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

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

WTO chief to meet policy makers on key issues

Amiti Sen, Business Line

New Delhi, January 16, 2017 : World Trade Organisation Director-General Roberto Azevedo will meet top industrialists in India in an event organised by International Chamber of Commerce (ICC) headed by telecom giant Sunil Mittal next month and is likely to push for disciplines in e-commerce in addition to less controversial issues such as fisheries subsidies.

“The WTO DG had made a strong case for beginning discussions on e-commerce at the ICC meeting in San Francisco in August 2016.

“While India could agree to go along with a pact on fisheries subsidies as long as its sensitivities are protected, the issue of e-commerce is tricky and the country is not prepared to venture into the area yet,” a Commerce Ministry official told *BusinessLine*.

Consensus push

Azevedo, who has been trying to gain consensus for starting discussions on e-commerce at the forthcoming trade ministers’ meet in Buenos Aires in December, will also meet Commerce & Industry Minister Nirmala Sitharaman.

“The WTO DG is likely to reach out to players in the telecom industry, e-commerce companies and various internet service providers including e-wallets to push the idea of greater cooperation between countries in the digital space,” the official added.

The WTO DG’s office confirmed that Azevedo would attend an event organised by the ICC on February 8 and meet Sitharaman on February 9.

Bridging the divide

In an earlier event organised by the ICC in San Francisco, Azevedo had met representatives from Facebook, Google and PayPal and stressed how an increase in digital trade could help bridge the divide between the globe's rich and poor countries.

The US is one of the proponents of e-commerce at the WTO.

Speaking at another seminar of e-commerce last month, Azevedo had emphasised that e-commerce has been on the WTO agenda since 1998 and not much happened for a long time in that dossier.

"Perhaps as a result of our two successful ministerial conferences, it seems that now the debate here is significantly more dynamic.

"We now have eight e-commerce submissions on the table for discussion," he had said.

Azevedo may, however, find it a bit difficult to convince India to give its nod to negotiations on e-commerce, which it says is a new issue. Sitharaman, who recently chaired a review meeting on WTO and the path ahead with her group of negotiators from Geneva, said that new issues or any issue would come in the agenda only after consensus emerges and there was no consensus.

New Delhi's interests

New Delhi is also working out how to ensure the continuation of the on-going Doha Round of talks, with several development issues on the agenda, that many developed countries want scrapped.

The two pending issues related to food security, which includes a special safeguard measure to help developing countries protect poor farmers against import surges and flexibility for food security subsidies, are also on India's priority list.

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Japan threatens to drag India to WTO on steel

The Hindu

Tokyo, January 21, 2017 : Japan is threatening to take India to the WTO over restrictions that nearly halved its steel exports to the South Asian nation over the past year, a step that could trigger more trade spats as global tensions over steel and other commodities run high.

Such action is rare for Japan. The world's second-biggest steel producer typically tries to smooth disputes quietly through bilateral talks, but with global trade friction increasing, Japan's defence of an industry that sells nearly half of its products overseas is getting more vigorous.

Besides concern over India's protection of its domestic steel industry, Japan is also worried about the more rough and tumble climate for global trade being engendered by incoming U.S. President Donald Trump, and feels it must make a strong stand for open and fair international markets.

"We need to stop unfair trade actions from spreading," said a Japanese industry ministry official, explaining a Dec. 20 request for WTO dispute consultations with India over steel safeguard duties and a minimum import price for iron and steel products.

India imposed duties of up to 20% on some hot-rolled flat steel products in September 2015, and set a floor price in February 2016 for steel product imports to deter countries such as China, Japan and South Korea from undercutting local mills.

"If consultations fail to resolve the dispute, we may ask adjudication by a WTO panel," the industry ministry official said. Such action could come as soon as 60 days – in February – after its consultation request was filed in December.

Tokyo says India's actions are inconsistent with WTO rules and contributed to the plunge in its steel exports to India, which dropped to 11th-largest on Japan's buyer list in 2016 through November, down from sixth-largest in 2015.

"We are following the WTO guidelines," said a top official at India's steel ministry, though adding that New Delhi is ready to sit across the table for trade talks. The date of a WTO-led consultation had not been set.

Growing trade disputes

There has been a series of trade disputes over the past few years amid massive exports of cheap steel products from China, the world's top producer, with Vietnam, Malaysia and South Africa taking or planning measures to block incoming shipments.

China's steel exports dropped by 3.5% in 2016 to 108 million tonnes, still about as much as Japan produces in a year.

Japan is also monitoring its small volume of imports for signs of dumping, fearing that steel products with nowhere to turn because of import restrictions may head to it own market.

"All trade need to be fair. If there are trades that violate the rules, we will take necessary actions while consulting with our government," Kosei Shindo, chairman of the Japan Iron and Steel Federation, said.

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Peeved EU delays talks on FTA with India

Amiti Sen, Business Line

New Delhi, January 19, 2017 : The European Union is keeping India guessing on its intention to resume talks on the proposed two-way free trade pact.

This is a possible indication of EU's unhappiness over India's refusal to extend the existing bilateral investment treaties (BIT) with the region beyond their expiry dates.

More than a month after the Commerce Ministry sought dates to re-start the stalled negotiations, there has been no communication from the EU Trade Commissioner's office on the matter, a Commerce Ministry official told *BusinessLine*.

"There is complete silence from the EU's side on resuming the negotiations despite Commerce Minister Nirmala Sitharaman seeking dates from the EU. It has been more than a month," the official said.

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Last year, New Delhi had asked all countries with which India has investment protection agreements, including the EU, to re-negotiate those pacts on the basis of the new draft text of BIT.

The draft text has been designed by the Finance Ministry to avoid a string of litigations that India has been facing over the last few years from global companies, but it has not gone down well with partner countries.

The EU did not get into negotiations with India to replace the existing individual BITs that the member countries individually have with India (which have already started expiring) with a single treaty encompassing the entire bloc, and is now feeling the pressure. “The EU said that the existing BITs should be extended till a new one is in place and it should precede the rest of the FTA being negotiated with India. The Finance Ministry refused to extend the treaties and now the EU is upset,” the official said.

New Delhi has communicated to Brussels that the proposed FTA — formally known as the Broad-based Trade and Investment Agreement (BTIA) — should be negotiated fast and as a BIT would also be part of the broad pact, it would sort out the problem at hand.

Negotiations on the FTA have been stuck for the past few years due to disagreement between the two sides over issues such as lowering of import duties on automobiles and alcohol by India and recognition of India by the EU as a ‘data-secure’ country.

“It seems that the EU is communicating to India its unhappiness with the arrangement on the BIT by delaying a response to our request on negotiating dates for the FTA talks,” the official said.

The most contentious issue in the model BIT is the proposed Investor-State Dispute Settlement Mechanism as it allows companies to seek international arbitration only when all domestic legal options have been exhausted.

The removal of taxation from the purview of BITs has also come in for criticism from foreign partners.

Sitharaman recently said that the countries which fail to re-negotiate investment protection agreement by April 1, 2017, will not get any benefit under any treaty.

There will be hiatus between the old agreement and the new one whenever that comes into place, which means that investors won’t have any additional protection.

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India will wait & watch US move on TPP, says Commerce Minister

Business Line

New Delhi, January 24, 2017 : India will watch how things pan out following US President Donald Trump's decision to get out of the ambitious Trans-Pacific Partnership (TPP) agreement with eleven other Pacific-rim countries, including Japan, Australia, New Zealand and Canada, as it was never a part of the pact, Commerce Minister Nirmala Sitharaman has said.

"What the new US administration is doing is probably what they had said they would do during the election campaign. We can only watch as we are not part of the TPP," Sitharaman replied when asked by the media to comment on the development on the sidelines of a CII event to promote services trade.

While the US decision to exit TPP may not directly affect India, it could have ramifications on trade pacts being negotiated by the country such as the RCEP deal with the 10-member ASEAN and five others, including China and bilateral pacts with Australia and New Zealand, a Commerce Department official told *BusinessLine*.

"We will have to see how the negotiating strategies of other countries change because of the US walking out of the TPP. Our reactions have to be carefully measured," the official said.

The Minister also said that India was working on a formal proposal on a pact on Trade Facilitation in Services (TFS) and hoped to submit it at the World Trade Organisation before the next Trade Ministers' meeting in Buenos Aires in December.

Services exhibition

Speaking at a curtain raiser for the Global Exhibition on Services scheduled in April, Sitharaman said the manpower advantage that India had would help scale up the sector.

As many as 400 buyers from 70 countries are expected to participate in the four-day event beginning April 19.

There would be around 600 delegates represent 20 services sectors. The three new areas being added are retail and e-commerce, sports services and Railway services.

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Russia says steel exports to India dipped by a third due to curbs

Amiti Sen, Business Line

New Delhi, January 26, 2017 : Russia has alleged that its exports of steel items to India have fallen by a third following imposition of import restrictions by the country and has proposed that the measures be removed immediately.

In a submission to the World Trade Organisation’s (WTO) Dispute Settlement Body, Moscow said it wants to participate in the dispute consultations requested by Japan with India on the matter, a government official told *BusinessLine*.

“The number of countries that want to participate in the consultations has now increased to three with Ukraine and Taiwan also showing interest. India needs to present a good case defending the move and convincing members that the measures were being gradually diluted,” the official said. Japan dragged India to the WTO in December over ‘certain measures on imports of iron and steel products’ on the grounds that they were not compliant with multilateral norms. It requested consultations with India which is the first step in the process of filing a dispute.

The ‘measures’ referred to by Japan include safeguard duties (levy imposed to stop a surge in imports that are hurting domestic producers) on hot-rolled flat products of non-alloy and other alloy steel in coils and minimum import price (MIP) on some iron and steel items.

Russia complained that its exports of the relevant items to India took a direct hit following the imposition of the import restrictions. “In 2015, the amount of relevant Russian exports exceeded $181 million. Following India’s application of the measures at issue, Russian exports of the relevant product to India decreased by almost 38 per cent in 2016 and amounted to $113 million,” the submission pointed out.

Ukraine peeved

Ukraine, which has been complaining about “India's practice of imposing safeguard measures based on the use of forecast market trends rather than an actual increase in imports”, also expressed its interest in the consultations stating that it has been historically a reliable and regular supplier of the products at issue to Indian consumers.

“India hopes to convince all participants that the measures would not be affecting them much in the days to come as the country has already started withdrawing it step-by-step,” the official said.

The number of items on which MIP has been introduced has already been reduced to 19 and may go down further next month. The safeguard duties are also being tapered off and would be totally removed in March 2018.

The Japanese government has estimated that the tariffs could cost Japanese steel companies about $220 million through March 2018, as per reports in the Japanese media.

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India, Egypt to enhance ties in various fields this year: Envoy

The Economic Times

Cairo, January 19, 2017 : India and Egypt plan to step up their ties this year in many areas, including counter-terrorism, defence, cyber security, agriculture and IT.

"2017 will be very exciting because we are starting on a very strong base of the interactions in 2016," India's Ambassador to Egypt Sanjay Bhattacharyya told PTI.

Bhattacharya said that exchanges in counter-terrorism field will continue between the two countries this year as both parts aim at defining and broadening the scope of cooperation.

"In the political area, we will be working for the next ministerial exchange at the Foriegn Minister level. We have just concluded a set of very important meetings. We had our first joint working group on cyber-security, there is also the counter-terrorism working group," he said.

"We will have also the joint defence committee which will look at the specifics of this. We are also hoping that we will be able to have high level military exchanges," he added.

He also said there is a great cooperation that is on going in the field of military training.

"A senior Indian officer has joined the National Defence college in Egypt and like wise an Egyptian officer is to start the course in Delhi at the National Defence College and this is the highest level of defence training we have," he said.

"We will also continue the usual trainings and exercises. We are again hoping to have a ship visit to the Egyptian ports later in the year and to be able to do some maneuvers with the Egyptian navy at that time," he added.

The major landmark of 2016 was President Abdel Fattah el-Sisi's visit to India that has opened the possibilities for cooperation in several areas among both countries, he said.

"I would expect the defence cooperation engagement this year will be stepped up considerably as a result of the discussions Prime Minster Narendra Modi had with Sisi as they outlined a number of steps," Bhattacharya said.

He also saw a huge potential in the field of trade.

"This is perhaps the most promising area. Early in February will be receiving a delegation from the Confederation of Indian Industry (CII), which is coming at an invitation of Federation of Egyptian Industries (FEI)", he said.

"We are also working with the agriculture committee for the parliament for a possible exchange in the field of agriculture, agro-processing, aromatic plants and herbs which can be used for medicinal purposes," he said.

"I visited Beni Suef (located about 115 km south of Cairo) recently and we had some good discussions on the possibilities of using Beni Suef as a centre of medicinal plants and aromatics," the Ambassador said.

An Egyptian business delegation will be visiting India which will be focused on small and medium-sized enterprises (SMEs) and textile.

Another Indian delegation is expected to come to Egypt in April which will be fouced on IT, he said.

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Netherlands for Indian bank on its soil to aid bilateral trade

The Economic Times

Kolkatta, January 19, 2017 : The Netherlands is in favour of presence of Indian financial institutions and banks on its soil to support growing bilateral trade with India and hopes that with Brexit, the reality comes to the fore sooner.

"India is the fifth largest investor in Holland and 20 per cent of India's total export to European Union is through the Netherlands. So, it is proper to have an Indian bank or institution having a base there," Netherlands Ambassador to India, Alphonsus Stoelinga told PTI.

Speaking on the sidelines of an interactive session at the Bharat Chamber of Commerce, he said that following Brexit, now it is up to the financial sector to choose from three destinations in the European Union - Paris, Frankfurt and Amsterdam.

Stoelinga indicated that a bank like the State Bank of India should look at opportunities in the financial sector that the Netherlands offers, especially post Brexit.

He said the country is hardselling Amsterdam to the financial sector which would allow FIs to continue with their "financial passport" to carry out business as usual across the European Union following Brexit.

The Netherlands has expressed interest in collaborating with Indian companies for high-end technology in several areas including smart cities and shipping.

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Cabinet approves trade pact talks with Peru

Kritika Suneja, The Economic Times

New Delhi , January 18, 2017 : The Union Cabinet on Wednesday gave its nod for holding negotiations for a trade agreement with Peru on trade in goods, services and investment.

The decision was the result of a Joint Study Group setup between India and Peru in January last year which agreed for such an agreement.

"Both sides concluded the Joint Study Group Report on October 20, 2016 and agreed to carry forward the discussions on trade in goods, trade in services and investment," the Indian government said in a statement.

Peru was third amongst export destinations for India in the Latin America and Caribbean (LAC) region during 2015-16. India's bilateral trade with Peru was $ 107.32 million in 2005-06 which grew 1319.45% in 2015-16 to $1523.35 million with exports at $703.12 million and imports at $820.22 million.

"The trade agreement would be an important landmark in India-Peru relations and consolidate the traditional fraternal relation that have existed between India and LAC countries...The trade agreement will enhance the trade and economic relations between the two countries," the government said.

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China's outbound direct investment mounts to $170.11 billion last year

The Economic Times

Beijing, January 18, 2017 : China's non-financial outbound direct investment (ODI) increased 44.1 per cent year on year to $170.11 billion last year as the world's second largest economy began investing its over $3.05 trillion forex reserves abroad.

Chinese companies invested in 7,961 overseas enterprises in 164 countries and regions in the past year, Ministry of Commerce said.

Beijing is also giving a major thrust to Chinese President Xi Jinping's Silk Road initiative.

The Belt and Road (Silk Road) initiative was a strong boost to cooperation between Chinese and foreign firms, state-run Xinhua news agency reported.

Outbound investment to countries involved in the initiative totalled $14.53 billion in 2016 Han Yong, an official with the commerce ministry said.

Chinese companies have especially paid attention to the real economy and emerging industries for outbound investment, said Han.

Up to 18.3 per cent of the ODI went to manufacturing in 2016, up from 12.1 per cent in 2015.

Meanwhile, Chinese companies carried out 197 overseas mergers and acquisitions (M&A) in the manufacturing sector last year, accounting for 26.6 per cent of the total.

In the same period, 12 per cent of China's total ODI was invested in information transmission, software and information technology services, and 109 overseas M&A deals related to the sector were announced by Chinese firms.

Han said overseas M&A had facilitated China's economic restructuring and industrial upgrading.

In December alone, the country's ODI declined 39.4 per cent from the same period of 2015 to 8.41 billion US dollars, according to the ministry.

Chinese regulators are also looking out for potential risks brought by "irrational tendencies" amid rapid outbound investment growth and are examining irregularities in such investments, an official with China's top economic planner said last week.

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Bilateral trade hit by banks' reluctance to transact with Iran

Arun S, The Hindu

New Delhi , January 18, 2017 : India's trade with Iran is yet to be fully normalised even a year after the lifting of international sanctions on Tehran.

Indian exporters are complaining of difficulties faced by them due to some Indian nationalised banks refusing to deal with Iran-related transactions, according to the apex body for exporters in the country, the Federation of Indian Export Organisations (FIEO).

This is despite the Reserve Bank of India (RBI), in a notification in May 2016, specifying that payment or remittance or reimbursement can be made from or to Iran in any freely convertible currency for imports from Iran and exports to that country.

According to Ajay Sahai, director general and chief executive officer, FIEO: “We have been given to understand that a few banks have already started dealing in Iran for negotiation of documents invoiced in freely convertible currency (other than U.S. dollar).”

Mr. Sahai added that, “However, some of the nationalized banks have not yet started the same, which has caused concern and inconvenience to the exporters particularly as the balance in rupee account with the UCO Bank is fast depleting consequent on the decision to make payment to Iran in freely convertible currency for import of oil.”

UCO Bank

Previously, following the sanctions on Iran over its nuclear activities, both the nations had agreed in 2012 that 45% of India’s oil import payments to Iran would be paid in rupees and deposited in UCO Bank as that bank hardly had an exposure to U.S. or European Union.

In turn, Iran was to utilise that amount to pay for its imports from India. It is learnt that the balance in the rupee account may not be sufficient to cover three months of India's exports to Iran.

A senior official in a public sector bank, however, said on condition of anonymity that there have been no problems regarding Iran-related transactions in currencies other than the U.S. dollar. Exporters and importers have been advised to carry out their transactions in currencies such as the Euro wherever possible, the official said, adding that banks still have apprehensions that the U.S. regulators could take arbitrary decisions on Iran-related transactions.

India-Iran trade

India's trade with Iran in FY'16 was $9 billion, of which $6.3 billion were imports from Iran (of which $4.5 billion was the oil import bill), while India's exports were worth only $2.7 billion.

Of the $5.4 billion worth imports from Iran in April-October FY'17, oil imports were $4.5 billion. India's exports to Iran during April-October FY'17 were $1.4 billion. The trade between these two countries were worth $16.2 billion in 2011-12 (India's exports of $2.4 billion and imports from Iran worth $13.8 billion).

To boost India-Iran trade, FIEO had in December 2016 asked the RBI to soon allow Iranian banks such as Persia International Bank, Parsian Bank, Bank Pasargad, Bank Mellat and Saman Bank to open branches in India.

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Rice industry seeks traceability to boost exports, curb rejections

Prashant Krar, The Economic Times

Chandigarh, January 26, 2017 : The rice industry has urged the government to monitor traceability in paddy to boost exports and check rejections of overseas consignments.

More than two dozen industry leaders, who attended a CII round-table on opportunities and challenges in the rice industry in India and the way forward, also sought stronger agricultural market boards, agencies and transparency in price recovery to ensure better returns to farmers.

Rajesh Srivastava, chairman of the CII Regional Committee on Food and Agriculture and chairman of Rabo Equity Advisors, said traceability - such as verifying the origin of a consignment and tracking it through to the market - would ensure that the rice industry met the quality standards followed by various countries. "This way, the right quality of rice can be exported and rejection can be prevented, thus curtailing any losses," he said.

The industry leaders volunteered to implement several measures, such as driving research in seed development and other activities related to farm services, on their own, he added.

Agricultural and Processed Food Products Export Development Authority chairman Devender K Singh said the rice industry has a bright future, but it has to address the issue of quality regulations. "There is a need to focus on clusters for production of rice with farmers to address the concerns about pesticide usage and other requirements of the markets," he said.

The industry leaders asked the government to help the agencies monitor traceability in paddy right from the farm to market. They have also called on the government to ensure better returns for the paddy farmers through transparent price discovery.

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Study for exploring new sectors to boost Kerala's export competitveness

The Economic Times

Kochi, January 24, 2017 : A study on the export competitiveness of Kerala conducted by Kerala State Industrial Development Corporation, (KSIDC) and the Federation of Indian Export Organisations (FIEO) has stressed the need to explore new sectors in which the state has a competitive advantage.

The study identifies sectors such as marine products, foodstuff, plywood, textile, rubber, carpets and medical instruments as having potential for diversification. It called for streamlining efforts for developing an export basket containing items from three Es— electronic, electrical, and engineering for which world demand is growing.

As part of the initiative, 58 products clusters that account for 90 per cent of Kerala's regular exports were studied and their growth prospects analysed. The analysis found that 19 items in Kerala's export basket were competitive in the world market.

The state has competitive lines in spices, essential oils, rubber related and carpet products only. But these items accounted for just 20.43% of the state's export revenues in 2014. Most of the exports of Kerala are from primary and low technology sectors and representation of high value items is minimum. Vegetable products, animals & fish together form about 50 per cent of the exports from the state.

The study identified strategic clusters classified as fortune changers, front runners and favourites so that the government can put its limited resources to get higher growth in a short span of time.

The products that could change the state’s fortunes such as electronic items, machinery and parts, pharmaceutical items, medical equipment, value added chemicals, plastic products and essential oils are the fortune changers. Front funners contain items such as jewellery, rubber products, coir products, wood products especially plywood, textiles and automobile components. Favorites represent traditional products such as coffee, tea, spices, shrimps, natural gums, coconut, coconut oil, marine preparations, meat products, foodstuff and beverages.

The report called for policy initiatives focusing on three areas - basic requirements, efficiency enhancers and innovation & sophistication – to boost export competitiveness.

The study was conducted in the context of the state losing its dominance in some of the major agricultural sector exports. Dr M. Beena, KSIDC MD handed over the study report to state Industry Minister A C Moideen, at a function held at the Minister's Chamber.

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SAIL widens export base to Europe

Rakhi Mazumdar, The Economic Times

Kolkatta, January 18, 2017 : Steel Authority of India has managed to widen its export base to Europe with Rourkela Steel Plant (RSP) flagging off its maiden export consignment from its new Plate Mill on Tuesday.

The consignment, which consists of High Tensile Plates with CE (European Confirmity) marking, is the first-of-its-kind for the Plate Mill. The despatch meets the international standards of DNV-GL Business Assurance. With this, SAIL has now expanded its toehold into the European market and strengthened its global footprints.

The new state-of- the-art Plate Mill has produced and dispatched structural quality steel plates with close dimensional tolerance, flatness and surface finish, a company statement said. The Mill, which was inaugurated in February 2015, was part of RSP's Rs 12,000 crore modernization plan to raise capacity to 4.5 million tonne from the existing 2 million tonne.

It consists of a 4,300 mm wide plate mill, one of the widest such facilities in the country and includes advanced features such as computerised control system to maximise yield and high capacity levellers with hydraulic control to produce distortion free plates. It has a capacity of one million tonne per annum (mtpa) with provision for expanding the output to 1.8 mtpa in future.

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Invisible exports, visible impact

Natalie Blyth, Business Line

January 21, 2017 : From tourism to design, the export of services from one country to another has grown steadily over the past decade. Trade and business are changing as advances in technology and increased prosperity alter the way consumers buy and companies operate.

Services have been a bright spot in an otherwise gloomy global trade landscape in recent years, growing faster than merchandise trade and being less prone to peaks and troughs. During the period from 2005 to 2015, the nominal value of services exports grew at a compounded annual growth rate of 6.2 per cent, whereas the comparable figure for goods was 4.6 per cent. Yet measuring services trade can be difficult. The data available is limited and fragmented. Tracking crates of manufactured goods and commodities as they are shipped around the world is relatively straightforward by comparison.

Tangible, intangible offerings

Trade in services encompasses a range of activities, many of which are either an integral part of other industries, such as construction or transport, or are transmitted as data over the internet, such as music and film downloads or legal and architectural design services. It can be hard to estimate services that are delivered by an affiliate of a company with headquarters in another country. And how do you separate out the service component of a business that sells wind turbines but also offers a remote diagnostics service to its customers, for example?

New research undertaken by HSBC in conjunction with Oxford Economics draws on a range of data sources to analyse the role of services trade in the global economy today and how that is likely to change in the future. While the report predicts that services will account for a quarter of global trade by 2030 from 23 per cent in 2015, what is particularly marked is how important services trade has become for individual countries.

Closing the gap

Advanced economies including the US, the UK, Germany, France, Japan and Ireland have all benefited significantly from exporting services in recent years. In the UK, for example, services accounted for 44 per cent of total exports in 2015 versus 30 per cent in 2000 — and that is despite a slowdown in the UK’s financial services exports in the wake of the 2008-09 financial crisis. Though finance remains the UK’s biggest service export, the country has also successfully grown business services and creative sectors such as advertising, design and architecture.

But while the UK, the US and others currently dominate services trade, they are already facing competition from developing countries, including India and China.

Tourism, IT to the fore

Tourism is a major contributor in many developing countries, including China. It now ranks as the third biggest exporter of services after the US and the UK. And China’s efforts to rebalance its economy by shifting towards consumer spending means services are likely to become increasingly important for it. In some of the smaller economies, services exports have become the lifeblood, amounting to the equivalent of 33 per cent or more of GDP. From Luxembourg with financial services, to the Maldives with tourism, services exports now account for the bulk of GDP in some countries.

India, meanwhile, has found a special niche. Capitalising on a skilled, English-speaking labour force, India has developed a thriving industry providing business and IT support services to banks and companies worldwide. Services are now a major driver of India's economy, accounting for 36 per cent of the country's exports.

In the future, both India and China are likely to increase their share of services trade at the expense of developed markets as they tap into an increasingly mobile and expanding middle class, and invest in digital infrastructure.

Looking into the future

Developments in technology will change buying habits in other markets too. Virtual reality, for example, could open up opportunities for entrepreneurs in a range of services industries — from gaming and entertainment to education and online retail.

There are still barriers to overcome. Changes to US trade policy mooted by President-elect Donald Trump and the UK referendum vote to leave the European Union both create uncertainties over how tariffs will be applied on goods and services in the future. And there are delays in implementing proposed trade agreements in Asia and the Americas.

Other barriers are disappearing, however. The internet means that even the smallest companies can now easily trade overseas. Technology is making services more tradable. What that means is that trade's invisible exports are going to be increasingly important to the global economy.

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