export incentives to all sectors.

According to a notification by the Committee on Subsidies and Countervailing Measures last year, India's GNI crossed the $1,000 mark for 2013 and 2014. A commerce ministry official, speaking on condition of anonymity, said the GNI notification for the year 2015 is set to be released as early as May or June.

The official said India is likely to seek two to four years' extension to comply with the norm for the textile sector and maintained there is no clarity yet on what happens once India crosses the $1,000 GNI per capita mark for three consecutive years.

"When the issue comes up next year, we will definitely ask for more time, till 2020 or 2022, to phase out export subsidies for the textiles sector. Our industry is certainly not ready as it is already operating on very thin margins. We will also highlight the regional disparity within the country even though the country as a whole may have a higher share in global market and may need more time to trade up," he said.

A Delhi-based trade expert said WTO rules are very clear and it would be only “wishful thinking” on the part of the government to imagine that it will allow India more time to phase out export subsidies. This person also requested anonymity.

A second commerce ministry official said India has to move towards WTO-compatible, production-based subsidies from export-based subsidies.

“It needs to provide support for technology upgradation, capacity building and resolve infrastructure bottlenecks and move away from direct incentives to exporters,” he added on condition of anonymity.

Ajay Sahai, director general of the Federation of Indian Export Organisations, said industry needs to be made aware that existing export subsidies will have to be phased out. “We should move to a permissible subsidy regime under WTO rules,” he added.

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India seeks WTO compliance panel in row with US over trade curbs

D. Ravi Kanth, Live Mint

Geneva, April 18, 2017 : India has raised a trade dispute against its own compliance measures at the World Trade Organization (WTO) after the US refused to accept the steps adopted by New Delhi for terminating the health-related curbs imposed on American chicken and chicken products due to bird flu.

Washington also refused to drop the arbitration proceedings, which it had launched last year on grounds that New Delhi failed to comply with WTO rulings and recommendations. It sought an approval from WTO to impose trade retaliatory measures to the tune of $450 million on Indian goods because of the alleged failure to implement the rulings and recommendations.

To counter the US stand in the AI (avian influenza) dispute, India invoked what are called Article 21.5 compliance proceedings under the dispute settlement understanding (DSU) against its own measures. The Indian request for the compliance panel will come up for consideration at the dispute settlement body (DSB) meeting on 19 April. In its five-page request for establishing the compliance panel which was circulated to members on 12 April, India provided a detailed account of how it implemented the steps before the “reasonable period” ended on 19 April 2016.

India said it requested the US to enter into what is called a sequencing agreement, which is a standard practice among WTO members to ensure that in the event of a disagreement between the parties with respect to compliance with DSB’s rulings and recommendations, recourse under Article 21.5 of the DSU should be pursued as the first option.”

But the US has not agreed to New Delhi’s request to enter into a sequencing agreement. Moreover, India said it understands “the US disagrees that the revised Avian Influenza measures are consistent with the WTO covered agreements and that India has brought itself into conformity with its WTO obligations”.

Instead of seeking a compliance panel to determine whether New Delhi has fully implemented the rulings and recommendations in the AI row, the US requested an authorization from WTO for imposing $450 million in retaliatory measures for India allegedly failing to comply with the trade body’s rulings and recommendations.

India said it had objected to the US request for suspending concessions or other obligations under the covered agreements. “Till date, despite India’s compliance, the US has not agreed to suspend the arbitration proceedings under Article 22.6 of DSU. In India’s opinion, if there is a disagreement between the parties with respect to "the consistency with a covered agreement of measures taken to comply with the recommendations and rulings", the proper course of action is first to have recourse to Article 21.5 of DSU," India maintained.

Ironically, the US adopted a similar position in other WTO disputes such as the 'Tuna dispute' with Mexico. The US had maintained in the Tuna dispute that "DSB cannot grant authorization to suspend concessions in any amount where the member concerned has come into compliance".

India said it agrees with the US position in the Tuna dispute stating that "in this case, where India considers that it has brought itself into full compliance and where the US disagrees, the issue of compliance must be decided following the procedures of Article 21.5 of DSU".

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US blocks India's request for compliance panel at WTO

D Ravi Kanth, Live Mint

Geneva, April 19, 2017 : The US on Wednesday blocked India's request for establishing a compliance panel at the World Trade Organization (WTO) for determining whether the Indian government removed restrictions on American chicken and chicken products as per the dispute settlement body's recommendations.

India made its first request for a compliance panel under Article 21.5 of the dispute settlement understanding against its own measures for removing the curbs imposed on imports of American poultry and poultry products. India said it adopted "revised avian influenza measures" to comply with the recommendations by allowing imports of poultry and poultry products into India in accordance with the relevant international standard, i.e. the OIE Terrestrial Animal Health Code.

The US, however, maintained that it doesn't agree that the revised avian influenza measures adopted by New Delhi comply with the dispute settlement body's recommendations. But Washington will not be able to prevent the establishment of a compliance panel if India presses ahead with a second request at the next meeting.

In 2012, Washington raised the dispute against the restrictions imposed by India on American chicken and chicken products following the aviation influenza (AI) outbreak. Subsequently, the WTO's highest body ruled that India violated core provisions of the agreement on sanitary and phyto-sanitary measures. The dispute settlement body adopted the appellate body ruling on 19 June 2015 and India agreed to remove all the restrictions by 19 April 2016.

The US, however, refused to accept India's revised AI measures and sought authorization for imposing trade retaliatory measures to the tune of $450 million on Indian products. Subsequently, the issue was referred to an arbitration panel which India did not agree with.

The US also refused to enter into a sequencing agreement that would have provided the US with an option to approach the compliance panel as it did in a dispute raised by Mexico against the US restrictions on tuna. When Mexico wanted to press ahead with trade retaliatory measures after conclusive evidence that Washington failed to implement the Appellate Body rulings, the US turned the tables by seeking a compliance panel on grounds that the WTO's dispute settlement body "cannot give authorization to suspend concessions in any amount where the Member concerned has come into compliance".

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Amid reports of US NAFTA pullout, Mexico leaned on diplomacy

Financial Express

April 28, 2017, Mexico City : Like the rest of the world, Mexico only learned through media reports that the Trump administration was considering a draft executive order to withdraw the United States from the North American Free Trade Agreement. Mexico's top diplomat said Thursday that President Enrique Pena Nieto's government immediately launched a diplomatic full-court press. That led to a Pena Nieto phone call with President Donald Trump, a US promise not to leave NAFTA for now and a commitment by all three nations in the pact to work on renegotiating it.

Mexico and the US still have points of disagreement but "we are advancing in the right direction," Foreign Relations Secretary Luis Videgaray said. But just as Trump warned that he was still prepared to walk away from NAFTA unless he gets "a fair deal for the United States," Videgaray noted there is no reason for Mexico to stay either if negotiations are unfavorable to it. In an interview with the Televisa network, Videgaray gave a blow-by-blow account of Mexico's response after it first saw reports about the draft order around midmorning Wednesday.

Mexican officials reached out to various interlocutors in the US government who, he said, told them that no final decision had been made and the draft was under consideration more as a way to pressure the US Congress to speed up the process of getting to the negotiating table. Senate confirmation of Robert Lighthizer as Trump's nominee for US trade representative, who would lead the United States in NAFTA talks, has taken longer than anticipated. Mexican officials continued to talk to their US counterparts as the hours passed, and toward the end of the day Pena Nieto called Trump for a conversation that lasted about 20 minutes.

Videgaray said the Mexican president told Trump that he was aware of internal US politics, but that signing an order for the US to quit NAFTA "would naturally have very negative consequences in Mexico, that for Mexico it would be practically impossible to negotiate under such conditions."

Indeed, the uncertainty over NAFTA had by then helped send the Mexican peso plunging about 1.7 per cent to close at 19.21 to the US dollar Wednesday. According to an analysis by Banco BASE, it was the biggest single-day depreciation for the currency since January 18. Trump and Pena Nieto "agreed that that option would not be taken, but instead we would continue along the path of negotiation," Videgaray told Televisa.

The peso recovered to 19.03 to the dollar yesterday, after the governments issued parallel statements committing to renegotiating NAFTA. Canadian Prime Minister Justin Trudeau had a similar phone call with Trump on Wednesday in which he told the US president that canceling NAFTA would cause a lot of disruption and be painful for many families. "I'm happy to engage with the president regularly," Trudeau said Thursday. "What we've talked about over the last couple of days is trade and I've been emphasizing that NAFTA has been improved a dozen times over the last 20 years."

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No inherent objection to free trade agreement with India: US

The Economic Times

Washington, April 26, 2017 : The Trump administration has no inherent objection to the India-US free trade agreement though there have been no serious discussions with New Delhi over the issue, US Commerce Secretary Wilbur Ross has said.

The US does not have a free trade agreement (FTA) with India and as a result India-US trade relationship is currently governed under the World Trade Organisation (WTO), Ross told reporters at a White House news conference yesterday.

However, he said there have been no serious discussion on this with India.

"I don't believe that there have been any serious discussions with India of late on the topic of a free trade agreement. But there's no inherent negative attitude on our part on that," Ross said when asked if he favoured a free trade agreement with India.

Currently, the US has free trade agreements with 20 countries - Australia, Bahrain, Canada, Chile, Colombia, Costa Rica, Dominican Republic, El Salvador, Guatemala, Honduras, Israel, Jordan, South Korea, Mexico, Moroccan, Nicaragua, Oman, Panama BSE 0.58 %, Peru and Singapore.

While there is no such move in this regard right now, the previous US administrations have been open to the idea of a India-US FTA.

"I think that (FTA) is something that in the future we see as a very important and positive development. There are certainly concerns between the US and India in terms of some of the protective tariffs and trade barriers that we think that India needs to address," the then Assistant Secretary of State for South and Central Asia Nisha Desai Biswal had told Senator John McCain during a Congressional hearing in September of 2013.

The US-India bilateral trade relationship is far away from FTA. In the previous Obama administration, the two countries talked about a bilateral investment treaty.

In a recent document, the US-India Business Council had encouraged the US and India to negotiate a bilateral investment treaty (BIT) that promotes the free flow of economic resources - capital, people, and technology.

"This is a critical step to unleash the full potential of industry in both countries. The process of treaty negotiation would provide a platform to resolve deadlocks and challenges on issues such as tantalisation, the high-skilled work visa program, intellectual property protection and product conformity by aggregating the benefits and mitigating costs," it had said.

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India moving forward to become major destination for FDI: US trade official

The Economic Times

Washington, April 19, 2017 : India, with a young skilled workforce, high growth rate and deregulation being undertaken by the government, is set to become an important destination for foreign investment, a former top US trade official has said.

"With the young skilled workforce, its growth rate that is going to surpass China for the coming years, as well as the market opening and deregulation undertaken by Prime Minister Narendra Modi, will make this a really important destination for foreign investment," Wendy Cutler, who was the Acting Deputy US Trade Representative under Obama administration told a Washington audience yesterday.

Speaking at a panel discussion on the occasion of the launch of Foreign Direct Investment (FDI) Confidence Index, Cutler said, India under Modi has emerged as among the favourite destinations for foreign investors.

For the second consecutive year, India appears in top 10 of the index. This year, it was placed at the eighth spot as against ninth last year.

China has slipped to the third spot. Germany has now become the second top destination in the FDI Confidence Index after the US, which takes the fifth spot for the fifth year in a row.

"Five of the top 10 countries are from Asia. There is a lot of optimism about investment opportunities in Asia, not only among Asian but also global investors as well. Clearly, China and India seems to be the cause of this lot of optimism. India moved eighth on the index," she said.

Cutler said the optimism about investment in China "does not seem to be in line from what we are hearing" from not only the US business community but also the European business community as well.

In her previous stint in the United States Trade Representative, she was responsible for the Trans-Pacific Partnership agreement (TPP), US-China trade relations and US-India Trade Policy Forum.

"The investment climate is getting worse in China. Companies are facing a lot of restrictions in China, whether it be licensing or approval process or favourable treatment of domestic competitors or requirements to share technology. We are hearing from our companies that their optimism is declining," Cutler said.

Noting that the Chinese FDI in the US and vice versa should be watched closely, she said there is a growing concern that while the US and foreign companies are facing restrictions in China, there is a feeling that Chinese companies face few restrictions here in the US.

"India, on the other hand, is moving towards becoming a favourite FDI destination," she said.

"When you loom at India, it is moving from a closed market to an open market. The reforms that are being undertaken are perhaps not as ambitious as one would hope for. But under Prime Minister Modi, India is really under track towards the opening," she said.

"When you loom at India, it is moving from a closed market to an open market. The reforms that are being undertaken are perhaps not as ambitious as one would hope for. But under Prime Minister Modi, India is really under track towards the opening," she said.

Contrasting India, a little bit with China, Cutler said that China was really open to foreign direct investment.

"But we are seeing that trend going in a different direction," Cutler said.

"The other thing that makes me think very favourably about India is that it does not face the same demographic challenges that many Asian countries face. India with most of its population under 40 offers a very attractive destination, coupled with the high skilled nature of the workforce," she said.

However, she said India is "one of the difficult countries" to negotiate.

"So while all these developments are positive, they have a way to go here, but they are moving in the right direction," Cutler said.

Global Business Policy Council chairman Paul Laudicina said that India's youth population gives India wage price advantage over China.

In China, average manufacturing wages have tripled between 2006 and 2015.

"This is part of the reason that coupled with a robust growth, a huge internal market, Modi government's attempt to promote investment, the intention to abolish the foreign investment promotion board, access to the retail sector is being made more accessible. All of this makes India a robust environment," he said.

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India to take longer to cut duties on Australia, New Zealand goods

Kitika Suneja, The Economic Times

New Delhi, April 27, 2017 : India plans to take longer to reduce duties on goods imported from Australia and New Zealand, apart from China, than from other partners under the proposed free trade agreement among 16 Asia-Pacific countries.

This is because India does not have any trade pact with these three countries, officials said. Earlier, India had considered least tariff concessions and a longer phaseout only for China so as to reduce the widening trade deficit with the country. However, that formula did not find many takers.

The fresh proposal is likely to be discussed next week when the members of the Regional Comprehensive Economic Partnership (RCEP) meet in the Philippines.

“It is not about tiers now but deviations since there could be one common concession,” said an official aware of the development.

These deviations will help India offer differential tariff concessions to different members of the grouping, said the official, who did not wish to be identified.

RCEP is a wide-ranging free trade agreement that covers goods, services, investment, competition, economic and technical cooperation, dispute settlement and intellectual property rights among 10 members of the Association of Southeast Asian Nations (ASEAN) and their six free trade agreement partners — Australia, China, India, Japan, Korea and New Zealand.

“With China opposing India’s move and not many countries supporting India’s proposal on services, it is possible that the non-FTA partners have been clubbed together,” said a Delhi-based expert on trade matters, requesting anonymity.

The RCEP negotiations were launched in November 2012 and the first round of negotiations was held in 2013.

Although the deal has missed many deadlines, it is hoped that a lot of ground could be covered in this round because Philippines is the current chair of ASEAN.

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To become an export oriented economy you must have good relationships with the whole world: K Harihar

The Economic Times

April 10, 2017 : Mythili Bhusnurmath, Consulting Editor and K Harihar, Treasurer, FirstRand Bank *talk about* US Fed trimming bond holdings, US trade policies, rising rupee and more. Excerpts from an interview with ETNow.

I want your opinion on what one of the Fed governors have stated about how they are committed to hiking rates but they are also going to be looking at how much the balance sheet which is highly indebted in the US; 200 per cent of GDP how that starts unfolding or unwinding because that is a lot of pressure on the economy?

Mythili Bhusnurmath: Well absolutely I think they will have to go necessarily very very slowly because when you want to kind of unwind the kind of huge balance sheet that you have built up and unprecedented increase in the size of the Fed reserve I think we will have to move very very slowly so typically I would expect that you would first move towards normalising interest rates and then think in terms of unwinding your balance sheet.

But it is very interesting that given the times that we live in what is really interesting is that there is hardly any fact coverage or any plus particularly cheerful that the Trump and the Xi Jinping meeting went off far far better than most people anticipated. Remember there was a huge fear that in the run up to the elections Trump had been saying that he is going to name China a currency manipulator, he is going to talk about levying so much tariff on Chinese imports so there is a great deal of apprehension about how the first meeting between the two of them would get along, how they would get along but contrary to what everybody feared they seem to have got long fairly okay in fact so much so that I believe Trump's grand children actually sang him a song in Mandarin but despite that market does not just have not bothered about that at all but as anything that goes wrong, anything wrong were immediately get fixated on that

So I wonder whether it is a commentary on the times that we live that we are much more willing to look at things from a bleak point of view than from a positive point of view but I wonder whether Hari shares that somewhat reading of the markets that we always want to look at the downsides and sell them at the upside, remember what would happen can you even think of what would happen if the meeting did not go well you have two of the largest economies in the world having a face-off with each other and that would be truly catastrophic for small players like India would you agree?

K Harihar: Yes, actually when you look at the markets and how they react ever since Trump actually came into the power the people have been wondering whether the candidate come and President Trump would be the same and would he carry through the kind of rhetoric that kind of pervaded this election campaign.

If you look at the financial market they have always placed a larger probability that he may have to dilute at least some key parts of his campaign. In terms of building up trade walls I think the market had already assume that it will be very tough for instance to build a trade wall or it might be simpler to probably put restrictions like the ones he is contemplating on H1-B visas etc because that sounds closer to people jobs to the American kind of jobs kind of psychology.

So what the financial markets had actually kind of started placing bets on seems to be partly coming through that President Trump would be a bit more pragmatic and would try to reach out to his trade partners and try and leverage it as much as it could rather than gone on a fight on that that is why you probably see that the dollar index has been coming down and they are also realising that he will try to make it an export oriented economy. You cannot be an export oriented economy unless you have good trade relationships with the whole world otherwise if you just cut yourself off than you are going to be a high cost economy selling to American consumers and having a high inflation kind of situation so somewhere without talking about it they seem to have kind of made a slight change in the way they approach the world soften the edges so which is actually good for the whole world though not necessarily good for service exporters like India where we are still trying to grapple and see whether there will be restrictions placed on our exports of services.

Mythili Bhusnurmath: Does it also seem to suggest that ultimately in the global economy, you only bully those whom you can bully. So while the US has hesitated to walk the talk with China because China is such a huge economy power, they have not really hesitated as far as H-1B visas are concerned. So with India, they think they can take us on because we are not such a global superpower economically speaking, so ultimately the only way to get the world listen to you is to become a powerful economy. Do you think our leaders will get that message and try to put economics before politics and realise that if we want to get to where China is, then we have to put economics before politics?
K Harihar: I will put it this way. It all depends on which constituency you are addressing. So when it came to the trade part, trade of goods and services, the goods part really was the stuff that the IBMs and the Microsofts and the General Motors and companies like that do. So it was appealing to one constituency and there were various facets to that constituency. They had overseas enterprises. They were basing themselves in China. They were making cheaper goods and exporting it back to US. So it was appearing a 10,000 feet to the actual American citizen.

But if you remember when the campaign started, the American unemployment rate was a bit much higher as compared to what it is today. Today, the Federal Reserve is almost saying that we are coming to full employment though in terms of the unemployment statistics we are still grappling with the 4.7% or 4.6% level. So what happens is when it comes to employment, it is politically much more sensitive. So people will align with you much more. So people will align with you much more. So I still believe that there is a high chance that he might pass on those restrictive employment policies and we from India would probably think it is aimed at us but probably it is aimed as much as the Mexicans and the Latin Americans and everybody who is trying to get a job in US when jobs are a little bit scare to find. So I would probably say it is not the big versus small.

Even we in India do have restrictions on overseas people coming and working in India. But eventually when people will become more sensible is when they realise that if we can buy something which is cheaper and make something which is more valuable and then you can sell it, I think that will be much more kind of credible and argument and that is where I think our country has actually put forward the argument that if you look at the best of the tech companies out there, they have a lot of Indian intellectual horsepower out there firing their agents which in turn is enabling them to become world powerhouses. So I think that kind of a softer approach will always work and you have to hope that the politicians will have to make their noises at the headline level while working at the practical level to make sure that the particular economy does not become a high cost economy if it tries to cater only to local employment.

Mythili Bhusnurmath: You mentioned a point about our exports becoming competitive and that brings me to my next question; can your exports really become competitive when the rupee is appreciating, can you really have a situation agreed today the rupee has depreciated a little bit from Friday's close but can you have a situation where internally the rupee is getting weaker because we still have inflation, core inflation, WPI inflation, what CPI, whichever way you look at it we definitely have inflation that is higher than in the West and so internally the rupee is weakening, externally the rupee is strengthening so can you have a situation which is like this contradictory and how long can that survive and what does it do to our competitiveness in the world market?
K Harihar: I will answer the question in two parts; one the global part.

So right now luckily what has been happening is it has been a money swishing coming into the emerging markets in a very-very big way and that has led to every single emerging market currency strengthening, some more some less but it all depends on the amount of capital flows that have come into the market. So to give you an example, the South African economy which got downgraded last week even there the rand has refused to weaken despite all the political issues out there because a whole lot of money has come into the local market and therefore the rand remains steady.

Other currencies are all strengthening so rupee is strengthening in a relative context where every other emerging market currency is also strengthening, I think that puts it relatively in a strong feel or at least it is not worse off as compared to many others.

Secondly, as far as the rupee is concerned and the strength is concerned and when we look at exports we have two kind of exports in this market; if you look at the bigger exports, many of the exports, petroleum exports is what you import is what you export so to the extent you buy cheaper crude you are going to sell cheaper petroleum products so you are working margins what we call the gross refining margins etc so you will see the gross dollar receivables that we make we will continue to make the same. Similarly jewellery exports so to the extent we buy gold cheap we will sell gold jewellery cheap. So those are the kind of industries where we are going to be very kind of insulated and to a certain extent the stronger rupee will make the final end product cheaper. Where we will start probably losing out is in areas where we buy in the domestic markets and sell in the export markets.

So textiles could be one case where cotton is made in India and therefore you buy the cotton in India and try to export shirts and they will give you lesser rupees as compared to what they were getting earlier. So those are the sectors which could be in some trouble. So I think you will see a divided kind of thing and overall I would say a stronger rupee will lead to inflation also getting managed because at the margin we are seeing inflation going up as we indeed saw the RBI again reiterating. So if the WPI has already gone above 6, the CPI has gone above 3.5, we are seeing forecasts of 4.5-5 coming up towards the end of the year, you will get certain kind of support from an inflation management perspective in the form a stronger rupee cascading into lower petro price at the pump, lower diesel price at the pump. So it is a balancing act and if you are an exporter you will have to also be a bit dynamic in terms of how you think about it, you make yourself a producer abroad, you shift your production base abroad so those who source domestically will also look at options like setting themselves up abroad for production basis. Those who import to export I think they are quite insulated.

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Currency fluctuation has become a new normal: Nirmala Sitharaman

Business Line

New Delhi, April 20, 2017 : Currency fluctuation has become the new normal and there is a need to focus on other factors like infrastructure and raw material cost to enhance export competitiveness, Commerce and Industry Minister Nirmala Sitharaman said today.

The minister said the value of the currency is only one factor and Indian exporters have learnt to take into account currency fluctuation while planning their shipments.

“It is just not the currency which gives you the competitiveness ... but there are other factors which are equally critical for our exporters like infrastructure, raw material cost, energy supplies, state restrictions,” she told reporters here.

“I would not want to place too much emphasis only on currency fluctuation or only the rupee strengthening,” she added.

Strengthening of the domestic currency against the US dollar makes export uncompetitive as per unit realisation comes down.

While speaking at the Hero Mindmine Summit here, she said the exchange rate alone cannot be the “one cause” for export competitiveness and in the last few years, the volatility in currencies across the world has been the new “normal“.

Sitharaman said that strengthening of the rupee is also a reflection on the performance of the economy.

She said that “emphasis and priority” should be given to other factors which enhance export competitiveness.

The rupee has appreciated by over 5 per cent against the US dollar since January.

A report by rating agency Ind—Ra today said earnings and margins of textile and apparel exporters would be hit in the near term due to rupee’s appreciation against the dollar in 2017.

A section of exporters too has expressed concerns that strengthening rupee can impact their margins at a time when export has seen a growth.

The export growth touched over five—year high of 27.6 per cent in March on account of better performance of petroleum and engineering sector, though the expansion during 2016—17 stood at only 4.7 per cent.

During the last fiscal, exports aggregated at $274.64 billion. In March, outward shipments were at $29.23 billion.

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EEPC India seeks govt intervention to curb volatility

The Economic Times

Mumbai, April 17, 2017 : Concerned over the rising prices of steel and rupee appreciation, engineering exporters' apex body EEPC India has approached the Commerce Ministry seeking its intervention to curb such volatility which is adversely impacting the sector.

"We have approached the Commerce Ministry, stating that a sharp rise of over five per cent in rupee against the US dollar along with increase in prices of steel, is acting as a double whammy for engineering exporters in a highly competitive global market," EEPC India Executive Director and Secretary B Sarkar said in a letter to Commerce Secretary Rita Teaotia.

EEPC said the Indian currency has appreciated against the US dollar by 5.26 per cent from Rs 68.0225 on January 02 to Rs 64.4418 on April 10.

"We have sought urgent attention of the government on these two issues to curb volatility in the rate of foreign exchange as well as raw materials prices, as these developments are making it extremely difficult for exporters to face international competition more so when the global conditions are one of protectionism and competing countries," he said.

Sarkar said the sharp appreciation has come together with an increase in Indian steel prices from $ 582 per ton in September 2016 to $ 712 per ton in March 2017 implying an increase of nearly 22.5 per cent within a span of six months.

He also urged that engineering exporters should be provided steel at the export prices of domestic steel companies.

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West coast marine exporters look East for aquaculture gains

V Sajeev Kumar

Kochi, April 17, 2017 : Seafood exporters on the country's western coast, facing dwindling sea catch, are taking a lesson or two from the aquaculture success of their compatriates on the eastern coast.

Traditionally, the West coast was better for trawling, and fishing in the region was dominated by wild catch. However, the depletion of fish wealth, due to six decades of trawling, has driven the seafood export fraternity to look at the shrimp farming model to boost business, says Norbert Karikkassery, President, Seafood Exporters Association of India (SEAI)-Kerala Region.

The SEAI–Kerala Region has asked consultancy firm KITCO to study the potential for aquaculture farming on the western coast, he said. Vast stretches of the Pokkali fields which lie idle, especially in the coastal areas of Kozhikode, Thrissur, Ernakulam and Alappuzha, offer an ideal setting for aquaculture farms. These fields have inherent water control systems, which will be conducive for aquaculture farming, Karikkassery told *BusinessLine*.

According to him, the country's eastern coast has made giant strides in aquaculture and was instrumental in bringing substantially more forex earnings from marine exports.

This can be replicated along the West coast provided exporters benefit from technical guidance and policy support from the government.

According to figures put out by the Marine Products Exports Development Authority (MPEDA),seafood exports touched 9.50 lakh tonnes in 2015-16. Of this, aquaculture accounted for almost 60 per cent, valued at over ₹ 20,000 crore.

Karikkassery pointed out that overexploitation of fishery resources on the West coast due to unregulated fishing had depleted fish wealth.

There had been no conservation measures, and even the ban on trawling during the monsoon season appears to be ineffective. “Today we have reached a situation where our catches have declined, and certain fish species have vanished from the coast, forcing us to explore new arenas for fishing operations”, Karikkassery said.

To meet export obligations, he said, seafood export companies now depend on aquaculture products from Andhra Pradesh for value addition. “A successful aquaculture model here will reduce the cost of production and create more job opportunities in the coastal areas”, he added.

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Not just rupee, infrastructure key to boost exports: Sitharaman

Sidhartha, Times of India

Tokyo, April 17, 2017 : Signalling a shift in government policy, commerce and industry minister Nirmala Sitharaman has implicitly backed a stronger rupee and said export competitiveness is not just linked to the currency but better infrastructure and logistics, which are the government's focus areas.

"What is important for us to understand is that the economy gets reflected through your currency. Yes, when the rupee goes up or when the rupee is high, exports tend to suffer is a feeling that has been well-established in economic parlance. But, we are talking of an economy which in the last few years has depended not just on its exports but has a blend of exports and domestic industry. Unlike China, we have not really put our focus only on exports and exportdriven growth... Although strengthening of rupee by itself will be worrying today, I will contextualise it in the Indian economy's overall strengthening position," she said on the impact of rupee appreciation on exports.

Asked if there is a fundamental shift in the government's thinking, Sitharaman said: "Yes, that's right. That is something that the government has been looking into. That is one of the reasons why sometimes it may appear as though we don't put so much emphasis on exchange rate anxieties. We may have to look at it in larger macro-economic perspective but the attention of policy planners, state governments should go towards logistics, facilitation."

After a near-6.5% appreciation in rupee against dollar since it hit a record low of 68.86 in late November, exporters have begun demanding sops. The rupee has gained steadily in recent weeks as foreign portfolio investors have pumped in money into stock and bond markets, amid improving growth prospects. Market players said RBI's intervention has been marginal as it has been wary of pumping in dollars, which will suck out rupee from the system, and put pressure on short-term interest rates. Economists see a weaker currency as an advantage for exports , although it makes imports, overseas travel and education more expensive.

Sitharaman, however, said with cheaper labour, Indian exports still enjoyed an edge over rivals such as China and repeatedly laid emphasis on improving infrastructure, which is seen as a key bottleneck for Indian industry, including exporters.

"Exports are one of the things you have to deal with. Your large market itself demands that commodities reach all over the country at fairly similar rates. A produce made in the North, reaching the South is more expensive than what we import... I am glad that the government is not underplaying the importance of logistics and infrastructure, even for domestic trade," she told Indian media on the sidelines after an investor meet.

She said focus on other aspects to improve competitiveness is crucial. " Inadequate infrastructure or over-priced infrastructure, like electricity, these are the kinds I would take to be fair to an exporter. These are the kind of things I would take as arguments where his competitiveness gets affected, rather than take the currency's fluctuation or currency's strengthening as affecting his competitiveness... These are the things I would factor in while determining if my exporter is cost-competitive, rather than the fluctuation of the currency."

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Must share benefits of economic integration, says IMF

Business Standard

Washington, April 24, 2017: The IMF has acknowledged that a prolonged period of low growth has brought to the fore the concerns of those who have been “left behind” and said it was important that global economic integration benefits everyone.

The IMF member-countries committed themselves to achieve a strong, sustainable and job-rich growth, using all policy tools — monetary and fiscal, and structural reforms — both individually and collectively. A communique issued yesterday at the end of the 35th meeting of the IMF said the global economic recovery was gaining momentum, commodity prices have firmed up and deflation risks were receding. While the outlook is improving, growth is still modest and subject to heightened political and policy uncertainties, it said.

Crisis legacies, high-debt levels, weak-productivity growth, and demographic trends remain challenging headwinds in advanced economies; while domestic imbalances, sharper-than- expected financial tightening, and negative spillovers from global uncertainty pose challenges for some emerging market and developing countries, the communique said.

Trade, financial integration, and technological innovation have brought significant benefits, improving living standards, and lifting hundreds of millions out of poverty, it said.

“However, the prolonged period of low growth has brought to the fore the concerns of those who have been left behind. It is important to ensure that everyone has the opportunity to benefit from global economic integration and technological progress,” the IMF said.

“We reinforce our commitment to achieve strong, sustainable, balanced, inclusive, and job-rich growth. To this end, we will use all policy tools—monetary and fiscal policies, and structural reforms—both individually and collectively,” it said.

The IMF member-countries reaffirmed their commitment to communicate policy stances clearly, avoid “inward-looking” policies, and preserve global financial stability.

Recognising that excessive volatility and disorderly movements in exchange rates can have adverse implications for economic and financial stability, the IMF member-countries said that they will refrain from competitive devaluations, and will not target their exchange rates for competitive purposes.

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Arun Jaitley expresses Indian concern over worrying signs of protectionism

Manu Pubby, The Economic Times

New Delhi, 27 April 2017 : Signs of economic protectionism and new barriers to migration are major global concerns, FM Arun Jaitley said in Moscow, days after raising the issue in Washington.

Speaking on global security challenges at an international security conference on Wednesday, Jaitley listed economic protectionism as a top concern, right after talking about unpredictability in ties between major powers.

"There are… worrying signs of economic protectionism. New barriers to migration and the closing of borders are other elements of such an approach. However, such efforts are unlikely to be able to address the complex issues involved," said Jaitley, who is also the country’s defence minister.

The minister had raised the issue of H-1B visa curbs in a meeting with US counterpart Steven Mnuchin in Washington on the weekend, pointing out that rising protectionism would hurt the global economy.

Speaking in Moscow, he identified Asia as the stage for global competition and said economies in the region will be critical for global growth. "For the foreseeable future, Asian economies will continue to be the drivers of global growth. Asia could also be emerging as the stage for competition between large and rising powers," he said.

Jaitley also listed territorial disputes in the maritime domain as a reason for worry.

"India believes that the rights of freedom of navigation and over-flight as well as unimpeded commerce should be ensured. These are vital to India's own economic engagement with the Indo-Pacific region," he said in an oblique reference to China.

Without directly referring to Pakistan, the minister expressed India's concerns on North Korea and its implication on the region, given the history of nuclear proliferation. "The recent escalation of tensions in the Korean peninsula is a matter of concern. The linkages between proliferation in that region with the deterioration of India's own security environment is widely known," he said.

On Afghanistan, Jaitley said India was on board with consultations being driven by Russia for a secure, stable and peaceful nation.

The finance minister also reiterated India’s stand that there can be no distinction between good terrorist and bad terrorist. "A policy of zero tolerance towards violence and terrorism and continued efforts to consolidate the capacity of the Afghan government to deal with violence as well as promote development are essential," he said.

The minister will hold bilateral discussions with his Russian counterparts during his visit, with progress expected on several pending issues including the acquisition of air defence systems, helicopters and submarines from Russia.

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Italy sending its biggest trade delegation to India to explore investment opportunities

The Economic Times

Dipanjan Roy Chaudhury

New Delhi, April 26, 2017 : Riding on the recent efforts to introduce GST that is being viewed as a major economic reform to attract foreign capital, Italy — Europe's second biggest manufacturing hub — is sending its biggest trade and investor delegation to India this week, seeking greater participation in the machinery, automative, ICT, infrastructure and textile sectors.

Led by Italy's Deputy Trade Minister, the delegation of 60 Italian companies will explore business and investment opportunities in India, according to Italy's Trade Commissioner to India Francesco Pensabene.

Italy is currently the 13th largest investor in India with a presence of 400 firms and has a market share of 1% among foreign investors here. Total Italian FDI between 2000 and 2016 was around 2 billion euros.

"Italian companies are interested in exactly the same sectors that have been identified by the current government as priority areas — smart cities, clean and green tech, ICT besides machinery for various industries from leather to marbles to food processing," said Pensabene. Last year, Indo-Italian trade stood at 7.6 billion euros.

The Italian official pointed out that implementation of GST will lead to harmonisation of taxes, which will enhance foreign capital into India, including from Italy.

What's interesting is the fact that this Trade mission will be followed within weeks by a Joint Economic Commission in Rome where the Indian side will be led by the Commerce Minister, Italian Ambassador to India Lorenzo Angeloni told ET.

"2017 will be a big year for Italian investors in India. This year, India is regarded as the most important destination for Italian companies. The visit by this delegation is most timely as India has a stable growing economy, stable political environment and major reforms like GST are underway. Road shows about India in Italy are also being planned," the envoy said.

The two countries want to explore future areas of cooperation in defence, hydrocarbon and even real estate. Italy is among India's top 5 trading partners in the EU.

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Sri Lanka keen to boost economic ties with India: Ranil Wickremesinghe

The Economic Times

Colombo, April 22, 2017 : Sri Lanka is looking forward to strengthen economic cooperation with India, Prime Minister Ranil Wickremesinghe has said, noting that development of strategic eastern port town of Trincomalee will be discussed during his visit to the country next week.

Wickremesinghe will arrive in New Delhi on April 25 on a five-day visit during which he will hold talks with Prime Minister Narendra Modi to further expand ties in a range of areas.

Addressing reporters in the central town of Kandy yesterday, Wickremesinghe said he was looking forward to strengthen economic cooperation with India.

He said the development of eastern port district of Trincomalee will be discussed during the visit.

"We have plans for an Indian LNG plant in Trincomalee. That could also be a joint venture with Japan," the Prime Minister said.

India and Sri Lanka will jointly operate the oil storage facility at the strategic eastern port town of Trincomalee.

At least 73 of the 99 storage tanks in Trincomalee is to be managed under a new equity arrangement between the two countries, Lankan Petroleum Minister Chandima Weerakkody had said earlier.

Wickremesinghe's trip comes ahead of Modi's visit to Sri Lanka next month to take part in the celebrations marking the UN 'Vesak Day', the most important in the Buddhist calendar.

The Lankan Prime Minister's visit will also be significant in view of the negotiations on the Economic and Technical Cooperation Agreement (ETCA) with India.

The ETCA has met with stiff resistance by trade unions and opposition groups.

The Sri Lankan Prime Minsiter has expressed his resolve to seal the ETCA before the end of this year.ETCA before the end of this year.

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China fear stalls India - Sri Lanka deal

Indrani Bagchi, The Economic Times

New Delhi, April 27, 2017 : India is in no hurry to complete the economic and technical cooperation agreement (ETCA) with Sri Lanka. Officially, India has said it would proceed “at a pace comfortable for Colombo“. But there are other, bigger reasons for India to guard its flanks while negotiating a second generation free-trade agreement (FTA) with Sri Lanka.

China has evinced interest in an FTA with Sri Lanka as well. This has given India pause, as it wants to see the details of that deal. This could include, according to sources, Chinese companies setting up manufacturing bases in Hambantota and Monaragala areas of Sri Lanka and using the India Lanka FTA to push Chinese goods into India. "We have to be careful," said sources familiar with developments.

The ETCA has also run into trouble in Sri Lanka with some opposition building up against it. India's non-tariff barriers, bureaucratic delays etc have not endeared it to Lankan business.

Chinese companies are apparently being given 15,000 hectares in Hambantota, a fact former foreign minister G L Peiris told TOI in an interview was nothing short of a "bad deal". If the deal had been done the way former president Mahinda Rajapakse had intended, Peiris said, Hambantota would have been done the way former president Mahinda Rajapakse had intended, Peiris said, Hambantota would have been a sustainable entity .

"There was no agreement to hand over 15,000 hectares to a Chinese company .The agreement as structured at the time did not involve the wholesale leasing of the port,but only a terminal of the port," Peiris said.

Answering questions on the huge debt that Rajapakse left behind, Peiris said, "Loans taken by this government is far in excess of what Rajapakse had taken. There was something to show then -today there is nothing. The government has admitted that the money to be paid by China for the port ($1.4 billion) is not to be used for retiring this debt.So the government argument of doing this (giving the land) to pay off the debt doesn't stand."

Instead, India will focus more on infrastructure development in Sri Lanka.New Delhi is working on projects in roads, railways, ports etc. In this, Japan may prove to be a valuable ally for both India and Sri Lanka. Japan will work with India on the Trincomalee port, while Singapore is expected to help develop Trincomalee city .

Peiris said the payment scheme as set out by the Sirisena government is unsustainable. "In the proposed agreement, the Chinese company will not pay any money for the next 15 years.At the end of 15 years, the Sri Lanka Ports Authority will get money from the Chinese company only if a dividend is declared," he said.

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