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The world's major societies are now wrestling with the enormous social power wielded by…

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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.

India urges RCEP members to abide by WTO services rules

Asit Ranjan Mishra, Live Mint

New Delhi, May 24, 2017 : India has asked members of the Regional Comprehensive Economic Partnership (RCEP) group, including Australia and New Zealand, to abide by their multilateral commitments on the movement of professionals, in an effort to guard against growing protectionism across the developed world that could hurt India's information technology sector.

RCEP is a grouping of 10 members from the Asean grouping and India, China, Japan, South Korea, Australia and New Zealand, which has been negotiating a trade deal since May 2013.

"Position of countries on services is changing rapidly on a real time basis. This is narrowing down our negotiating space," a commerce ministry official said, speaking under condition of anonymity.

An expert on international trade, also requesting anonymity, said that India seems to have climbed down from its earlier tough stand on services negotiations in RCEP keeping in mind the evolving global economic scenario.

"Commitment on movement of skilled professionals under the existing World Trade Organisation (WTO) rules is pretty minimal. Asking countries to abide by such rules under RCEP means India gains nothing while it gives significant tariff concessions in goods to member countries including China," he added.

India has offered to eliminate tariffs on 80% of traded goods, seeking flexibility to increase or decrease this common concession by 8 percentage points over a 20 year period, keeping in mind its high trade deficit with China.

However, countries such as Australia and New Zealand are insisting on a more ambitious trade deal with tariff elimination on 92% of traded goods.

The commerce ministry official said negotiations are expected to extend to the first half of 2018 and are unlikely to be completed this year.

A statement from the commerce ministry said India stressed that temporary movement of professionals should not be confused with immigration.

Commerce minister Nirmala Sitharaman "pointed out that a selective approach to the detriment of services would not be in the best interest of RCEP negotiations, and would be failing to acknowledge, promote and protect the strength and mutually beneficial nature of the current relationship, where Indian companies with limited expatriate presence had created over 100,000 local jobs in the RCEP countries, apart from cost saving and enhanced competitiveness," the ministry statement further said.

RCEP member countries will resume negotiations in the 19th negotiating round scheduled to be held from 18-28 July in Hyderabad.

Trade calculations: India offers to parley on RCEP tariff terms

The Economic Times

New Delhi, May 24, 2017 : Faced with slow progress on the issue of easier movement of professionals across borders, there is now increased pressure on India to eliminate import duties on 92% of its traded goods with 15 countries including China under a regional trade agreement.

India, instead, has offered to eliminate tariffs on 80% of products with a margin of 6% depending on level of development of the other country as part of the Regional Comprehensive Economic Partnership (RCEP). With this math, India may have to eliminate duties on 74% of its traded goods with China over the long run.

India's trade deficit with China was about $53 billion in 2015-16. Officials said countries are likely to ask India to reduce this margin (known as deviation in trade parlance) to 1% as India prepares to host the next round of negotiations in July in Hyderabad. “Ambitions will have to be elevated to keep deviations at minimum and reduce the staging period,” said an official aware of the matter, referring to a second offer on duty cuts before July.

SERVICES IMBALANCE

Cautioning against protectionist trends creeping into RCEP talks, India said the progress on services negotiations is not keeping pace with that on goods. In fact, countries' positions have tightened on services although India hasn’t sought further relaxations to avoid ruffling any feathers.

“We want them to give commitment on the most favoured nation position. It is worrying that this is also becoming a negotiating issue now,” the official said. Commerce and industry minister Nirmala Sitharaman recently stressed the need for the RCEP fraternity to remain guarded and united against recent protectionist trends and be supportive of inclusive trade policies at the third Regional Comprehensive Economic Partnership inter-sessional ministerial meeting on May 21-22.

New Delhi has maintained that the progress on services is not keeping pace with the progress on goods in the negotiations as countries have sought more discussions on India's proposal for easier movement of its IT professionals. "Some countries have made offers on Mode 1and Mode 3 but they say more talks need to take place on Mode 4 services," the official added.

Mode 1 is cross-border supply between countries. Mode 2 refers to consumption abroad. Mode 3 means commercial presence, which includes joint ventures between foreign service providers and domestic businesses. Mode 4 is for movement of people. Mode 4 services is of key interest to India.

India urges WTO to include new issues on the agenda only after consensus

The Economic Times

May 17, 2017 : India wants that new issues in the WTO agenda should be taken up only after consensus among the member nations although it is not opposed to informal discussions, Commerce Minister Nirmala Sitharaman has said.

The comment assumes significance as developed countries including the US are pushing for inclusion of certain issues like investment facilitation and ecommerce in the WTO agenda, which is being opposed by developing nations like India.

"Whether it is investment (facilitation issue) or anything else, our position is that we have no problem discussing any issue. But if it has to come into the agenda, we are saying that there should be consensus among members," she told PTI in an interview.

Before including issues in the WTO agenda, "if they want to discuss a paper which somebody has submitted, I have no issue talking about it", she said.

She added that on investment facilitation and ecommerce, India wants that everybody should be on board.

"On investment issue, I will talk about the paper but investment is something which should be the subject of bilateral agreements and not a part of multilateral body," she said.

Once an issue is included formally in the agenda of WTO meetings, the member countries are expected to take it forward.

There are already important issues pending at the WTO table such as finding a permanent solution for food security purposes and providing protection to poor farmers of the developing countries in case of surge in imports.

Further, Sitharaman said India has also submitted a paper on trade facilitation agreement in services (TFS) and it wants WTO member countries to talk about it.

If investment facilitation, which primarily deals with a nation's policy on attracting foreign investments, gets included in the WTO agenda, it would restrict the space for formulation of domestic norms.

Before the 11th Ministerial Conference of the WTO in Argentina in December, the country wants resolution of these important issues which are on the table.

Why India shouldn't sign on to more free trade agreements, except on really favourable terms

Ajay Srivastava, The Economic Times

May 13, 2017 : Imposing high import duties was the most repeated poll promise of President Donald Trump. A 45 per cent import duty on products from China would reduce the trade deficit, promote manufacturing and create jobs in the US, Trump argued. But while team Trump has taken action against H1B visas and the like, one might wonder why nothing tangible has been done on the import duty issue so far.

The answer is straightforward: the US has already surrendered its flexibility to increase import duty at the WTO. Any duty increase now will fall foul of WTO commitments. Water shortage is the most fundamental trade policy problem faced by the Trump administration. Water is a standard WTO term that signifies the flexibility available with the countries to increase import duty on a product. It is the difference between bound and applied duty of a product.

Bound duty can be understood as the ceiling duty , crossing which would violate WTO commitments. So, if the bound duty for a product is 40 per cent and applied duty is 10 per cent, water will be 30 per cent and the country has flexibility to raise the applied duty from 10 per cent to 40 per cent.

Higher the water, greater the flexibility available to a country to raise duty . Now, for the US, the water or the difference between bound and applied duty is less than 1 per cent on most items. The EU, Japan, and most other developed countries have less than 2 per cent water. China, a late entrant at the WTO, is the only developing country forced by the US to have an average of 0.1 per cent water.

Most developing countries, however, retain more water. For example, water is more than 30 per cent for India on most industrial products.

The number of products on which a country notifies bound duties is called the binding coverage. The more products under binding coverage, the less flexibility there is on increasing duty. India has bound only 75 per cent of tariff lines. For the remaining lines, it can raise tariffs to any level without violating WTO commitments.

Its water problem made the Trump administration realise that it cannot impose high duties within the WTO framework. So an alternate strategy of bypassing the WTO if its rulings do not suit US interests is mooted. However, this would force other countries to do the same.

Even though Trump blames China, Mexico, and South Korea for the large US trade deficit and loss of jobs, business realities may force team Trump to change its stand again. The US consumer is critically dependent on China for the supply of most daily use products. Most Chinese goods will be cheaper even after the imposition of 45 per cent tariffs because of high American wages. Duty increase will not lead to local manufacturing.

Till last year, it looked almost certain that the three mega free trade agreements (FTAs) under negotiation would gradually morph into WTO-like institutions. With the US withdrawal under Trump two of these, the TransPacific Partnership (TPP) and the Trans-Atlantic Trade and Investment Partnership (TTIP) are already dead. Regional Comprehensive Economic Partnership (RCEP) remains the only remaining mega FTA under negotiation.

India is a high water country while China and Japan, the major RCEP countries, are low water countries. So today India can increase import duty on a product without violating WTO commitments, but China or Japan cannot. Signing of an FTA will take away our flexibility to raise duties on imports from these countries. This is because the import duties once reduced under an FTA cannot be increased, even if they are below the bound rates. Our other FTA partners like EU and Switzerland are also low water countries.

In the coming months, we can expect the US to stop many imports on some pretext such as labour law violation and pressurise countries to reduce duties on products of interest to the US. For most developing countries, this may be the time to rejoice at the water advantage they have and not squander it by signing FTAs, unless quantifiable benefits are available.

India and EU should firm up FTA to offset concerns over OBOR

The Economic Times

New Delhi, May 23, 2017 : Common concerns over China's mega 'Belt and Road' initiative should make India and the European Union resume talks immediately on the long-pending free trade agreement, Germany said today ahead of Prime Minister Narendra Modi's visit to Berlin.

German Ambassador Martin Ney said the issue is likely to figure during talks between Modi and German Chancellor Angela Merkel next week.

Strongly pushing for resumption of dialogue on the India-EU free trade agreement, Ney said the proposed pact has strategic ramifications and both sides should try to finalise it soon when a China-centric trade system is being pushed forward.

India had boycotted a summit on the 'One Belt and One Road' (OBOR) initiative in Beijing on May 14-15, while several European countries had participated in it but did not sign the trade declarations citing absence of consultation process in finalising it.

"India has not participated in the OBOR summit. The European countries have participated but have not signed the trade declaration of OBOR.

"If both India and EU have certain hesitations about it (OBOR), then it should give us extra incentive to sit down and resume negotiations on the FTA. It is a good reason to resume negotiations as soon as possible," he told reporters.

He also criticised China for adopting a "top down" approach while promoting OBOR, calling it a China centric trade enhancing system.

He said the initiative is of one country, adding OBOR is very much different from the Silk route initiative which had a "bottom up" approach.

The envoy said it was time the EU and India, with enormous trade involvement, make it a point to speak up for future and look for an FTA, which is officially called EU-India Broad-based Trade and Investment Agreement (BTIA).

"In the last inter-governmental consultations (in 2015), Prime Minister Modi and Chancellor Merkel spoke out strongly in favour of resuming FTA negotiations. But it has not happened," Ney said.

Modi will hold the 4th inter-governmental consultations with Merkel covering bilateral and global issues during his two-day visit to that country beginning Monday. Ney said the issue of OBOR may figure in the talks.

The German ambassador said India's investment protection treaties with a number of European countries including with Germany have expired, and in absence of them, investments from Europe to India do not have institutional protection. He said firming up of the FTA will address the issue.

The talks on FTA, launched in June 2007, have been stalled since May, 2013, when both sides failed to bridge substantial gaps on crucial issues, including data security status for IT sector.

The European Union, earlier this year, had pressed India to extend by six months its bilateral investment pacts with EU-member countries, saying absence of the treaties could adversely impact trade ties and FTA talks.

Modi, Merkel nudge FTA, sign a dozen agreements

Suhasini Haidar, The Hindu

Berlin, May 31, 2017 : India and Germany agreed on the need to resume free trade talks between India and the European Union soon, and signed a dozen wide-ranging but low-profile MoUs on the subjects of education, health, skill development and sustainability after a meeting between Prime Minister Narendra Modi and German Chancellor Angel Merkel on Tuesday.

"Prime Minister Modi and Federal Chancellor Merkel underlined their determination to ease bilateral trade and investment…They also reaffirmed their strong commitment to the EU-India Broad Based Trade and Investment Agreement (as the FTA is called) and their commitment to bring about a resumption of the negotiations at the earliest possible date. This would, inter alia, allow to establish provisions for the mutual protection of new foreign investments," a joint statement issued in Berlin said, addressing an issue that has been raised repeatedly by businessmen in the European Union.

Talks in July

MEA officials said Indian and EU negotiators would meet in July this year and then in October for the EU-India summit in Delhi, in an effort to "take FTA talks forward."

Investor protection

FTA talks had stalled after 16 rounds of negotiations in 2013. Since then bilateral investment treaties with Germany and other European countries have also lapsed. German CEOs, who met with Mr. Modi at a business lunch, said this had caused much "uncertainty" in the business relationship, as they were particularly worried about investor protection.

At €17.42 billion in bilateral trade (2016), India ranks 24th among countries doing business with Germany, a figure that grew very marginally from €17.33 billion in 2015. German FDI in India is also low, at just under a billion Euros in 2016.

"We clearly see the progress under your term…. But the cancellation of the India-German investment treaty makes it very difficult for investment especially by small companies from Germany, and we urge that you work on the conclusion of the EU-India FTA," Hubert Leinhard, president and CEO of hydropower company Voith Gmbh, and president of the German business chamber APA, said, speaking in the presence of Mr. Modi and Ms. Merkel.

The Prime Minister, who spent several hours on Monday evening speaking to Chancellor Merkel at the official retreat of Schloss Meserberg outside Berlin, was accorded a ceremonial guard of honour at the German Chancery in Berlin on Tuesday morning.

After an hour of talks in the Inter-Governmental consultations, where he was accompanied by MoS (External Affairs) M.J. Akbar, Energy minister Piyush Goyal, Commerce Minister Nirmala Seetharaman, and Science, Technology and Environment Minister Harsh Vardhan, the two sides announced agreements on cyber policy, railway safety, and the training of Indian Skill Development Officers and Cluster Managers.

Mr. Modi said Germany has prime place in skilling India's youth, adding that the two countries are "made for each other".

"We are a country of 1.2 billion, with 800 million youth. Germany has the right expertise in engineering, manufacturing, and is excellent in innovations," he said. Mr. Modi however, sidestepped questions on India's "protectionist" economic policy and on whether India would maintain its Paris accord commitments if U.S. President Donald Trump pulled out of the climate change agreement. “The question is hypothetical at present,” the MEA spokesperson said.

India, Russia plan Free Trade Agreement in Eurasian region

Dipanjan Roy Chaudhury, The Economic Times

New Delhi, May 29, 2017 : India and Russia, both looking to undertake joint economic projects in the resource-rich Eurasian region, are expected to launch a process to create a free trade zone under the Eurasian Economic Union (EAEU) during Prime Minister Narendra Modi's visit to St Petersburg on June 1-2.

India will soon formalise the FTA with EAEU and the announcement of it is likely to be made following the annual summit between Modi and Russian President Vladimir Putin on June 1, officials said. Both sides have accepted a report prepared by the Joint Feasibility Study Group on India-EAEU FTA and the formal negotiations would begin by July, they said.

EAEU comprises Russia, Belarus, Armenia, Kazakhstan and Kyrgyzstan. India's FTA with EAEU is expected to open up a huge market with a trade potential of $37-62 billion. The current trade between India and the five Eurasian countries is $11billion. The FTA with the Eurasian countries was dictated by India’s need to diversify into new markets. India has a targeted trade of $30 billion with the five EAEU countries by 2025 and $15 billion annual investment, according to one of the officials.

The International North-South Transportation Corridor, which is expected to get a decisive push during Modi's trip, will contribute in a big way to the success of the FTA with EAEU. India's entry into the Shanghai Cooperation Organisation at its summit in Kazakhstan on July 8-9 will also help strengthen India-EAEU ties at a time when China has made significant inroads in Eurasia through its connectivity projects. EAEU has an integrated single market of 183 million people and GDP of over $4 trillion.

India not keen to put e-commerce under FTA with Russia-led group

Asit Ranjan Mishra, Live Mint

May 29, 2017 : Prime Minister Narendra Modi and Russia President Vladimir Putin are expected to discuss a proposed free trade agreement (FTA) between India and the Russia-led Eurasian Economic Union (EAEU) at a summit meeting on 1 June amid signs that India may oppose including e-commerce in the pact.

A joint feasibility study (JFS) group that has recommended launching negotiations for the FTA advocated including e-commerce as a deliverable.

The EAEU, which also includes Armenia, Belarus, Kazakhstan and Kyrgyzstan has demanded the creation of a common legal framework with India on e-commerce under the proposed FTA. But India holds that it is not ready to include any market access elements in view of the evolving nature of e-commerce laws and regulations.

The JFS group maintained that switching from paper documents would increase security and transparency in supply chains and generate higher revenue.

“Such legal framework would increase trade, streamline business, bring element of certainty to cross-border commercial activities and allow to reduce delays and costs at the border. It is the driver in the modernization of administrations,” the report said.

The JFS has advocated that the EAEU and India could discuss issues such as electronic authentication and digital signatures; private data protection; e-commerce participant protection; cross-border data flows; and use of electronic documents.

EAEU points out that its FTA with Vietnam covers electronic commerce issues, particularly the issue of mutual recognition of electronic signatures and electronic documents.

However, India insisted that it won’t bind itself with a set of principles that could restrict the sovereign policy space for future regulatory development and agreed to discuss only bilateral cooperation issues and sharing of best practices with the EAEU on e-commerce.

At present, India allows up to 100% foreign direct investment (FDI) under the automatic route in business-to-business (B2B) e-commerce activities. However, it does not permit FDI in business-to-consumer (B2C) e-commerce.

India has also rejected efforts to include market access negotiations on e-commerce at the multilateral level. “I am ready to join the talks, but it is not part of my agenda for the upcoming ministerial. Because every country is having a big churn in e-commerce and technology is fast-moving. A final understanding on the matter is yet to be reached. Therefore, it will not be proper to regulate or define e-commerce at present,” commerce minister Nirmala Sitharaman told reporters in New Delhi after a meeting with World Trade Organization (WTO) chief Roberto Azevedo in February.

One of the reasons for India’s reluctance to substantially engage on e-commerce is lack of domestic consensus on the subject though it realizes the growing importance of online trade.

For example, while the department of telecom wants server locations of global e-commerce companies to be in India only, the ministry of electronics and information technology supports no such restriction. Both the industry department and finance ministry are also opposed to allowing e-commerce companies to have warehouse models in India.

The Declaration on Global Electronic Commerce was first adopted by the WTO’s Second Ministerial Conference in May 1998 and urged the WTO members to establish a comprehensive work programme to examine all trade-related issues arising from global e-commerce. Ministers also agreed to continue their practice of not imposing customs duties on electronic transmissions until their next session.

This temporary moratorium on e-commerce has been extended at subsequent ministerial conferences including at the WTO Nairobi ministerial meeting in 2015. The US now wants to convert the temporary moratorium into a permanent one which India is likely to oppose at the Argentina ministerial meeting in December.

Ecuador expresses interest in negotiating PTA with India

The Economic Times
New Delhi, May 23, 2017 : South American country Ecuador has expressed interest in negotiating a trade agreement with India to further boost commercial ties between the two nations.

he northwestern South American country wants to negotiate a preferential trade agreement (PTA), under which two trading partners reduce or eliminate customs duties on only certain number of products traded between them.

The matter was recently discussed during the meeting between Commerce Secretary Rita Teaotia and Ecuador's Vice Minister of Trade Humberto Jiménez.

Teaotia led an official and a business delegation to Ecuador and Colombia from May 16 to 19.

"Ecuador conveyed its interest in initiating the process of negotiations for a PTA in order to strengthen the bilateral relationship for mutual benefit," the commerce ministry said in a statement.

Both the sides also agreed to deepen the cooperation between their respective investment promotion agencies to promote a greater exchange of information on investment and business opportunities in both the countries.

In Colombia, the commerce secretary held a bilateral meeting with Francisco Echeverri Lara, Vice-Minister Multilateral Affairs Bogota.

The statement said that businesses of both the sides can explore opportunities in sectors like telecommunication, infrastructure, hydrocarbons, IT, pharma, textiles and auto.

"As Colombia is exploring to diversify its export basket, they have shown interest for cooperation in sectors of agriculture and food processing," it added.

India's bilateral trade with Colombia stood at USD 1.7 billion in 2015-16.

The secretary's visit to these two South American countries assumes significance as it hold huge potential for exports and investments.

India has recently widened a PTA with Chile. It has also concluded a joint study on the feasibility of such a pact with Peru. Besides, New Delhi is aggressively engaged in the expansion of its PTA with MERCOSUR, a six-country trade bloc including Brazil, Argentina, Paraguay and Uruguay.

Uncertainty in global trade ties is here to stay

D Ravi Kanth, Live Mint

May 24, 2017 : More cement and steel will certainly build walls and infrastructure projects. But will it mend fences and lead to a new era of harmony and trade? That remains moot. Indeed, developments in the international trade relations seem somewhat befuddling over the past fortnight. President Donald Trump has claimed his first major success for striking a “smart” trade deal: China will allow the US to sell beef and other major products in the ever expanding Chinese market. His administration also notified the Congress about renegotiating the North America Free Trade Agreement (Nafta).

Trump’s new trade representative ambassador Robert Lightizer, according to *The Economist* magazine of 20 May, is “the forensic version of Mr Trump’s economic nationalism, which sees China as a mercantilist military threat, enabled by America’s free trade policies.” Ambassador Lightizer “combines an encyclopedic knowledge of global trade rules with a willingness to flout them, if they do not serve America’s interests,” it says. Further, Lightizer is also well known for his caustic remark in 2010: “an unthinking, simplistic and slavish dedication to the mantra of 'WTO-consistency…. makes very little sense'."

On a different front, China's President Xi Jinping has claimed that his gigantic "One Belt One Road" project at a cost of $900 billion will "add splendour to human civilization". The OBOR is an ambitious venture for building roads, rails, ports, pipelines and other infrastructure joining China to Central Asia, Europe and Africa by land and sea. It is expected to cover 65 countries, representing 60% of the world population and around a third of global gross domestic product. A variety of Chinese or China-backed banks and credit funds are expected to fund the project.

Beijing has claimed that the OBOR would provide stimulus for trade with lower trade barriers and regulatory harmonization. At a time when "economic growth is not on solid ground (and) economic globalization is encountering headwinds... no country can tackle all the challenges or solve the world's problems on its own", President Xi has said in a grand speech on 14 May, claiming the OBOR to be the "project of the (21st) century." It is not clear how a gigantic infrastructure project even if it is completed on time with assistance from China could mend fences by reducing trade barriers.

A third development worthy of note is how an outgoing lady ambassador of India has forced the World Trade Organization (WTO) General Council not to perpetuate inconsistent practices. That the WTO, which is also known as Whose Trade Body it is according to the Seattle protesters of 1999, revels in the art of diabolical/questionable practices is well known. "Our ministers were relegated to coffee cup bearers instead of negotiating their trade rights" is a telling comment made by Uganda's trade envoy ambassador Christopher Onyanga Aparr on what happened at the WTO's 10th ministerial conference in December 2015.

The Indian ambassador blocked the proceedings because an issue called trade and investment was inserted in the agenda for discussing several proposals on investment facilitation. Those proposals were introduced by China along with other countries. Trade and investment was one of the main demands of the European Union (EU), Japan, and Korea among others in 2001. But it was subsequently dropped from the Doha Development Agenda mandate in 2004. The WTO Secretariat failed to ensure that an issue which has been formally dropped from the Doha Work Program was included in the General Council agenda.

India's action, as expected, has stirred a hornet's nest. The EU said the Indian action would lead to a "systemic" tsunami. Some others suggested whether the consensus principle for arriving at decisions has to be changed. It is an open secret that issues of interest to the global trade hegemons are quietly rammed through at the WTO even if a majority of countries remain opposed.

Finally, the fourth major trade development of importance is a bold attempt to salvage the Trans-Pacific Partnership (TPP) free trade deal that was almost torpedoed by President Trump in one of his first major executive decisions. Trade ministers of eleven countries—Japan, Australia, New Zealand, Singapore, Malaysia, Brunei Darussalam, Vietnam, Canada, Mexico, Chile, and Peru—of TPP launched a process to see if they could all bring the deal into force by the end of this year while keeping the door open for the US. That the TPP-11 "are committed to finding a way forward to deliver" could prove to be a game changer in the global trade. That would depend how seriously the eleven press ahead with a final agreement by the end of the year. So far, only two countries —New Zealand and Japan—have ratified the TPP agreement.

Out of the four developments, the last one—i.e., a desperate attempt to salvage the TPP—could create a new trade dynamic in the Pacific region, says a former western trade envoy and an international authority on global trade issues. "It would be a very significant development that would send a message that they (the eleven members) want to do business even if the US doesn't," the envoy said. "Such a deal would be less commercially significant without the US, but in strategic terms it would be a strong political message of making things clear to the US that they mean business and China would be happy if such a deal takes place without the US," the envoy suggested, preferring anonymity.

As regards China's ability to provide an alternative for encountering the headwinds in the economic globalization, it remains to be seen whether there is going to be any material change in the Chinese positions in the multilateral trade and economic bodies. Until President Xi consolidates his power in the new Politbureau later this year, there is little chance for concrete action by China on any front. The OBOR is not a free trade liberalization agenda. The Middle Kingdom is still guided by its defensive interests stemming from lot of state-owned enterprises. Therefore, a prolonged phase of uncertainty is here to stay, particularly in the multilateral trade relations, despite China's grand pronouncements.

A trade pact that could hit India hard

Ranja Sengupta, Business Line

29 May 2017 : There was clearly huge pressure on India to conclude negotiations this year and to make major concessions in goods, services and investment at the ministerial of the Regional Comprehensive Economic Partnershipin Hanoi (May 21-22).

Minister of Commerce and Industry Nirmala Sitharaman said at a press briefing that India has not yet conceded ground, though she outlined several challenges India faces. Clearly there are problems.

Reasons for caution

RCEP is being negotiated between India and 15 other countries including the 10-member Asean, Japan, South Korea, New Zealand, Australia and China. With a high rate of poverty, a large rural population consisting mainly of small and marginal farmers and landless labourers, an immature industrial sector, a growing but narrow service sector and vulnerable health and education sectors, India had very rightly maintained a cautious approach in its FTAs on goods, intellectual property rights, and many new issues such as investment, government procurement and competition policy.

India's cautious approach faces a major paradigm-shift given the current negotiations in RCEP. It has the potential to overthrow India's policies of rural development and industrialisation especially 'Make in India', and the promise of the Prime Minister to provide accessible healthcare and medicines to all. Most important, it threatens the policy flexibility and sovereignty to pursue independent economic, social and environmental policies.

In goods trade, India has already agreed to give up the three-tier tariff reduction proposal that offered different coverage for Asean, Japan and South Korea, and a much lower level of tariff reduction coverage for New Zealand, Australia and China. Currently, it is believed to be under pressure to agree to uniform and very high product coverage of around 92 per cent for all partners. According to Commerce Ministry officials, India has offered 80 per cent coverage with 5 per cent margin (lower) for more developed partners. It has also asked for a longer implementation period for China. While 92 per cent coverage is inconceivable, even 80 per cent will have serious implications for both agriculture and industrial products.

In agriculture and allied products, the plantation sector is already reeling from the impact of the India-Asean FTA even with relatively high protection of agriculture and a tariff-coverage of 73-80 per cent. If tariff cuts cover 92-80 per cent of products, the impact will be huge. On the other hand, New Zealand's export-oriented dairy products will decimate India's growing dairy sector, which is still largely small-scale.

If India offers to reduce/eliminate import tariffs on a larger number of *industrial products* than already committed to Asean, Japan and South Korea, its industrial sector could be under stress. Even without an FTA, India faces a total trade deficit of ₹ 3.45 lakh crore in 2015-16 with China. If India has to cut duties on 92 per cent of goods in RCEP, India will face threats from both Asean and China.

Self-defeating tactics

But manufacturing woes will not end there. E-commerce commitments, if any, will allow companies such as Alibaba from China to displace Indian manufacturing especially in the SME segment. Further, India is being asked to eliminate export restrictions on minerals and raw material by Japan and South Korea; this may threaten domestic raw material availability for industrialisation and encourage over-mining.

India is openly pitching *services* as its offensive area of interest and may be willing to sacrifice goods tariffs for gains in services. This can be the most dangerous of India’s current trade policy stance and can backfire very easily. India has demands for both Mode 3 (investment) and Mode 4 (movement of people) with a proposal for a RCEP business visa for professionals. India’s demand for Mode 4 is unlikely to be granted. What India hopes to gain in Mode 3 for its outward FDI is not clear as it is not competitive in most services except for IT and ITES.

In spite of placing the new Model Bilateral Investment Treaty (BIT) text as a basis for *investment* protection negotiations and already facing 20 BITs cases, India is under heavy pressure to agree to the investor state dispute settlement provision in RCEP without the safeguards provided in the Model BIT. The investment chapter in RCEP is also pitching for strong provisions on IPRs. This framework will increase India’s liability and severely limit its policy space to implement any policy reform that is seen as detrimental to investors’ profits.

IPR and e-commerce

In the area of *intellectual property rights*, several members have been pushing provisions that go beyond TRIPS, with serious adverse consequences for access to generic medicines manufactured in India. The minister denied having agreed to any so far. Agreeing to data exclusivity, extending patent terms and unduly strong enforcement measures will weaken the entire generic medicine sector and take away several health safeguards in India’s Patent Act, notably section 3(d). This will make medicines inaccessible not only for Indian patients but for those in the entire developing world. In addition, since India has rightly fought against ‘TRIPS plus’ provisions in its FTA negotiations with EU and European Free Trade Association, there is no rationale for it to change its stance in RCEP.

Finally, it seems India may agree to binding *e-commerce* rules in RCEP. This will have several implications including compromising government revenues by losing potential customs duties, compromising regulation and control over the new and emerging trading space, threatening data privacy and security not only of individuals but also of the government, and compromising regulation across a number of government ministries including that of the finance, commerce and industry, health and education, labour and so on. For example, by giving away control over data, the Government may compromise potential future industrial policy and lose control over financial policy.

India seems to have resisted the pressure to agree to specific commitments in goods, services, and investment and other areas in Hanoi. But a push for negotiations to be concluded by this year seems to have been agreed, even if not in very specific terms. Conclusion this year will be highly premature. India needs to assess its own choices and weigh the impact on its whole policy space vis-a-vis the narrow base of the advantages that RCEP may offer.

We are exploring rupee trade with partners: Sitharaman

Amiti Sen, Richa Mishra, Business Line

May 18, 2017 : Commerce Minister Nirmala Sitharaman has her job cut out as she prepares to come out with mid-way changes in the Foreign Trade Policy (FTP) before the Goods & Services Tax regime kicks in from July 1.

Looking at a possibility of rupee trade with nations by getting into currency swap mechanism with partner traders to counter currency fluctuation, in an interview with *BusinessLine*, she said there was no scope for the government to intervene in currency markets to help exporters and only the RBI could deal with extreme fluctuations. *Excerpts*:

What are the mid-way changes that you propose to bring in the FTP?

I am keeping my mind open about the extent of the review. I am willing to reassemble a lot of things that went into the FTP. Newer ideas may also find a place. And here a lot of emphasis has been given to working out rupee trade with nations wherever it is possible.

Are you looking at rupee trade to deal with currency fluctuations?

If rupee trade is possible, a lot of issues related to currency fluctuations can be addressed. But a rupee trade deal can also lead to ease of doing trade. It also makes it possible for countries to move without hesitation. This input has come from several quarters and it is also gaining ground. We see possibility of doing such trade with South-East Asian countries, Iran, Russia and also with the Eurasian union. This proposal has a lot of meat.

Exporters have complained about the rupee’s sharp rise hurting business and have sought government intervention...

I think the government is very clear that the rupee is market determined. And if there are extreme fluctuations, it is for the RBI to enter the market to quell any wild speculations.

What are the other focus areas in the FTP review?

We are looking at promoting small and medium enterprises (SMEs). We have supported SMEs in the past by extending the Merchandise Export Incentive Scheme irrespective of sectors. The results have always been positive.

There is a greater need to support SMEs because credit access is still a issue. Then comes the problem of whether they can afford the interest rate.

Will you consider infrastructure status for SMEs to ease access to credit?

We are looking at various options. We are also looking at how we can empower SMEs through incentives, make them stand on their own and be good exporters. They have the capability and product value. It is infrastructural problems that are hindering them. We want to help them perform better. They have an important role in job creation. For the investment that they make, they create proportionately larger jobs compared to the capital intensive sectors.

Food Processing Minister Harsimrat Kaur Badal has been asking for easing of FDI in her sector — allowing non-food items for retail. Is DIPP considering it?

We certainly consider requests from various ministries on the FDI policy including easing the policy and bringing in certain strands important for them. These are matters being discussed.

Are you considering Apple's request for changes related to FDI policy?

Telecom products is one among the many areas we are looking to ease FDI rules on. The biggest worry for the government is the possible creation of an inverted duty structure. However much you may be wanting to open up to help manufacturing, it should not lead to a situation where finished goods get cheaper than their parts.

Even if I were to encourage manufacturing based on some parts coming from elsewhere, I should also be conscious of any inverted duty structure which could hurt the 'Make in India' drive. So, there is still work to be done before a final announcement is made.

Subsequent to FIPB dismantling, how will applications that are not under automatic route be considered? What about security clearance?

Most of the FDI policy changes that had to be made for various sectors have been made. Very few are left behind. For those few, they are part of ministries where regulators exist. And if any application comes for consideration for FDI, the competent ministry and their regulators are in a position to handle those.

Even if they have to contact the Home Ministry for security reasons, it is possible for the Ministry to gain that kind of an access and get the required permission. So, I don't see the necessity for any residual arrangement. But, if required, it can be worked out even as we seek the Cabinet permission for FIPB dismantling.

India's existing Bilateral Investment Treaties have lapsed with most countries, including the EU. Some countries are not keen on India's model BIT draft...

I am sure the Department of Economic Affairs will be able to give exact figures, but even with this draft, negotiations have happened. With some countries we have already started signing new agreements.

It is an issue where negotiations have to commence with the EU. In the past, we have had separate agreements with individual members of the EU. In the course of these agreements as they stand currently, within the EU, individual countries had given away that right to the European Commission itself. So it is Brussels and not Berlin or Prague or Rome that will take up their respective investment treaty agreements.

So even though it looks as if there are several countries whose treaties have expired, if you look at holsitically they are all under one EU, which is yet to start the negotiations.

Have you got any indications on when talks with EU will begin on BIT and the free trade pact?

Very recently, when I met the Italian Prime Minister I said that for both India and EU's benefit, it might be worth our while to start the negotiations on both the FTA and the BIT.

And he readily agreed saying that he would talk to the European Commission. I hope talks will begin soon.

Abolishing FIPB: Would be even better if India modified restriction in aviation, retail

The Financial Express

May 29, 2017 : Nothing symbolises how far, and fast, India has moved in terms of opening its markets than last week's abolition of the Foreign Investment Promotion Board (FIPB). Set up as part of the 1991 economic reforms, the FIPB was a high-level inter-ministerial group that cleared foreign investment proposals in the country at a time when most investment avenues were off bounds. At a time when bringing in foreign investment also meant a plethora of clearances from various ministries, the FIPB served as a one-window clearance—and no matter which ministry it was housed in, the prime minister's office was always keeping a watch on it.

Over a period of time, as the economy grew stronger and corporate India became more competitive, various restrictions on foreign investment started getting relaxed. Indeed, relaxing of FDI restrictions went almost hand in hand with the lowering of import duties since both symbolised the ability of Indian firms to take on global competition. In the initial years, for instance, India restricted how much foreign investment was allowed in the telecom sector; later, however, even 100% FDI was allowed. Till even a few years ago, while foreign pharmaceuticals firms were allowed to set up new plants in India—greenfield, in jargon—they were not allowed to take over Indian firms; indeed, at one time, the fear was foreigners would buy out Indian firms and that this would raise medicine prices and reduce availability.

In reality, nothing of the sort happened and, last year, the government allowed foreigners to buy up to 74% of an Indian pharma firm's equity without needing any approvals. As a result, as finance minister Arun Jaitley said after the Cabinet cleared FIPB's abolition, over 90% of India's FDI already comes under the automatic route. With FIPB gone, line ministries will clear non-automatic FDI proposals using rules that are to be notified and, presumably, the government will keep a watch over proposals that remain stuck for whatever reason.

That said, the Elon Musk statement about India's local-sourcing rules has important lessons. Musk was wrong, India does not have local-sourcing rules for automobiles, but it does have them for single-brand retail where firms like Apple and Ikea wanted to enter—that's how the Tesla chief got confused. But why have such rules anyway? Apart from furthering misconceptions about India, they serve little purpose apart from protecting inefficient local firms—in any case, once the local supplier-base develops, an Ikea or an Apple will source from Indian firms.

Nor is it clear why, FDI should not be allowed in the newspaper space or why foreign airlines should be allowed to buy only 49% of Indian airlines when the law allows non-airline firms to buy 100% of a local airline's equity—this protects a few Indian firms, but surely that cannot be the objective of policy-making? And, it is sophistry to not allow FDI in the B2C e-tailing sector but to allow it into the B2B marketplace model since it is clear existing e-tailers are exploiting loopholes in the law and selling in the B2C segment. Over a period of time, it is likely these restrictions too will get relaxed or entirely disappear. The sooner this is done, the better, since that will make India one of the world's most open markets.

Customs department plans to launch SMS service to cut waiting time for importers at ports

Deepshikha Sikarwar, The Economic Times

New Delhi, May 29, 2017 : It's usually industry that complains about tardiness — in decision making, execution and approvals. But the shoe seems to be on the other foot when it comes to customs clearance.

The country's leading port of Nhava Sheva recently saw protests against a new mechanism — Wharf to Warehouse — that provides for speedier clearance of goods. Such was the reluctance of companies to sign on that the local customs had to send letters to CEOs of 500 companies including multinationals to persuade them.

Undeterred, the customs department plans to launch an SMS service informing importers about the arrival of ships carrying their goods at the country's ports beforehand. "We are working towards a new system wherein if the bill of entry is filed in advance, trader will know in advance when his goods are arriving at the port and take delivery," a senior customs official told ET.

The average time taken for a container to move from ports to factories dropped to 100 hours in April from 307 hours as listed in the doing business report of the World Bank for 2016. Also, while the average is 100 hours, 70% of cargo is customs cleared immediately and most of the rest in 48 hours, officials said.

The customs department wants to take this a step further. It does not want any holdup of cargo at ports, thus lowering the transaction costs of companies. The department has already introduced single-window clearance for goods based on certain risk parameters. This allows importers to clear goods without payment of duty or any mandatory checks if they do not fall in any of the risk categories.

"We have written to CEOs explaining them how this new programme could bring savings for their companies," said another customs official at Nhava Sheva. "We have also held interactions with chief financial officers to explain them the benefits."

Consignments shouldn't be stuck at ports unless regulatory clearances are needed from any other agency such as plant or animal quarantine. "We are now insisting on clearance of goods from the port," the official said, adding that ports can't be used as warehouses.

The customs department wants bills of entry filed in advance after the cargo is loaded. Currently, an importer has to file the bill of entry immediately after the cargo's arrival. A late fee of Rs 5,000 has to be paid if there is a delay beyond three-four days.

Companies have cited difficulties in filing bills of entry in advance saying they sometimes don't know loading occurs or what goods are in the container. Customs is asking companies to put their systems in order to resolve this.

Head off digital colonialism: How Indian IT can compete with Google and Facebook and show the world a better way

Mishi Choudhary and Eben Moglen, The Times of India

May 29, 2017 : The world's major societies are now wrestling with the enormous social power wielded by the internet's "platform companies".In Europe they speak of "GAFA": Google, Apple, Facebook and Amazon. Twitter, Uber and other aspirant companies hover just out of the main ring.

Billions of people provide data about their personal lives and business activities to these companies, which are using that data as leverage to change human behaviour to their economic advantage. Governments everywhere see them as rivals to their power and also invaluable allies. India and its government too face immense challenges, but also an extraordinary opportunity, if GoI can lead India in the right direction.

Essentially, three basic approaches to deal with the power of these American data miners have emerged.

First, the US government sees them as pillars of post-industrial American power, and as an immense national security intelligence resource. It is therefore their strategic ally. Second, proponents of "digital sovereignty", mostly autocracies, have chosen to build national search engines and social media structures, favouring domestic private market entrants (as has happened in Russia and China), and by exercising control over national telecommunications networks to block the US companies. Third, the European Union has attempted to control the companies' behaviour by regulation and litigation.

Europe's open and democratic societies have been as fully colonised by the platforms as the US: the plurality of their citizens' email is read by Google, most of their citizens' social and family lives are surveilled by Facebook, and so on. The European Commission and national governments mostly attempt to regulate the companies through competition and "data protection" law, both of which assume that profiting by collecting information about customers and their behaviour is essentially legitimate, and that the states' functions should be to require a "level playing field" for local companies, and the acquisition of uninformed "opt-in" clocks from the citizens whose intimate lives are being commoditised.

Even the pursuit of these very narrow neo-liberal goals, however, means undertaking vastly expensive and complex litigation against the platform companies, expending time and taxpayers' money on the largest scale, with uncertain results at best.

India has a golden opportunity to find a fourth way. The market in internet services – that is, information technology for use by people in their daily lives – is now dominated by companies that provide "free" services in return for massive privacy invasion. This model, in which the consumer is the product, is doing enormous harm to the human race and destroying our privacy environment completely, in order to provide people supposedly "free" email and other forms of social communication, calendaring and similar services "in the cloud".

Autocratic "digital sovereignty" like China or Russia cannot be India's way: more than any other society, India stands to benefit economically from the open worldwide Net. No Indian government can afford to use its law officers, its Competition Commission and its taxpayers' money to spend years litigating with Google, Microsoft, or Facebook over individual business practices, in the European style. But to take an American free-market position with respect to the US platform companies is to endorse an immense act of digital colonialism, in which the private lives of more than a billion Indian citizens are delivered "free" to the data miners.

India’s greatest advantages in 21st century global economic competition are the intelligence and education of its people. Software- and network-based service industries are core components of any Digital India economic strategy. European countries intuit that spending hundreds of millions of euros and years in litigation with Google over whether search results prioritise Google services contributes less to European welfare than building a European business that would compete with Google globally. But this isn’t aerospace and they don’t know how.

India can. India can invent competition that challenges not just the platform companies but their basic, anti-environmental business model. Indian internet companies can provide global digital service platforms that protect, rather than destroy, privacy. Indian internet industries can provide reasonably priced, universally available, privacy respecting services that compete directly with services provided by the US data miners, priced reasonably in local terms in all the developed and developing societies.

Indian industries, providing state-of-the-art cloud services – social networking, email, travel, calendaring, on-line retailing everywhere, etc – could very profitably, given Indian cost structures, compete to provide those services to everyone in the world who has seen the error of “free” services based on privacy invasion, and wants an alternative she can pay for, with confidence in the privacy technology that is all open source, and works in their interest rather than someone else’s.

This is “for-profit, pro-privacy IT for humanity.” And because of the economies of scale in this business, industry will be able to provide Indians with deeply subsidised or no-cost services, based not on invading or selling their privacy to multinationals, but as a consequence of the redistributive effect of selling first world consumers their data privacy as an export industry.

As a method of restoring competitive health to an industry, nothing succeeds like competition. India can not only secure its strategic economic role in the 21st century global order, not only provide its own people with a chance to raise themselves by serving their own needs and the world’s, but also help restore the privacy environment for all humanity by controlling the platform companies directly, positively, profitably, by making a better mousetrap. The world will beat a path to India’s door.