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INDIA'S TRADE NEWS AND VIEWS

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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.

Import licensing regime is open, transparent: India to WTO

Live Mint

New Delhi, Jul 30 2015: India has clarified to the WTO members that its import licensing regime is open and transparent and affects only a few restricted items.

A WTO report, prepared as part of the trade policy review (TPR) of India held in June, has mentioned that India has a complex import regime. In response to these observations, it was informed in the TPR that the duties are imposed to equalise internal taxes such as central and state value added taxes and other taxes leviable under domestic production, consumption of sale of goods, Commerce and Industry Minister Nirmala Sitharaman has said in a written reply to the Rajya Sabha.

These are not only WTO compatible but also commonly followed in most member countries, she said. "It was also clarified to the WTO that India's import licensing regime is open and transparent and affects only a few restricted items primarily on the grounds of need to protect human, animal and plant life and environment," she added.

It was also mentioned that these differences would be further neutralised with the introduction of a more simplified Goods and Services Tax (GST). In a separate reply, she said that India is working with WTO members to ensure permanent solution at the 'earliest'.

It was agreed by the WTO members to find a permanent solution by 31 December on a best endeavour basis.

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WTO slashes tariffs on IT goods but implementation held up

Geneva . Business Standard

July 25, 2015:The World Trade Organization finalised a list of 201 information technology products to be freed from import tariffs in a $1.3-trillion deal on Friday, but said it was still short of the critical mass of countries needed to put it into force.

The first global tariff-cutting deal in 18 years will mean consumers should pay less for products such as computers, touch-screen devices, games consoles and hi-fi systems, while companies will see cuts in the cost of machine tools and components, giving a boost to economies globally.

"Today's agreement is a landmark," WTO Director-General Roberto Azevedo said in a statement, adding that the value of trade involved was worth 7 per cent of the global total, more than world trade in cars.

The product list includes new-generation semi-conductors, GPS navigation systems, medical products which include magnetic resonance imaging machines, printed circuits and satellites, the WTO said. Once in force, the agreement will update the WTO's 18-year-old Information Technology Agreement and add the 201 products to the list of goods covered by zero-tariff and duty-free trade.

Removing tariffs on trade worth $1.3 trillion is expected to give a $190-billion boost to the world economy.

However, five of the 54 WTO members that negotiated the deal - Taiwan, Turkey, Thailand, Colombia and Mauritius - failed to sign up, leaving the deal short of a quorum, measured as 90 percent of world trade in those products, needed to bring it into force for all 161 WTO members.

"The majority have already confirmed their participation. We expect those participants who didn't, that they will soon," Azevedo told reporters. "And others who haven't even participated before have expressed their interest in joining." The five who had not yet signed up had different reasons for doing so, such as needing more time to consult with their ministries or because key officials were travelling, he said.

US Ambassador Michael Punke said he was confident that those who had not signed up would join soon.

"This was the best possible outcome," he said.

US Trade Representative Michael Froman said more than $100 billion of US exports alone would be covered by the updated agreement and industry estimates showed the removal of tariffs could support up to 60,000 additional jobs.

"ITA's expansion is great news for the American workers and businesses that design, manufacture and export state-of-the-art technology and information products, ranging from MRI machines to semiconductors to video game consoles," he said in a statement.

EU Trade Commissioner Cecilia Malmstrom said: "This deal will cut costs for consumers and business - in particular for smaller firms, which have been hit especially hard by excessive tariffs in the past."

Technology manufacturers such as General Electric Co, Intel Corporation, Texas Instruments Inc, Microsoft Corp and Nintendo Co are among companies expected to benefit from the deal.

Intel welcomed the range of products covered.

"That definitely impacts Intel and that's important, but also as important are the other technologies that it covers that were not even dreamt of when the original ITA was negotiated," said Intel communications director Lisa Malloy.

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WTO members seal trillion-dollar IT trade deal

Business Standard

July 24, 2015: World Trade Organization (WTO) members finalised a deal on Friday to cut tariffs on $1 trillion worth of information technology products in a boost for producers of goods ranging from video games to medical equipment.

The agreement to update the WTO's 18-year-old Information Technology Agreement (ITA) adds more than 200 products to the list of goods covered by zero-tariff and duty-free trade.

The US Trade Representative said more than $100 billion of US exports alone would be covered by the updated agreement and industry estimates showed the removal of tariffs could support up to 60,000 additional jobs.

"ITA's expansion is great news for the American workers and businesses that design, manufacture, and export state-of-the-art technology and information products, ranging from MRI machines to semiconductors to video game consoles," US Trade Representative Michael Froman said.

Technology manufacturers like General Electric Co, Intel Corporation, Texas Instruments Inc, Microsoft Corp and Nintendo Co are among companies expected to benefit from the deal.

Additional duty-free products include computer software and software media, video game consoles, printer ink cartridges, GPS devices, medical devices such as MRI machines and next generation semiconductors, the Technology CEO Council said.

"That definitely impacts Intel and that's important but also as important are the other technologies that it covers that were not even dreamt of when the original ITA was negotiated," said Intel communications director Lisa Malloy.

"Things like ... health devices and GPS (are) technologies that semiconductors and Intel hope to power in the years to come."

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Showing spine at the WTO negotiations

Abhijit Das, The Hindu

July 16, 2015: With just a few weeks left for the World Trade Organization (WTO) members to finalise the post-Bali work programme under the Doha Round, the season for wrongfully blaming India for the deadlock in multilateral trade negotiations at the WTO is back. The stand being taken by the developed countries suggests that they are not willing to abide by what had been agreed to earlier in the Doha negotiations. In contrast, they are pressuring India to take onerous commitments that were not even contemplated during the negotiations. They also seem to be preparing grounds for shifting the blame on India for not yielding to these demands. Further, the developed countries have stalled negotiations on a permanent solution to the problem of public stockholding for food security.

This poses triple challenges for the government — securing India's interests in the multilateral trade negotiations; explaining its negotiating position to its key trade partners, and fighting the perception battle in the media. How the Department of Commerce and other key arms of the government grapple with these challenges will determine whether India will be wrongly blamed, yet again, for a lack of progress in the negotiations.

As decided at the 2013 Bali Ministerial Conference of the WTO, the post-Bali work programme is required to build on the decisions taken at Bali on agriculture, development and least-developed countries' issues, as well as all other issues under the Doha mandate that are central to concluding the Doha Round. It is also expected to provide for a permanent solution to the problem of public stockholding for food security purposes, an issue that was partially resolved at Bali through the so-called peace clause.

Farm subsidies

Over the past six months, WTO members have engaged intensively to address some of the key impediments in a successful completion of the Doha Round. With the objective of showing some concrete outcomes by the Nairobi Ministerial Conference of the WTO, the Director General of the World Trade Organization, Roberto Azevêdo, has repeatedly exhorted countries to focus on issues that are "doable for all members and not just for some". This has provided an escape route to the developed countries to ward off demands for cuts in their farm subsidies. This is one of the central issues in the Doha Round, on which significant progress was already made by July 2008. But the developed countries are now using various stratagems to wriggle out of their part of the negotiating deal on agriculture.

It is an open secret that a lowering of ambition on farm subsidies is a thinly veiled attempt at shielding the United States from taking commitments that might require it to make changes to its recent Farm Act. Ironically, a lowering of ambition in farm subsidies is sought to be limited only to the developed countries.

Developments in Geneva suggest that the developed countries are aggressively seeking onerous commitments from India and China that are not part of the negotiating agenda on farm subsidies and were not even contemplated during the entire course of the Doha Round. These relate to curtailing flexibilities for granting subsidies on agriculture inputs and imposing fixed monetary ceilings on certain categories of farm support provided by India and China.

Thus, it would be low ambition for commitments by the developed countries, but extremely high ambition for obligations by India and China. Clearly, at the WTO, some of the developed countries do not mean what they say, nor do they say what they mean.

So, are the developed countries being merely unrealistic in their expectation that India and China would yield to their unreasonable demands? Perhaps not.

Behind the strategy

Pressuring developing countries, particularly India, to make concessions that go beyond the negotiating mandate is a part of strategy effectively deployed by the developed countries in the course of the Doha Round whereby they have deflected attention from their own repeated failures to do their part for a possible trade deal. Let me illustrate this. From 2005 onwards, the U.S. has successfully diverted attention from its inability to cut cotton subsidies — a crucial element in the negotiating template — and shifted the blame on India for a lack of progress in negotiations.

India has proved to be a soft target in the past for papering over negotiating inaction by the developed countries. The example of sectoral initiatives in tariffs is particularly relevant. Although the negotiating mandate merely contemplated non-mandatory participation in sectoral initiatives for elimination of tariffs, in an unusual twist to the English language, the developed countries sought to interpret “non-mandatory” to imply mandatory participation by Brazil, China and India in the sectoral initiatives. Understandably, India firmly resisted such pressures, and was wrongly blamed for impeding progress in the negotiations.

Coming to the recent developments, the developed countries would surely be aware that the concessions being sought from India are beyond the scope of the current negotiations and not in conformity with the negotiating mandate. However, India is at a risk of being caught between a rock and a hard place.

How India must respond

Agreeing to the commitments sought from it would limit the policy space of the government in respect of certain categories of farm subsidies. This could jeopardise the livelihood of millions of farm households and further exacerbate the agrarian distress. India is fully within its rights to resist pressures for commitments that are beyond the agreed negotiating mandate. However, a resolute stand by India against the unjustified and onerous demands being made on it would provide grounds to the developed countries to blame India, if the post-Bali work programme is not agreed upon by the end of this month, or the Nairobi Ministerial Conference in December 2015 fails to deliver significant results.

This brings us to another crucial question. How should India respond to the onerous demands being made on it? India's response should have at least four distinct dimensions. First, at the WTO, India should unequivocally resist requests for concessions that are beyond the negotiating mandate. The government would need to replicate the resolve and firmness shown by it last year during the impasse on trade facilitation and food security issues. However, India could indicate its willingness to show movement within the confines of the mandate, provided the developed countries are willing to reciprocate by cutting their farm subsidies and addressing issues of food security and farm livelihood.

India should also actively galvanise support from other developing countries for ensuring that the Doha Round is not concluded without the developed countries making meaningful cuts in their farm support. It should also seek simplification in the tariff structure of the European Union, which is extremely complex and impedes farm exports of developing countries.

Second, the Department of Commerce and the Ministry of External Affairs should work closely to clearly articulate India's negotiating approach to the capital-based officials of its key trade partners. In the past, at crucial stages in the negotiations, considerable misinformation was circulated and an impression created that India was being rigid and difficult in the negotiations. India was also wrongly projected as being isolated. This pattern could be repeated in the coming few weeks. This needs to be forcefully countered.

India should clearly bring out the unreasonable demands being made on it and elucidate how the onus for slow progress in the negotiations actually lies on the developed countries. Further, India should unequivocally convey to the developed countries that it would not acquiesce to demands that go beyond the negotiating modalities, while the developed countries fail to honour their side of the negotiating mandate.

Third, the Department of Commerce should regularly brief the media about key developments in the negotiations for ensuring that the battle of perception is not lost. Otherwise, there is a risk that the government's perspective might get drowned in the blitzkrieg by commentators sympathetic to the economic interests of the developed countries.

Assuring the farmer

Fourth, the government should assure the stakeholders, particularly the farming community, that it would not bend under unfair demands and pressures of the developed countries. In the absence of such an assurance, the farmers may feel apprehensive about continuity in government support schemes for agriculture.

It is important that the government works out a detailed strategy for each of these four dimensions. Failure to act decisively and firmly on any of these aspects could result in devastating consequences for the country.

During the tea party in Alice in Wonderland, the March Hare and Hatter advise Alice that she should say what she means and mean what she says. If the developed countries had followed this sagacious advice, the Doha Round would not have been in the negotiating equivalent of a rabbit hole for more than a decade. Wisdom lies in concluding the Doha Round by matching the intent of various WTO ministerial declarations and the content of modalities texts with a balanced final outcome. Any further attempt at shielding the U.S. from taking cuts in farm subsidies as required in the Doha negotiating modalities texts on the one hand, but expecting India to take onerous commitments in respect of its farm subsidies that go beyond the existing negotiating mandate on the other, can only erode the credibility of the rule-based multilateral trading system of the WTO.

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India’s import duty hike raises red flag at WTO

The Times of India

New Delhi, July 23, 2015: For years the government has been talking about moving to Asean rates of import duty, which is around 5%.

But, a recent review of India's trade policy has showed that the average applied customs duty rate went up to 13% in 2014-15, compared to 12% at the time of the last review in 2010-11 — a move that has seen some red flags go up at the World Trade Organization. This means that the applied rate is much higher: Between 10% and 300% for farm products and up to 150% for industrial goods. On an average the average applied customs tariff was around 9.5% for non-farm goods.

For years, the developed as well as some of the developing countries have been pressing India to lower tariff barriers, arguing that the economy has developed. But given local sensitivities, the government has failed to go for a sharper reduction.

In UPA-I, the focus was to aggressively towards Asean rates but some of the decisions didn't come through," acknowledged an officer, who was involved with the deliberations. Sources pointed out that one of the key reasons for the increase in average tariffs was a hike in duty on farm goods as well as items such as gold, silver and even crude oil.

In addition, specific duty in sectors such as textiles — which was an important element of the move towards Asean rates — did not materialize as the domestic industry has managed to get the government to retain protection as well as subsidies. In sectors such as automobiles, despite the reduction in recent years, tariffs remain the highest in the world, although domestic production has gone up significantly and almost all the major auto makers have now set up shops in the country.

For long, the domestic industry has managed to convince successive governments that import barriers in the form of high customs duty are needed to ensure that Indian industry is not adversely impacted by higher costs on account of poor infrastructure and transaction problems.

In any case, reduction in import duty on agricultural products is politically unpalatable. But, all these have not gone down well at the WTO with several countries, ranging from Argentina and South Korea to Oman and the US, demanding lowering of barriers to trade.

The average tariff on agricultural products is 36.4%, Argentina pointed out. Oman said 25% of India's tariff lines remain unbound, adding to the complication.

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Food subsidies still haunt India at WTO

Uttam Gupta, Business Line

July 26, 2015: India is concerned over the delay in reaching a ‘permanent solution’ to the problem of dealing with food procurement subsidies. The WTO members are thrashing out a work programme for the 10th Ministerial to be held in Nairobi this December.

Under Agreement on Agriculture (AoA), developing countries can give agricultural subsidies or aggregate measurement support (AMS) up to 10 per cent of the value of agricultural production.

AMS has two components viz., (i) ‘product-specific’ or the excess of price paid to farmers over international price or ERP (external reference price) multiplied by quantum of produce; (ii) ‘non-product specific’ or money spent on schemes to supply inputs such as fertilisers, seed, irrigation, electricity at subsidised rates.

Peace clause

For computing AMS, support on inputs to resource poor farmers was ‘excluded’ under the AoA. The rationale for this was that such support does not have any ‘trade-distorting’ effect. The same logic applied to product specific subsidies. However, it was not explicitly incorporated in the agreement as the minimum support price (MSP) given to farmers then was substantially lower than ERP, resulting in negative ‘product-specific’ AMS. Indeed, this position continued till 2004-06.

Thereafter, due to significant increase in MSP, things have changed. For instance, at present for wheat, MSP at $226 per tonne (corresponding to ₹1,450 a quintal) is higher than 1986-88 based ERP of $130 per tonne. In view of product-specific subsidy going into positive territory and subsidies on agricultural inputs also increasing substantially, there is a real risk of AMS exceeding the 10 per cent ceiling.

The problem can be solved by re-visiting the AoA to (i) update ERP to current level and (ii) exclude purchases from resource poor farmers for computing product-specific subsidies. This indeed is a permanent solution that India has been looking for.

At Bali ministerial in December 2013, developed countries had agreed to a ‘peace clause’ (exemption from penal action for violations).

Under the peace clause, if a developing country gives agricultural subsidies in excess of 10 per cent of its agri-GDP, no member will challenge this until 2017 when WTO would look for a permanent solution to address their food security concerns. This meant that while peace clause would go in 2017, there was no guarantee that permanent solution would be in place by then.

The peace clause too came with a plethora of conditions, such as submission of data on food procurement, stockholding, distribution and subsidies (including their computation), etc. These also included establishing that subsidies are not ‘trade distorting’ which is nearly impossible to comply. In other words, even in the interim, any member can challenge farm support measures.

India’s intervention

Team Modi recognised that Bali agreement was flawed. So, in the meeting of the WTO-General Council (GC) in Geneva (July 31, 2014), it insisted on a time bound action plan to address the food procurement subsidy issue.

That was considered too ambitious by US. However, the WTO-GC in its meeting held on December 10-11, 2014, approved extension of peace clause till such time a permanent solution is put in place.

On the face of it, it might appear that India is in a safe zone. But, it is not so. This is because the conditions appended to peace clause have not been dropped and the search for a permanent solution has been deferred for an ‘indefinite’ period. The fear is of the US asking for all sorts of data to deny us benefit of peace clause even in the interim.

At the Nairobi ministerial, India should insist on getting a permanent solution ‘now’ by (i) updating ERP to the current level and (ii) excluding purchases from resource poor farmers for computing product-specific subsidies under AoA. The developed countries should recognise that a three-decade old ERP cannot be compared with today’s MSP in India to compute the current level of subsidy.

Likewise, if resource poor farmers can get exemption on input subsidies, how can they be denied exemption on product subsidies?

If, they still drag their feet, India should insist on ‘unconditional’ availability of interim ‘peace clause’ till such time a permanent solution is found. This must not be linked to any other issue on the table such as industrial tariff or services.

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India, WTO working together for permanent solution on food security

Business Today

New Delhi, July 22, 2015: India is working with the World Trade Organisation (WTO) members to ensure an early permanent solution on the food security issue, parliament was informed on Wednesday by Commerce and Industry Minister Nirmala Sitharaman in a written reply to the Rajya Sabha.

Ending months-long deadlock, the WTO in November last year acceded to India's demand to remove constraints on the food stockpiling issue.

The WTO's General Council, the highest decision making body of the organisation, had accepted India's demand for extending the peace clause till a permanent solution is found for its food stockpiling issue. This has enabled India to continue procurement and stocking of foodgrain for distribution to poor under its food security programme without attracting any kind of action from WTO members even if it breaches the 10 per cent subsidy cap as prescribed by the multilateral trade body.

For a permanent solution, India had proposed either amending the formula to calculate the food subsidy cap of 10 per cent which is based on the reference price of 1986-88 or allowing such schemes outside the purview of subsidy caps. If no solution is found by the agreed deadline of December 31, the peace clause will continue till the time a solution is found.

Replying to a separate question on STC, she said that there are large outstanding receivables by the State Trading Corporation (STC) from some parties. The outstanding receivable amount is over Rs 20 crore as on March 31.

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EU-ban will impact $1 bn pharma exports from India: Pharmexcil

Business Standard

Hyderabad, July 27, 2015 : The European Union's ban on 700 generic drug products based on data integrity issues would impact exports worth at least $ 1 billion from India, according to the Pharmaceutical Export Promotion Council of India (Pharmexcil).

While products being manufactured and marketed directly by Indian pharmaceutical companies constitute around 30 per cent of this estimated value, those carrying the rest of the value are being sourced by global generic players from India, estimates Pharmexcil.

"We have estimated the value of the products banned by the European Union to be between $ 1 billion and $1.2 billion. These products are being sourced from India by global majors. Therefore, the EU decision impacts our pharmaceutical exports to the extent of around $1 billion," Pharmexcil director general P V Appaji said here today.

According to Appaji, the Union commerce ministry is reviewing the situation arising out of the EU decision and has asked Pharmexcil for the necessary feedback on the impact.

He said the ministry was unhappy with the blanket ban since the French regulator, ANSM, which had found discrepancies in the ECG reports in its May 2014 audit itself stated that the findings should not be extrapolated beyond the clinic part of the facility.

However, Appaji did not directly respond to a question on whether the commerce ministry was planning to approach the EU with any fresh representation on this matter.

The Government of India and clinical research firm GVK Biosciences Pvt Ltd, which had conducted the bioequivalence studies on these products at its Hyderabad facility, opened dialogue with various regulatory agencies in Europe and presented more data from cardiologists as well as from the company's internal investigations following the recommendation for suspension of these products by the European Medicines Agency (EMA) in January this year.

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India, EU to resume talks on FTA on 28 August

Asit Ranjan Mishra, Live Mint

New Delhi, July 20 2015: India and European Union (EU) will resume talks at the chief trade negotiators' level on 28 August to break the deadlock on the proposed free trade agreement (FTA). However, lack of clarity on domestic laws regarding bilateral investment treaty (BIT) and the government procurement law may delay the progress in negotiations.

The previous United Progressive Alliance (UPA) government had introduced a public procurement bill in the Lok Sabha in 2012, but it lapsed when the 15th Lok Sabha's tenure ended in 2014.

The model BIT is under consultation, and no final decision has been made in this regard.

"We have agreed for the meeting between the chief trade negotiators on 28 August. The idea is that the chief negotiators should meet and gauge the level of interest between both sides and how to go about it," a government official said, requesting anonymity.

India's chief trade negotiator J.S. Deepak and his EU counterpart Ignacio Garcia Bercero will meet in New Delhi.

The negotiations on the FTA, called Broad Based Trade and Investment Agreement (BTIA), began in 2007, but the two sides have missed at least four deadlines to clinch a deal even after 15 rounds of talks.

A prolonged recession in the EU, and its focus on concluding Transatlantic Trade and Investment Partnership agreement with the US, also delayed the progress.

India now seems to be ready to accommodate demands to lower tariffs for wines and spirits, which has been a contentious issue due to domestic industry lobbies, but unlikely to yield on the demand for a stringent intellectual property rights regime, including a more stringent geographical indications regime.

India is also likely to insist on data security status from the US, which is expected to increase knowledge outsourcing jobs to India.

In services agreements, India specifically focuses on the clause that allows greater flexibility in the movement of skilled professionals without restrictions like those pertaining to their experience in the field. Since the EU does not have a common working visa, it restricts Indian professionals from moving freely across EU nations.

A problem arises when a person working in a company has to move from a branch in one country to a branch in another.

India is also unhappy as EU wants to put sectoral caps on visas for Indians.

But it is the lack of domestic regulatory clarity on the investment treaty and government procurement, which is likely to bind the hands of the Indian negotiators if both sides moderate their ambitions and wish to clinch a deal at the earliest.

EU is keen to have a substantive government procurement chapter and eyes India's lucrative tenders by the government agencies. However, India is not keen to give greater market access to EU in this area beyond bringing in more transparency in its procurement practices.

The new draft BIT under discussion proposes to curb foreign investors' right to take the Indian government for international arbitration by forcing them to first exhaust domestic legal remedies.

"Out of the 15 chapters in the proposed free trade agreement, we have an investment chapter. But our model BIT is not ready. Government procurement is another chapter, but we don't have any clarity on government procurement yet. Without finalizing these, we cannot complete negotiations. Even if we don't give away anything on government procurement, the policy needs to be clear through an act of Parliament," added the official quoted earlier.

Arpita Mukherjee, professor at the Indian Council for Research on International Economic Relations, said this is the right time to restart negotiations as both sides seem to have realized they need a trade deal after temporarily abandoning talks.

"But both sides need a deal with both old and new issues. The EU side is likely to raise its concern on food safety standards in India after the ban of Maggi noodles by the Indian authorities," she said.

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India exports plunge again, clouding growth outlook

Aditya Kalra, Reuters

New Delhi, July 15, 2015: India's goods exports fell for the seventh straight month in June as global demand remained sluggish, underscoring the challenges Prime Minister Narendra Modi will face to maintain and further boost economic growth.

Merchandise exports, equivalent to about a fifth of India's $2 trillion economy, have shown increasing weakness in recent months. In June, they contracted 15.82 percent year-on-year to $22.29 billion.

While Modi aims to accelerate growth to over 8 percent in 2015-16, a global trade slowdown is undermining chances of an export-led recovery, while high interest rates and weak monsoon rains are putting the brakes on domestic demand.

"It's a very sharp decline ... If this trend continues then we would expect a much lower GDP number," said N.R. Bhanumurthy, an economist at the National Institute of Public Finance and Policy, a Delhi-based think tank.

Bhanumurthy, however, said he was hopeful India's exports will pick up pace as the global economy revives.

Modi aims to almost double goods and services exports to $900 billion in the next four years, but his 'Make in India' initiative to attract foreign investors has yet to yield results even though big Asian tech investors are circling.

Indian businesses are losing competitiveness due to high borrowing costs and the relative strength of the rupee, as well as the country's long-standing weaknesses - bad infrastructure, red tape and corruption.

Hopes of a near-term cut in interest rates have been dampened by the latest figures showing that consumer price inflation rose to an eight-month high in June.

A nuclear deal that foresees lifting sanctions against Iran offers one bright spot, at least, and could boost India's exports to the Islamic nation by over a third to $6 billion this fiscal year. Food exporters may gain most.

Wednesday's data showed the trade deficit widened slightly to $10.83 billion from $10.41 billion in May.

Imports in June fell 13.4 percent from a year earlier to $33.12 billion, their seventh consecutive decline, chiefly reflecting a slide in prices for oil - India's top import. Oil has fallen further after the nuclear accord between Iran and global powers.

"Both exports and imports remain in the contractionary zone, and we think it is unlikely that exports will be a big driver of GDP growth," Goldman Sachs said in a note on Tuesday.

While India's growth outlook has improved after Modi took charge last year, some of his vital reform proposals, crucial to boost growth further, have faced opposition protests.

Next week's monsoon session of parliament is expected to be volatile, with political scandals likely to disrupt proceedings and put land, labour and tax reform bills on the back burner.

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Govt ready to further raise floor price for onion exports

Amiti Sen

New Delhi, July 30, 2015: To put a check on spiralling domestic prices of onions, the Government is open to raising the minimum export price (MEP) of the bulb further if required.

The Commerce Ministry is keeping a close eye on the movement of domestic prices of onions and will call an inter-ministerial meet if it sees the need for further intervention, an official told *BusinessLine.*

Close watch on prices

“We are constantly monitoring the prices of onion in various mandis and are in touch with the Agriculture Ministry, too, on the matter. If we see further pressure on prices, despite our recent decision to raise MEP, we will take a fresh view on the matter and may raise it further,” the official said.

The MEP is a minimum price stipulated by the Government below which exports of a particular commodity is not allowed.

The Directorate General of Foreign Trade had increased the MEP for onions last month to $425 a tonne for all varieties from $250, following the increase in wholesale prices to Rs. 16/kg in June from Rs. 12 in May.

Costly bulb

While onion prices fell following the increase in MEP, it has subsequently risen touching a high of Rs. 36 per kg at the Lasalgaon Agriculture Produce Marketing Committee (APMC) on Tuesday.

At the retail level, Thiruvananthapuram recorded the highest price of Rs. 59 a kg this week, according to Government figures.

In Delhi, consumers are paying up to Rs. 44 for onions.

Kharif supply

“If the Agriculture Ministry gives an indication that the existing MEP has also been breached, we will take a decision on raising it further,” the official said.

Supply, shipments

The Government is hopeful that onion prices will stabilise in the next couple of weeks as early harvest of the kharif crop has started taking place in parts of Andhra Pradesh and supply from Karnataka is expected soon. India exported 10.86 lakh tonnes of onion valued at Rs. 2,009 crore in 2014-15. In the previous year, onion exports were estimated at 13.58 lakh tonnes worth Rs. 2,877 crore.

Indian onion is mainly shipped to countries such as Bangladesh, Malaysia, Sri Lanka, United Arab Emirates and Nepal among others.

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India's jewellery exports can quintuple to $40 billion if controls tightened

Reuters

NEW DELHI, July 30, 2015: India's gold jewellery exports could jump five times to $40 billion per year by 2020 if quality controls are tightened, the World Gold Council (WGC) said, adding the country is punching below its weight due to questions over the purity of its products.

Mom-and-pop shops employing generational craftsmen dominate the 400,000 jeweller-strong industry in the world's largest gold consumer. Most of them have yet to adopt standards launched in 2000 due to a shortage of hallmarking centres and added costs.

The Bureau of Indian Standards is aware of the issue and is looking to address it, said WGC's India head, Somasundaram PR. He also urged the government to incentivise opening of more centres and to eventually make standardisation mandatory.

"Hallmarking is to jewellery what 'know your customer' norms are for financial services," Somasundaram said. "It is essential to the success of the jewellery industry in a world where consumers seek transparency, quality and consistency."

India's overseas sales of jewellery are just 8 percent of the global gold market as buyers in places such as the Middle East, where hallmarking is stringent, do not trust the purity or quality of Indian exports, he said.

India's gold imports, however, are 20-25 percent of the demand in the world. Its gold consumption oscillates between 800 tonnes and 1,000 tonnes.

Organised Indian jewellers like Titan Company's (TITN.NS) Tanishq and Rajesh Exports (REXP.NS), the world's largest gold jewellery maker and a top exporter, have been leading campaigns to persuade consumers to upgrade to standardised products.

Rajesh Exports this month bought Swiss company Valcambi, the world's largest gold refiner, for $400 million in a deal that could further boost its image globally.

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Spices Board rolls out subsidies to promote output, exports

Business Line

Kochi, July 30, 2015: To boost spices production, Spices Board has launched a raft of measures to support farmers by offering various subsidies and sensitise them on the need to enhance the quality of spices through post-harvest improvement techniques.

The Board also decided to provide financial assistance to farmers for irrigation, land development, mechanisation, replanting, soil conservation and organic farming of various spices, mainly small cardamom. It will also give financial aid to them for purchasing modern irrigation and farming equipment and tools.

The Board Chairman A Jayathilak said in a statement that the initiatives are part of the Board's 12th Plan to improve export-oriented production of small cardamom and post-harvest improvement of other spices across spice-growing regions in India.

The eligibility criteria for availing the benefits are based on land held by the grower and is different for each programme.

Under the new schemes, cultivators of small cardamom in Kerala and Tamil Nadu will receive up to ₹70,000 for replanting, while farmers in Karnataka will get up to ₹50,000.

They will also receive aid for planting material production.

The Board also gives financial aid to organic farmers for attaining organic certification, maintenance of Internal Control System and purchasing organic inputs and bio-agent production units.

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Dip in exports: Govt sets up council for trade promotion

Business Standard

New Delhi, July 19, 2015: Concerned over continuous decline in exports, the government has constituted a council comprising members of the Centre and states to promote India's overseas shipments.

The Union Commerce and Industry Minister will be the chairperson of 'Council for Trade Development and Promotion', while trade/commerce ministers in states and Union Territories will be the members.

Besides, 14 secretaries of the central government including commerce, revenue, shipping, civil aviation, agriculture, food processing and economic affairs will also be the members the council, according to an official.

Contracting for the seventh month in a row, India's exports dipped by 15.82 per cent in June to $22.28 billion. The move is also aimed at achieving the $900 billion exports target by 2019-20.

The council will provide a platform to state governments and UTs for articulating their perspective on trade policy to help them develop and pursue export strategies in line with national foreign trade policy.

Besides, it will help the Centre apprise states and UTs about international developments affecting India's trade potential and opportunities and prepare them to deal with evolving situation.

The Centre and state governments would also deliberate in the council on the relevant infrastructure to promote trade and identify impediments and infrastructure gaps that are adversely affecting India's exports.

The council will be "recommendatory" in nature and will meet at least once every year, the official said.

The other members of the council include Chairman Railway Board, Niti Ayog Secretary and CEO, Director General of Foreign Trade, Director General of Federation of Indian Export Organisations, representatives of CII and FICCI and concerned Joint Secretary of Department of Commerce.

The whole idea behind the council is to increase involvement of states/UTs to promote exports, the official said, adding that the Commerce Ministry has also asked them to appoint commissioners and prepare export strategies.

As many as 21 states have appointed export commissioners while 14 states including Madhya Pradesh and Gujarat have framed strategies for outward shipments.

In a meeting on July 15, the ministry had asked states to expedite infrastructure development process and to formulate a trade policy in order to boost exports.

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Soyameal exports decline by 85% in 7 yrs: Assocham

Shashikant Trivedi , Business Standard

Bhopal , July 17, 2015: Farmers engaged in soy cultivation are highly distressed as India's soyabean meal exports have dropped drastically by about 85% from record level of 4.24 million tonnes (MT) during fiscal year (FY) 2008-09 to a meagre 0.64 million ton in 2014-15, noted a just-concluded study by apex industry body ASSOCHAM.

Looking at near normal monsoon, the country is expected to reap rich harvest of over 12 million ton soybean meal putting further pressure on the domestic prices as India has become globally incompetitive and import of soy oil continues to increase.

"This significant slump in soybean meal exports from India is largely on account of speculation and an unrealistic approach in handling established export markets," according to the study titled 'Soybean: Time to regain lost ground,' conducted by The Associated Chambers of Commerce and Industry of India (ASSOCHAM).

Madhya Pradesh is known as 'Soybean bowl of India,' accounting for lion's share of 60% of total production followed by Maharashtra (30%), while Rajasthan, Andhra Pradesh, Karnataka, Chhattisgarh and Gujarat together account for remaining share of 10%.

"Soybean scenario in India is currently at crossroads due to erratic production, declining soybean meal exports and consequent idling of plants, poor soybean oil output while edible oil imports are growing and currently account for almost 60% of country's total requirement," said DS Rawat, national secretary general of ASSOCHAM while releasing the findings of the chamber's study.

"Unless a targeted approach is initiated, India might permanently loose export market for soybean meal that has been so assiduously build over decades," said Mr Rawat.

"Industry should adopt a pragmatic approach to revive lost markets on soybean meal export front," he added.

A constant rise in edible oil imports into the country is another alarming aspect highlighted by the study prepared by the Agri-business division of ASSOCHAM.

"Edible oil consumption in India is currently growing at a compounded annual growth rate (CAGR) of three% thereby placing enormous burden and dependence on imports to meet current deficit of 10 million ton due to near stagnant domestic production at about 8 million against a requirement of 18 million."

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Oil imports from Saudi Arabia down 8 per cent in FY15

The Economic Times

NewDelhi, 27 Jul, 2015: India has cut crude oil imports from its top supplier Saudi Arabia by over 8 per cent in 2014-15 as it raised purchases from Africa and Latin America in an apparent bid to cut reliance on volatile Middle-East. Crude oil import from Saudia Arabia was cut to 34.99 million tonnes in the year to March 31, 2015 from 38.18 MT in 2013-14, Oil Minister Dharmendra Pradhan said on Monday.

While imports from sanctionhit Iran were almost flat at 10.95 MT, shipments from Kuwait fell to 17.85 MT from 20.35 MT. Imports from Iraq were almost flat at 24.51 MT but the same from UAE rose 15 per cent to 16.11 MT. Overall, imports from Middle East fell by over 5 per cent to 109.88 MT, he said in a written reply to a question in the Lok Sabha here.

Crude oil imports from Africa and South America rose 10 per cent each as Indian refiners bought heavier but cheaper grade oil, he said. India imported 189.44 MT of crude oil in 2014-15, almost unchanged from the previous fiscal, to meet over 80 per cent of its oil needs. Saudi Arabia was the top supplier with 34.99 MT with Iraq being number two. Venezuela was a very close third with 24.40 MT of oil supplies, 13 per cent higher than 2013-14.

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