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

Cabinet Okays ratification of WTO trade agreement

Mukesh Jagota, Financial Chronicle

New Delhi, February 18, 2016: The cabinet on Wednesday approved ratification of the World Trade Organisation's trade facilitation agreement (TFA) reached among member countries at the Bali ministerial in 2013 that seeks to ease movement of goods through customs.

"The cabinet approved the proposal for notification of commitments under the TFA of WTO, ratification and acceptance of the instrument of acceptance of protocol of TFA to the WTO secretariat and constitution of the national committee on trade facilitation," a statement issued after the cabinet meeting said.

The panel will be co-chaired by the secretaries of revenue and commerce. TFA contains provisions for expediting the movement, release and clearance of goods, including goods in transit.

"In global value chains quick clearance of goods in transit is very important and can determine country's competitiveness. A 10-day delay at the customs means an additional import tax of 7 per cent. If you cut the delays and made clearances smooth it will bring down transaction costs," former deputy director general of WTO Anwarul Hoda said.

He said the Indian government is working on reducing time for custom clearances but still a container takes 3-4 days for get through while for countries like Singapore it is just 5 minutes.

Hoda, who was also the chief policy coordinator in the government during the Uruguay Round of global trade talks, said the WTO agreement also asks signatories to streamline their risk assessment procedures so that only 1% to 2 per cent of the containers are checked for their contents as against 5 per cent to 10 per cent that Indian authorities inspect now.

It also says that countries should allow importers with good track record to get their goods across customs with minimal paperwork.

"India has already implemented that but conditions imposed on such importers are stringent," Hoda said.

Around 60 countries have already ratified the agreement that will come into force when two-third of WTO members approves it.

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Survey questions India's stand at WTO

Arun S, The Hindu

February 27, 2016: The economic survey questioned India's unequivocal stance at the World Trade Organisation (WTO)-level negotiations on the need for developing countries to have an effective and easy-to-use 'Special Safeguard Mechanism' (SSM) to protect 'poor and very vulnerable' farmers from import surges and price dips.

The SSM is a tool, which, if given, will permit developing nations like India to temporarily hike tariffs to counter import surges or price falls of farm products. Differences between the developing and the developed world over the SSM issue had even led to the WTO talks breaking down in July 2008.

Though WTO members agree that developing countries should have an SSM, the differences are on allowing developing nations to hike tariffs above the commitments they (developing nations) made in the WTO's 1986-94 Uruguay Round talks.

Pointing out that as per the Uruguay Round decisions, countries including India, could raise tariffs up to a "very high level" even without the SSM, the economic survey questioned: "Why then, for a long time, has India been asking for the right to impose SSM, which is in effect asking for even more freedom to determine agricultural policies? The answer is not very clear."

The observations come even as the WTO members began work this week at the global body's headquarters in Geneva to take forward negotiations on the Doha Development Agenda on the basis of the decisions arrived at during the December 15-19 Ministerial Conference (WTO's highest decision-making body) in Nairobi.

The Nairobi Ministerial Declaration had incorporated the right of developing nations to have recourse to an SSM. The declaration also said SSM negotiations will be pursued in dedicated sessions of the Committee on Agriculture in Special Session.

During the Nairobi meeting, Commerce Minister Nirmala Sitharaman had said the SSM was important for developing nations to address import surges and price dips due to heavily subsidised imports of farm products from rich nations.

Pointing out that an instrument similar to the SSM was available to a select few WTO members (including rich nations) for over two decades, she said, therefore, the demand for SSM for developing nations was reasonable and pragmatic.

The survey said India’s real need for SSM arises in relation to few items including some milk and dairy products, some fruits, and raw hides.

On these items, the survey said, India’s tariff bindings (commitments at the WTO) are around 10-40 per cent which can be uncomfortably close to India’s current tariffs, limiting India’s options in the event of import surges.

“If that is the case, India should call for a discussion on SSM not as a generic issue of principle but as a pragmatic negotiating objective covering a small part of agricultural tariffs. Perhaps, in this instance, lofty theologizing about freedom and sovereignty needs to cede to mundane haggling over hides and hibiscuses,” the survey said.

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WTO ruling against Paris pact: Greenpeace backs India

The Hindu

New Delhi, February 27, 2016: Supporting India’s decision to challenge the WTO ruling which held the government’s power purchase agreements with solar firms as “inconsistent”, Greenpeace today said the ruling “violates” the spirit of the Paris climate change agreement.

Ruling against India, the WTO recently had said India’s power purchase agreements with solar firms were ‘inconsistent’ with international norms — a matter in which the US had filed a complaint before the global trade body alleging discrimination against American firms.

Greenpeace India and Greenpeace USA have criticised the ruling and expressed support to the Indian government’s decision to go for an appeal against it.

“India’s setting of Domestic Content Requirement (DCR) was based on a worthy core principle — increasing economic opportunities and creating thousands of green jobs while taking critically important steps in the global fight against climate change.

“It is ridiculous that the WTO does not recognise this principle and points to the danger to developing countries that such international trade regimes pose,” said Pujarini Sen, campaigner, Greenpeace India.

“The WTO ruling — and the US decision to pursue it — is a setback to India’s renewable energy ambitions. By challenging this decision, the Indian government is demonstrating commitment to India’s fledgling solar manufacturing sector, which needs initial support to enable it to compete with the price of imported products and to its own roadmap for a green economy solution to global climate change,” Sen said.

The US had dragged India to the World Trade Organisation (WTO) on this issue in 2014, alleging that the clause relating to domestic content requirement (DCR) in the country’s solar power mission were discriminatory in nature and “nullified” benefits accruing to American solar power developers.

The ruling was a blow to India which has announced a target of 175 GW of renewable energy by 2022, of which 100 GW will be realised through the National Solar Mission.

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WTO rules in US' favour on solar dispute, says measures not justified under GATT

The Economics Times

New Delhi, February 24, 2016: The World Trade Organization (WTO) has ruled in the US' favour and against India's domestic content requirements for solar products under the national solar mission.

In its report made public on Wednesday, the WTO said the measures India has taken are "not justified" under the Agreement on Trade-Related Investment Measures (TRIMs) and General Agreement on Tariffs and Trade (GATT).

The US has said that since India enacted these domestic content requirements in 2011, its solar exports to India have fallen by over 90%.

Under WTO rules, the report will be adopted if either party so requests within 60 days of the report's circulation, or either party may appeal the report before it is adopted.

This is the US' second major win against India in WTO dispute as last year in June, the WTO ruled in the US' favour in a dispute challenging India's ban on various U.S. agricultural products - such as poultry meat, eggs, and live pigs - to protect against avian influenza.

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India may appeal against WTO’s panel ruling in solar case

The Hindu

New Delhi, February 25, 2016**:** India is likely to appeal against the WTO’s panel ruling that the country’s power purchase agreements with solar firms were “inconsistent” with international norms. The rulings of the WTO’s dispute settlement panel can be challenged in the WTO’s appellate body.

The U.S. had filed a complaint before the global trade body alleging discrimination against American firms.

The U.S. had dragged India to the WTO on this issue in 2014, alleging that the clause relating to domestic content requirement in the country's solar power mission were discriminatory in nature and "nullified" the benefits accruing to the American solar power developers.

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India likely to review FTAs after WTO's facilitation pact kicks in

Kirtika Suneja, The Economic times

New Delhi, February 23, 2016: India may take a re-look at its free trade agreements once the World Trade Organization's trade facilitation agreement (TFA) comes into force. The move follows a meeting chaired by Prime Minister Narendra Modi on February 18 where the role of India's free trade agreements was discussed in wake of the country ratifying the trade facilitation pact.

The meeting, which was attended by commerce and industry minister Nirmala Sitharaman, finance minister Arun Jaitley, NITI Aayog vice-chairman Arvind Panagariya and other senior officers of the ministries concerned, took place a day after the Union Cabinet approved India's proposal for notification of its commitments under agreement.

"Essentially, the meeting was to have a broad discussion on the TFA, its impact and role of free trade pacts in wake of India ratifying the TFA...on how the free trade agreements might have to be changed once the agreement is in force," said an official, who did not wish to be identified. Another official said it was a "policy meeting" in which the commerce department made its presentation.

India has sought five years to make legislative changes required to implement the agreement which seeks to expedite the movement, release and clearance of goods, including goods in transit. It also sets out measures for effective cooperation between customs and other appropriate authorities on trade facilitation and customs compliance issues.

The agreement is part of the WTO's Bali ministerial package of 2013.

Ratification of the TFA is being taken positively since it will make it easier for trading partners to export to us. We need to tell this to our FTA (free trade agreement) partners. Trade facilitation means faster timelines for import and also that non-tariff issues at the border would be taken care of," said an expert on trade matters, requesting not to be named. The agreement will come into force after it is formally accepted by two-thirds of WTO members. Till now, 69 of the WTO's 162 member countries have ratified it.

The agreement has articles covering provisions such as information availability and publication, advance rulings, review procedures, customs cooperation and export-import of goods, among others, with various provisions that countries have to comply with.

These provisions are classified into three classes. Category A provisions are those that a country already has in place. Category B provisions have to be implemented after a transition period while Category C commitments require the assistance of other countries to become applicable. Most of India's commitments fall in category B, while a few are in A and there is none in C. The TFA has a few provisions that India had suggested in the first place. These include customs cooperation to tackle money laundering, return of rejected goods and informing traders when their goods are detained.

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Govt. studying proposed TPP agreement

The Hindu

Coimbatiore, February 24, 2016: Union Ministry of Commerce is studying the proposed Trans-Pacific Partnership (TPP) agreement and the impact that it would have on Indian trade. The Centre of WTO

Studies is also analysing the possible impact of the agreement on India, according to Ravi Capoor, Joint Secretary of Department of Commerce, Ministry of Commerce and Industry.

He was speaking at an outreach programme on Free Trade Agreements signed by Federation of Indian Export Organisation here on Tuesday.

The TPP would cover 12 countries and about 35 per cent of the global trade was controlled by these countries. The agreement was expected to be signed in the next one or two years. The Ministry was looking at the possible impact it would have.

India had so far signed 16 trade agreements and most of them were with South Asian and African countries. However, only 10 per cent to 12 per cent of the entire trade from the country happened under these agreements. Exporters should make use of these agreements, he said.

The Indian Trade portal would give details of the benefits if the exporters typed out the HS code or products that they were interested in exporting or importing. The Ministry was also trying to develop a mobile application for this portal to simplify it further.

In the globalised scenario, countries would manufacture only the products that they were strong in. In the next 10 or 15 years, tariff would not be an issue for international trade. It would be the non-tariff barriers. So industry should move towards value addition and adoption of technology. India had to move to a level to develop standards for all products. He later told presspersons that global trade was expected to grow at 3.3 per cent. But, it would end up growing at about two per cent this year. The global trade had shrunk and there were issues such as low oil prices. They were affecting exports.

Regarding Free Trade Agreement with the European Union, he said that Europe was strong in wine, dairy products and automobiles. India had emerged as a hub for manufacture of automobiles. These sectors were likely to be affected if the FTA was signed.

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Column: Hoping for agri-recovery

Ashok Gulati, The Financial Express

February 29, 2016 : With agricultural growth having collapsed to less than 0.5% in the first two years of the Narendra Modi-led government and glaring signs of farm distress, the Economic Survey 2015-16 hopes that agriculture will get revived through the La Nina climatic phenomenon, expected in 2016-17, and some reforms to get “more for less”. The Budget alone will show how far the finance minister is ready to bite the bullet of reforms in agriculture and transform it into an efficient and dynamic sector.

Hoping for La Nina in 2016-17 is a good wish; but the probability of that, as of today, is very low. The coming monsoon may not really benefit from it in any big way. Wisdom lies in hoping for the best, but being prepared for the worst. Any more laxity on the farm-front can result in major disruptions, both economic and social. The newly-announced crop insurance scheme, though in the right direction, will take years to take off on ground as the infrastructure required to make it work efficiently and quickly is not yet in place.

However, the major theme suggested for reforming agriculture in the Survey is “more for less”, i.e., getting more output from fewer inputs, or in economic jargon, raising total factor productivity. Let me focus here on two inputs—water and fertiliser—critical for agriculture, and on which the Survey has alluded nicely.

I think it is the first time that an official document such as the Economic Survey has recognised that a water-scarce country like India is a net-exporter of water through the export of water-intensive crops/farm-derived products like rice, sugar, etc., a point we have been hammering in several columns in this newspaper. But it doesn’t offer any concrete solutions on containing and reforming this situation. One way, perhaps, could be to impose an export tax (“water cess”) on common rice and sugar exports. Can the FM take this bold step? I doubt. In fact, under the pressure of the sugar lobby, there have been subsidies for exports. Common rice exports also deserve attracting an export tax on the basis of ‘optimal export tax’ theory. When India exports more than 10 million metric tons (mmt) of rice in a global market of around 38-40 mmt, it brings the global prices down to Indian levels, and as a result, India exports more quantity to get the same total export revenue. A 5-10% tax on exports of water-intensive crops (common rice and sugar) should be the beginning, if India is serious about saving precious water. If this cannot be done, compulsory drip irrigation in most of Maharashtra and Karnataka’s sugar belt should be taken up on a priority basis, and so should be the reforming of the free-electricity regime in some states that grow rice despite their depleting water tables (Punjab and

Haryana, in particular). Else, the good intentions of Economic Survey, regarding producing "more with less", will remain only a dream.

Let me now turn to fertilisers, another important input in agriculture that is being grossly misused. The Economic Survey's research team deserves rich compliments for doing a detailed analysis of fertiliser subsidy and its associated inefficiencies and misuses. While R73,000 crore (0.5% of the GDP) is budgeted for fertiliser subsidy, the Survey highlights three types of leakages for urea alone. First, it points out that 24% of the urea subsidy goes to inefficient producers of urea manufacturers; second, of the remaining urea subsidy, 41% is diverted to non-agricultural uses and is smuggled to neighbouring countries (Nepal and Bangladesh, primarily); and third, most of the remaining 24% is consumed by large farmers. So, in a nutshell, only 35% of the urea subsidy goes to intended beneficiaries, small and marginal farmers. While this is a bold analysis, the question is how can it be reformed and leakages eliminated? The Survey suggests taking the direct benefits transfer (DBT) route via JAM (Jan Dhan, Aadhaar and Mobile) and de-canalising imports of urea. It points out that this is a fertile candidate for reform. Will the FM have the courage to bite this bullet in the budget? If he does make a move in this direction, it will be an important step signalling that the government is serious about reforming agriculture. Else, it will remain in limbo for want of political guts, and thousands of crores of rupees will get wasted year after year. Where the survey dithered in its analysis of fertiliser subsidy is on exposing how much the unpaid bills of fertiliser industry amount to—estimated to be over Rs 40,000 crore. It would have been better to put that on the table in a transparent manner so that the country knows the real magnitude of the fertiliser mess.

There are many other points that the Survey alludes to with respect to agriculture. For example, moving from border protection (high import duties) on agri-products to greater domestic support, which will be more palatable to WTO members. In this context, would India like to reduce import duty on rice and sugar, both water-intensive crops? In case of rice, it is puzzling that India is the largest exporter and yet has import duty of more than 70%, an absurdity in trade policy! While we import water-saving crops like pulses at 5-10% import duty. Trade policy for agri-products is totally out of gear in the country and needs a major rationalisation exercise. I doubt whether the FM in his budget can do much about this.

Finally, the Survey also bats for modern science, including GM crops, in agriculture. But is the government likely to move in that direction? I doubt. Unfortunately, indications that are accumulating every day is that this government wants to take Indian agriculture back to Vedic era, may be nourished by cow dung and urine, and away from GM. The dithering in taking any decision on GM mustard and Bt brinjal for commercial cultivation, and introducing controls on Bt cotton seed prices through Essential Commodities Act, all indicate a regressive environment for injecting modern science in Indian agriculture. How the new revolution in agriculture is to be brought about remains to be seen.

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Offer to pare farm tariff cap at WTO in exchange for freedom to hike MSP

Business Line

New Delhi, February 26, 2016: Advocating a new negotiating position for India at the WTO, the Economic Survey has suggested that the country can consider offering a reduction in its “very high” tariff ceilings in agriculture.

In parallel, it can seek more freedom to provide higher levels of domestic support for items such as pulses in the form of higher minimum support prices (MSP), it added.

“This would be good for India, and India’s trading partners should be more reasonable about accepting this shift,” the Survey said.

It also warned against the “cost of reluctant engagement”, saying the US and other countries had negotiated pacts like the ambitious Trans-Pacific Partnership (TPP), which ignored India’s interests and made it impossible for the country to change the terms if it decided to join the bloc later.

So far, New Delhi has been fighting for the right to provide MSP for food items without attracting penalties at the WTO as part of a “permanent solution” to the problem of calculating trade-distorting subsidies. It has not linked it to offering concessions in other areas (as the Survey has suggested).

Interestingly, the Survey said that it remains open on whether pressing for a “permanent solution” is vitally necessary. India had obtained a “virtual cast-iron legal guarantee” in 2014, which made the Bali decision permanent and put it on a sound legal basis, it pointed out.

“The particular policies being defended are those that India intends to move out of in any case because of their well-documented impacts: decline in water tables, over-use of electricity and fertilisers (harming health), and rising environmental pollution, owing to post-harvest burning of husks,” it said. Moreover, the government is committed to providing direct income support to farmers and crop insurance, which will not be restricted by WTO rules, it added.

Safeguard measures

On India’s fight at the WTO for the right to impose special safeguard measures (SSMs) — a provision to increase import duties on farm items in times of distress — the Survey said the country needs to question the extent to which it needs the measure.

“India’s only need for SSM arises in relation to a …fraction of its tariff lines — some milk and dairy products, some fruits, and raw hides. India should call for a discussion of SSMs not as a generic issue of principle but as a pragmatic negotiating objective covering a small part of agricultural tariffs,” it said.

The Survey further pointed out that the impact on export performance and trade outcome of the free trade agreements signed by India so far is a “mixed bag”.

It also said that while the trade impact of the TPP may not be seriously adverse in the short run, a careful analysis is needed to respond to long-term challenges.

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Exports shrink for 14th straight month in January

The Hindu

New Delhi, February 16, 2016: Merchandise exports fell for the 14th consecutive month with shipments in January, 2016 contracting 13.6 per cent year-on-year to $21 billion due to weak overseas demand as well as fall in major export items such as engineering goods and petroleum products.

Imports also fell during the month by 11 per cent to $28.7 billion, resulting in the trade deficit narrowing to an 11-month low of $7.6 billion.

The trade deficit would have been lower had the gold imports not recorded an 85.16 per cent increase in January to $2.91 billion.

Releasing the data, the commerce ministry said: “The trend of falling exports is in tandem with other major world economies. The growth in exports have fallen for U.S.A. (-10.51%), European Union (-9.48%) and China (-7.01%) for November 2015 over the corresponding period previous year as per WTO statistics.”

Seventeen of the 30 export sectors recorded a negative growth in January. These included major sectors such as engineering goods (-27.6 per cent to $4.98 billion), ready-made garments (-6.1 per cent to $1.4 billion) and petroleum products (-35.1 per cent to $1.9 billion). Non-petroleum exports in January 2016 fell 10.55 per cent to $19.1 billion.

Merchandise exports during April 2015-January 2016 this fiscal registered a negative growth of 17.65 per cent over the same period in the previous fiscal to $217.7 billion. President of the exporters’ apex body, FIEO, S. C. Ralhan, said the country may end up with merchandise exports of around $260 billion in 2015-16.

Engineering exporters body, EEPC India, Chairman T. S. Bhasin said, “Over-valuation of rupee, after adjusting against the domestic retail inflation, is also eating into the competitiveness of the Indian exports. The fall in engineering exports will have a negative impact on jobs.”

Imports during April 2015-January 2016 recorded a negative growth of 15.46 per cent to $324.5 billion.

When compared to the contraction in overall exports, the fall in non-petroleum exports during April 2015 - January 2016 was lower at (-) 9.6 per cent to $192.4 billion.

Oil prices

Reflecting the fall in global oil prices, oil imports in January 2016 were 39 per cent lower year-on-year at $5 billion. However, non-oil imports during January, 2016 were only 1.4 per cent lower at $23.7 billion.

Oil imports during April-January 2015-16 were 41.4 per cent lower at $73 billion. However, non-oil imports during the period were only 2.95 per cent lower year-on-year at $251.4 billion.

The net export of services for April-December, 2015-16 was estimated at $54.8 billion, lower than $56.5 billion during April-December 2014-15. Taking merchandise and services together, overall trade deficit for April-January, 2015-16 was $52 billion, a fall of 17.6 per cent from $63 billion in same period the previous fiscal, the ministry said.

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Exporters told to make use of preferential duty tariff under free trade pacts

LN Revathy, Business Line

Coimbatore, February 23, 2016: Preferential duty tariff that exporters can claim under the FTAs (free trade agreements) is not being fully utilised. Data shows that only 10 to 12 per cent of the entire trade is happening under the FTAs, said Ravi Capoor, Joint Secretary, Ministry of Commerce and Industry.

At an awareness programme organised by the Director General of Foreign Trade, Coimbatore in association with the Federation of Indian Export Organisations (FIEO) and EEPC India here, Capoor said "FTAs are the least understood. India has signed 16 trade agreements so far out of the 200 inked by various countries across the world between 2000 and 2015. Most of the agreements signed by India are with countries in the South-East Asian region."

"While the partnering country to the agreement can avail itself of the preferential tariff agreed to by the group (of countries) amongst its members, it is not being utilised either due to lack of awareness or because of the exporter's dependence on the clearing agent," Capoor said. He urged the participants to look up the indiantradeportal and avail the concessional tariff.

“Every one can access the site for free, know the countries which are partners to the various trade agreement inked with India and the tariff advantage for the product. We are concerned that while we have the membership of these clubs, we have not taken advantage of it,” he said and admitted to the huge gap in data collection on export under FTA.

Justifying the reluctance/delay in signing the FTA with the European Union, he said “the EU has strength in areas such as wine, automobile and dairy products and is interested in selling these products to India. And, in a globalised environment, every country will look to manufacture products where it has the core competence/strength be it labour, raw material, technology, resources and so on.

“India is becoming a hub for small cars and textiles is another emerging area. Tariff will not be an issue 15 years down the line.”

Get the best standard

“As the world moves towards non-tariff barriers, India will have to move up into high technology and high value added products to compete in the global market. Work towards getting the best standard,” Capoor said.

Speaking on the sidelines, he said the Commerce Ministry is analysing how the Trans Pacific Partnership would impact India. “The Centre for WTO studies is now doing a study on this. Signing the TPP would take another year or two.”

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Exports dip 13.6%; deficit narrows on low imports

The Indian Express

February 16, 2016: The country’s exports fell for the 14th consecutive month by 13.6 per cent in January to $21.07 billion in dollar terms on weakness in global demand and steep fall in shipment of petroleum products and engineering goods. India exported goods worth $24.39 billion in January last year.

Imports, too, shrank 11 per cent to $28.71 billion for January, leaving a trade deficit of $7.63 billion as against $7.87 billion in the same month last year, the commerce ministry said in data released on Monday. India imported goods worth $32.26 billion in January, 2015. The country's trade deficit was the lowest in past 11 months, and it was at $6.85 billion in February last year.

Oil imports for the month of January were valued at $5.02 billion — 39.01 per cent lower than January last year. Non-oil imports also dipped by 1.4 per cent to $23.68 billion. Overseas shipments of petroleum products shrank 35.18 per cent to $1.95 billion in January.

However, gold imports increased by 85.16 per cent to $2.91 billion for the January 2015 period as compared with $1.57 billion during January last year. India is the largest importer of gold in the world.

"The trend of falling exports is in tandem with other major world economies. The growth in exports has fallen for the US (10.51 per cent), European Union (9.48 per cent) and China (7.01 per cent) for November 2015 over the corresponding period previous year as per WTO (World Trade Organisation) statistics," the commerce ministry said.

For the first 10 months of the current financial year, cumulative exports declined by 17.65 per cent to $217.67 billion, as against $264.32 billion in April-January period of 2014-15.

Imports dipped by 15.46 per cent to $324.52 billion for the 10 months, leaving a trade deficit of $106.8 billion. The trade gap was $119.55 billion in April-January 2014-15.

SC Ralhan, president of Federation of Indian Export Organisations said: "India may end up with exports of around $260 billion in 2015-16. However, looking at the exports globally, India is no exception as even leading exports nations have witnessed more or less the similar trend."

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Budget 2016: Govt to take measures to support export sector

Business Standard

New Delhi, February 29, 2016: Finance Minister Arun Jaitley on Monday said that more support will be provided to exporters to give a boost to overseas shipments.

"The duty drawback scheme has been widened and deepened to include more products and countries. The government will continue to take measures to support the export sector," Jaitley said in his Budget speech for 2016-17.

Under the scheme, the government refunds duties on imported inputs for export items.

Exports dipped for the 14th month in a row, down 13.6% in January to $21 billion due to fall in shipments of petroleum and engineering goods, although trade deficit showed improvement.

Imports shrank 11% to $28.71 billion last month, resulting in a trade deficit of $7.63 billion, lowest in eleven months. In February last year, the deficit was $ 6.85 billion.

For the first 10 months of the current fiscal, cumulative exports declined by 17.65% to $217.67 billion, as against $264.32 billion in April-January period of 2014-15.

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FTAs lead to faster growth in imports than exports

Business Standard

New Delhi, February 27, 2016: India’s Free Trade Agreements (FTAs), currently about 42, have increased trade with FTA countries more than would have happened otherwise. However, increased trade has been more on the import than export side, because India maintains relatively high tariffs and hence had larger tariff reductions than its FTA partners, according to the Economic Survey.

In case of the ASEAN FTA, the country has benefitted on both sides of trade flows with a statistically significant 33 per cent increase in exports and 79 per cent increase in imports.

The trade increases have been much greater with the ASEAN than other FTAs and they have been greater in certain industries, such as metals on the import side. On the export side, FTAs have led to increased dynamism in apparels, especially in ASEAN markets.

The overall effect on trade of an FTA is positive and statistically significant. The cumulative effect between the year of the FTA and 2013 on trade with ASEAN, Japan, and Korea is approximately equal to 50 per cent. India's increased trade with FTA countries is not due to diversion of imports from more efficient non-FTA countries.

On the import side, a ten per cent reduction in FTA tariffs for metals and machinery increased imports by 1.4 per cent and 2.1 per cent respectively, compared to other products from FTAs or all products from non-FTA countries.

"In the current contest of slowing demand and excess capacity with threats of circumvention of trade rules, progress on FTAs, if pursues, must be combined with strengthening India's ability to respond with WTO-consistent measures such as anti-dumping and conventional duties and safeguard measures. Analytical and other preparatory work must begin in earnest to prepare India for a mega-regional world," said Ministry of Finance in a press release.

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High price, poor quality make wheat exports unviable

Dilip Kumar Jha, Business Standard

Mumbai, February 24, 2016: India is moving out of the world wheat market due to high price quotes and poorer quality of the grain, following reduced soil moisture on deficient monsoon rain last year.

Of the global output of 720 million tonnes (mt), major producing countries export around 150 mt. Data compiled by the government's Agricultural and Processed Food Products Export Development

Authority (Apeda) showed an 82 per cent decline in Indian export at 550,000 tonnes in April–December 2015 as compared to 2.75 mt in the year-ago period. With the trend continuing in January-March, India's export would be the lowest in four years.

The fall is significant as India is likely to face a supply glut due to record production the previous year. Despite estimates of a decline in this year's output, the supply surplus is expected to continue, creating a storage problem in domestic warehouses.

"There are a couple of reasons for India going out of world wheat markets. Global prices have declined by 25 per cent. India's major competitors like Europe and the Black Sea countries have seen currency depreciations," said Ajay Sahai, chief executive officer of the Federation of Indian Export Organisations under the commerce ministry. The euro depreciated 15 per cent against the dollar during April –December. And, the central government has not allowed export from state reserves.

"The price in the domestic market is much above international prices. Unless exports are supported by some incentives, shipment would be difficult," said Sahai.

Our record export was in 2012-13, of 6.51 mt worth $1.9 billion, when price quotes from India were below the level in the world market. "We are completely outpriced in the market today. Unless our price declines or world price moves up, export would not move up," an Apeda official said. Data compiled by Bloomberg shows the price in America is $183.17 a tonne as compared to $242.91 a tonne from India.

A recent report by the Food and Agricultural Organization claims wheat prices are less than half the $280 a tonne of November 2014.

In India, the agriculture ministry set a production target of 93.38 mt for 2015-16. Output declined to 88.94 mt the previous year, from 95.85 mt in 2013-14.

Vimal Sethi, proprietor of Pooja Trading Corporation, a wheat exporter based in Amritsar (Punjab), blamed subdued quality as a major reason for the fall. "Because of deficient monsoon rain last year, wheat plants did not get adequate soil moisture, resulting in the grain quality that was inferior to the global standard," he said.

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Choppy US recovery, global slowdown, oil prices led to fall in exports: Govt

Business standard

New Delhi, February 24, 2016: Global slowdown, uncertain recovery in the US economy and sharp fall in crude oil prices are the major reasons for decline in Indian exports, the government said today.

"The major reasons for the fall in exports are external factors like the global slowdown, which has impacted both the global trade and India's trade adversely," Commerce and Industry Minister Nirmala Sitharaman said in a written reply to the Rajya Sabha.

"The significant slowdown includes the Chinese economy; moderate but uncertain recovery in the US economy, which is one of our large export markets; and the sharp fall in crude and petroleum prices," she said.

She also said there has been a fall in exports from states such as Andhra Pradesh and Telangana.

In a separate reply, Sitharaman said the government has introduced various measures to increase the country's total exports.

"The government is providing incentives for the export of goods and services from the country to all export units according to eligibility, irrespective of whether they are central or state owned public sector units of private units," she said.

The US was the top destination for Indian exports during the April-December period of the 2015-16 financial year. The exports to the US stood at $30.23 billion.

That was followed by UAE ($22.56 billion), Hong Kong ($8.77 billion), China ($6.95 billion), UK ($6.64 billion), Singapore ($6 billion), Germany ($5.18 billion), Saudi Arabia ($5.12 billion), Bangladesh ($4.22 billion) and Vietnam ($4.08 billion) during the nine months period of the current financial year.

In a separate reply, Sitharaman said government has infused additional corpus of Rs 375 crore into the National Export Insurance Account, raising the corpus to more than Rs 2,100 crore and strengthen the capacity to augment project exports from the country.

"The equity capital of Export Credit Guarantee Corporation of India (ECGC) Ltd has also been raised by Rs 50 crore to Rs 1,300 crore enabling higher underwriting capacity to support exporters to expand their business and support banks for adequate lending to exporters," she added.

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Budget 2016: Govt proposes 14% service tax on shipping companies importing goods

Aditi Divekar, Business Standard

Mumbai, February 29, 2016: In a bid to discourage imports of goods, Finance Ministry Arun Jaitley in Union Budget for financial 2016-17 (Apr-Mar) has announced imposition of 14% service tax on services provided by domestic shipping companies transporting goods from outside India.

“The service tax on services provided by shipping companies by way of transportation of goods by a vessel from outside India up to the customs station in India will be 14% with effect from 1 June, 2016,” said the Budget.

However, industry officials are of the view that though the move is directed towards discouraging imports, it will mainly impact the logistics sector and largely the end-user division as shipping companies will be simply passing on this cost.

“The move of 14% service tax is negative but will not impact shipping companies directly as it will be passed on to the end-user,” said Vikram Surayavanshi, senior analyst with Philip Capital.

Shipping Corporation of India, Mercator and Great Eastern Shipping among others are some of the top domestic shipping companies.

Meanwhile, shipping companies engaged in export assignments will be allowed the input tax credit, a move to encourage export of goods, one of the crucial parts of 'Make In India' initiative kick-started by the government.

“Services provided by Indian shipping lines by way of transportation of goods by a vessel to outside India being zero rated with effect from 1 March, 2016,” said the Budget.

“The move pertaining to input tax credit is in line with industry expectations as it will improve competitiveness of Indian flag companies as against the foreign flag vessels,” said S Hajara, former chairman of Shipping Corporation of India.

Keeping the heavy balance sheets and drying toplines of domestic shipbuilding companies in mind along with the future prospects for them to attract orders mainly from the navy and defence division, the budget has exempted the shipbuilding company from excise duty on capital goods and spares thereof, raw materials, parts, material handling equipment and consumable for repairs of ocean-going vessels.

“This move is going to make shipbuilding more competitive and shipping companies will be encouraged to place orders or repairs with domestic repair units,” said Bhavesh Gandhi erstwhile promoter of Reliance Defence Systems. “This kind of a change will have a positive impact on the shipbuilding industry from the medium-to-longterm perspective,” he added.

ABG Shipyard, Reliance Defence Systems and Bharati Shipyard—currently with asset restructuring company Edelweiss has been reeling under huge debt and dimishing toplines since several quarters due to the unfriendly business climate not just in India but across globe.

The coastal shipping industry, however, remained disappointed as no incentive schemes were announced for this segment.

“There was absolutely nothing for the coastal division. When the ministry is planning to make a shift of transportation from road to sea and can even announce a slew of measures for the road sector, is unable to do anything for the coastal division which is supposed to be the cheapest mode of transport," said Kiran Kamat, managing director at Link Shipping & Management. "We are disappointed with this budget," he added. The sector has been looking for incentives as the Centre had promised to provide incentive of Rs.3,000 per car to those using coastal route.

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Gold import dips substantially in Feb; concern on dore inflow

Rajesh Bhayani, Business Standard

Mumbai, February 16, 2016: A steep discount in the open market has discouraged importers of gold and in February's first half only 15 tonnes are estimated to have been brought in.

The market discount till Monday was $32.5 an ounce or around Rs 700 per 10g to the cost of import. Discounts were due to selling by traders from inventory of what was imported in December-January, when prices were lower.

Despite January being perceived as a dull month for gold, import jumped significantly in value terms, by 85.2 per cent to $2.9 billion (nearly Rs 20,000 crore), up from $1.6 bn a year before. However, from December imports, it is much lower. This is because traders had inventory and the first half of January was inauspicious for this activity in the Hindu calendar.

The market is expecting a two per cent import duty cut in the coming Union Budget and partly as a result, inflow in February has seen a sharp fall so far.

Industry experts are estimating import in first half to be around 15 tonnes only. They say prices in the international market rule above $1,200 per ounce. In comparison, the prices at home are lower by around $32.5 per ounce, or Rs 700 per 10 grams, which makes import unviable, as banks will not realise costs due to the prevailing discounts in the domestic market. Add to that, the prospect of a further drop in prices if import duty is cut in the Budget.

The bullion industry is more concerned about rising import in the form of dore (partially refined gold), especially by some suppliers to refineries where money laundering and mis-declaration had allegedly taken place in the recent past. While these cases are under investigation, some experts say the time has come to insist for KYC (Know Your Counterparty or Know Your Third Party).

This is because wherever dore gold refineries are importing gold through suppliers and do not source directly, there are issues of conflict gold or gold dore produced illegally or gold extracted from mines owned by anti-nationals.

Sudheesh Nambiath, lead analyst at GFMS Thomson Reuters, said: "The Conflict Minerals issue is resulting in increased emphasis on KYC becoming increasingly widespread and all elements of the gold supply chain are likely to find themselves under intensifying scrutiny. This is an issue that will command considerable attention for the foreseeable future."

Earlier gold imported by Indians from Ghana was under the scanner of the Ghana government, which put restrictions of gold exports. The matter of dore import also assumes significance because dore forms 25 per cent of total gold imports and over 30 dore refineries have been set up in the country. Organisation for Economic Cooperation and Development (OECD) had issued due diligence guidelines for dore imports. However hardly two refineries are said to be complying with them.

Nambiath said, "Refiners might be handling gold that originated from regions considered as 'conflict gold' or been sourced from mines run by military regimes banned by the United Nations Security Council. Moreover, it is quite likely that trading in such gold is without the knowledge of the Indian refiner. The cost of this ignorance or taking a simplistic approach to this issue is a very high reputation risk for the bank, refiner and the jewellery industry as a whole."

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Fertiliser stocks surge up to 9% on direct subsidy transfer expectations

The Economic Times

New Delhi, February 26, 2016: Fertiliser stocks ended higher by 3.64 per cent on Friday after reports surfaced that the government is planning to directly transfer fertiliser subsidy to farmers and announce a pilot project for the same in 20 districts.

Fertiliser companies receive subsidies from the government for the subsidised urea they sell to farmers under a regulated regime. However, often is delay in the subsidy payment from the government, which hurts working capital requirements for fertiliser companies and results in higher interest outgo.

According to a Parliamentary Standing Committee report, the Department of Fertilisers (DoF) is working on a roadmap to capture the details of farmers so that sales data can be captured and subsidy can be transferred to their accounts directly.

Experts believe the implementation of the same can be a game changer for the fertiliser sector.

"For food, most states may prefer product subsidies to cash subsidy for now. In the case of fertiliser, progress in plans to direct subsidies to farmers directly (instead of going via producers) can be a game changer," HSBC Global Research said in a note.

The move may also help in increasing government savings.

"As per reports, direct benefit transfer (DBT) for LPG had resulted in savings of about Rs 14,000 crore in FY15. We expect DBT to be gradually used for more subsidies. Implementation of DBT for fertiliser and crop subsidy could result in substantial government savings," said Kotak Securities.

On Friday, shares of Mangalore Chemicals & Fertilizers ended higher by 2.36 per cent. Shiva Agro ended lower by 1.16 per cent. RCF advanced 2.75 per cent at close. FACT, Southern Petrochemicals, NFL, Zuari Agro Chemicals, Coromendal and GNFC and Chambal Fertilisers.

The government had allocated about Rs 73,000 for the fertiliser subsidy in the ongoing financial year. Of that, it has allocated Rs 38,200 crore for domestic urea and Rs 12,300 crore for imported urea. The remaining Rs 22,468.56 crore has been earmarked for sale of decontrolled phosphoric and potassic fertilisers.

"We maintain a 'stable' outlook on our rated fertiliser companies as GoI's subsidy support to the sector remains largely intact due to its strategic importance. However, the credit profiles remain stretched due to delays in the clearance of subsidy. A declining trend in domestic gas prices for FY17 and a downward revision in imported gas prices are likely to reduce the fertiliser subsidy bill for GoI, thus easing the subsidy backlog situation unless the government reduces allocations for fertili ..

The agriculture sector is likely to get importance in the forthcoming Union Budget on Monday after two years of consecutive drought and slump in global food prices, which has hurt farm income.

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