INDIA'S TRADE NEWS AND VIEWS
15 Sep to 30 Sep 2016

Indian industry ready to snap trade relations with Pakistan
Indian industry is ready to severe ties with Pakistan amid growing tensions between the nuclear-armed nations following…

Pakistan's MFN tag may stay for now
The Government of India is not considering any proposal to withdraw the Most Favoured Nation (MFN) status accorded to Pakistan…

IMF to disburse $102 million to Pakistan
The International Monetary Fund (IMF) Executive Board on September 28 completed the twelfth and final review of Pakistan's three-year economic reform program supported by an Extended Fund Facility (EFF) arrangement…

EU may re-engage with India on free trade talks
European Union (EU) hopes to soon re-engage with India on negotiations regarding the proposed Free Trade Agreement…

UPASI, China Tea Marketing sign pact
In a bid to work jointly towards sustainable development of the tea sector, the United Planters' Association of Southern India…

Intra-SAARC group releases operation plans 2025
In an indication that India will not allow Pakistan to stall regional development envisaged under SAARC, a smaller group of six…

Government working to give services trade a reforms push
Worried by the shrinking trade surplus in services, the government is working on a bouquet of reforms to play to the country's…

Olive oil imports likely to rise 20% in 2016-17
India's olive oil imports are expected to rise 20 per cent to 13,500 tonnes this fiscal on the back of rising…

Centre cuts import duty on wheat, edible oil, potato
The Central government on Friday cut the import duty on wheat, edible grade crude and refined palm oils and potato…

In lean season, seafood exports increase by 7 per cent
In a sign of strong recovery, seafood exports in first five months of the current fiscal rose 7 per cent from a year ago to…

Pakistani traders willing to import quality tea from India
Pakistani tea importers are batting for quality to double imports of Indian tea. Pakistan is the third-largest importer of tea in the world…

Government reviews impact of trade pacts on economy, employment

The government today reviewed the impact of free trade agreements (FTAs) on the domestic economy and employment generation…

Disclaimer: India's Trade News and Views is a fortnightly e-bulletin that compiles and disseminates India-specific trade related news and featured articles. The stories covered do not necessarily represent the views of the Centre for WTO Studies (CWS) and have been put together solely for informational and outreach purposes.

Centre for WTO Studies, 7th Floor, IIFT Bhawan, B-21, Qutab Institutional Area, New Delhi - 110016

Tel: 91-11-26965124, 26965300, 26966360 Ext-725,710 Fax: 91-11-26853956 Email: cws@iift.ac.in

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

Indian industry ready to snap trade relations with Pakistan

Piyush Pandey, The Hindu

Mumbai, September 24,2016: Indian industry is ready to severe ties with Pakistan amid growing tensions between the nuclear-armed nations following an attack by militants on a military camp in the border region of Uri which killed 18 Indian soldiers**.**

Business leaders that *The Hindu* spoke to, admitted that they were concerned over the situation and believed that a conflict would be disastrous for both countries.

"While I strongly believe that India needs to take a hard stand on Pakistan, war is not a solution to the Indo-Pak crisis," said Harsh Goenka, Chairman of RPG Enterprises.

“The government at the Centre has acted with restraint. Diplomatic isolation and international pressure is the only way to cut-off Pakistan from the rest of the world. The consequences of war will be disastrous for both countries.”

Subdued impact

Snapping business ties with Pakistan may not hurt India’s interest as according to industry body ASSOCHAM, India–Pakistan trade is abysmally low accounting for less than half a per cent of India’s total global trade.

“The question of trade possibilities with Pakistan only arises when our relations are good,” Venugopal Dhoot, Chairman of Videocon Industries said.

“In current scheme of things, snapping business ties with Pakistan will not hurt India’s interest,” Mr. Dhoot said.

ASSOCHAM President Sunil Kanoria said that the anxiety level of the industry has gone up.

“India needs to take a tough stand and the best way to attack a country is economically as fighting a war won’t help anyone.

There may be some challenges to industry but we have to bite the bullet for larger good,” Mr. Kanoria said.

“In all, trade with Pakistan was equivalent to 0.41 per cent of India’s global merchandise commerce,” said D.S. Rawat, Secretary General, ASSOCHAM.

On its part, India Inc. is behind Prime Minister Narendra Modi for steering India’s interest in the best possible direction.

“The strategic decisions are fully the domain of the government which enjoys the full backing of the nation,” according to a statement issued by ASSOCHAM.

[Back to top]

Pakistan’s MFN tag may stay for now

Arun S, The Hindu

New Delhi, September 24, 2016: The Government of India is not considering any proposal to withdraw the Most Favoured Nation (MFN) status accorded to Pakistan, as even without the move, the level of bilateral trade is "very low," official sources said.

"There is nothing of that sort [withdrawal of the MFN status] under consideration now," said a senior government official, who did not wish to be identified. "Since the situation [ties between India and Pakistan] is so tense now, there are these kinds of speculation and demands, and you have to sift [them] out."

The MFN status was accorded in 1996 as per India's commitments as a member of the World Trade Organisation (WTO).

According to the MFN principle of the WTO's General Agreement on Tariffs and Trade (GATT) — to which India is a signatory/contracting party — each of the WTO member countries (including India and Pakistan in this case), should "treat all the other members equally as 'most-favoured' trading partners."

According to the WTO, though the term MFN "suggests special treatment, it actually means non-discrimination." In the wake of the deadly attack on Indian soldiers in Uri, an incident for which India is holding Pakistan responsible, there have been calls in India for tough action against its neighbour, including the revocation of the MFN status.

Minuscule trade

Bilateral trade between the two nations was just $2.6 billion in 2015-16 (of which $2.2 billion constituted India's exports to Pakistan) — which represented a minuscule 0.4 per cent of India's overall goods trade worth $643.3 billion in the same year.

Therefore, even if India revokes the MFN status, it would only have a "symbolic" impact, the sources said. On the other hand, it would hit India's exports to Pakistan if there are retaliatory actions and it could also result in India losing goodwill in the South Asian region (where it enjoys a trade surplus and is a party to a free trade pact called SAFTA, which also includes Pakistan). The move may also not go down well at the WTO-level.

The MFN concept is an integral part of the WTO agreements and is among the principles forming the foundation of the multilateral trading system. As per the WTO, whenever a country brings down a trade barrier or liberalises a sector, "it has to do so for the same goods or services from all its trading partners

— whether rich or poor, weak or strong.” However, exceptions allowed to this rule include free trade pacts and special benefits to poor nations.

Trade curbs

After the attack in Uri, in which 18 Indian soldiers were killed, international trade experts said India could consider making use of a ‘security exception’ clause in the GATT to deny the MFN status to Pakistan or bring in certain trade restrictions.

This is because Article 21(b)(iii) of GATT states that “Nothing in this Agreement shall be construed to prevent any contracting party (including India in this case) from taking any action which it considers necessary for the protection of its essential security interests taken in time of war or other emergency in international relations.”

Biswajit Dhar, professor, Jawaharlal Nehru University, said: “There is a possibility of India invoking this clause in view of the fact that it perceives a security threat in the aftermath of the Uri attack.”

However, according to a ‘Working Paper’ of the Centre for WTO Studies at the Indian Institute of Foreign Trade, “GATT and WTO practice shows that the countries have by and large observed self restraint in using the national security exception.” “This is hardly surprising as national security is too sensitive a subject that countries will be comfortable submitting to an international review,” the paper’s author Shailja Singh wrote.

No bar

Ms Singh wrote that a closer scrutiny “reveals that there is no categorical bar on the (WTO dispute settlement) panel from proceeding into an Article 21 dispute.” She pointed out that Article 21(b) is clear that any action under it has to fulfil the specific criteria of the clause, adding that a (WTO) “member does not enjoy a free run to take any action it wishes under the guise of security interest.”

But there have been precedents. The Working Paper points out an Article 21-related dispute in 1949 between Czechoslovak (Socialist Republic) and the U.S., and such disputes between the U.S. and Nicaragua in 1983 and 1985 as well as another one in 1992 between the European Communities and the former Socialist Federal Republic of Yugoslavia.

Pakistan, a founding member of the WTO like India, is yet to grant the MFN tag to India (and Israel).

[Back to top]

IMF to disburse $102 million to Pakistan

Puja Mehra, The Hindu

New Delhi, September 29,2016: The International Monetary Fund (IMF) Executive Board on September 28 completed the twelfth and final review of Pakistan’s three-year economic reform program supported by an Extended Fund Facility (EFF) arrangement. The Board’s decision enables the immediate disbursement of the final tranche in an amount equivalent to the SDR 73 million in the IMF currency or about $102.1 million.

The go-ahead follows the approval on September 4, 2013, by the Executive Board of the 36-month extended arrangement under the EFF in the amount of SDR 4.393 billion (about $6.15 billion, or 216 per cent of Pakistan’s current quota at the IMF). The line was subject to completion of quarterly reviews.

The Hindu has learnt that India did not oppose the decision since the amount involved is not large. India's IMF Executive Director in Washington Subir Gokarn also represents Bangladesh, Bhutan and Nepal but not Pakistan, which is in the group that has Iran and other countries. This is despite the rising hostilities between the two neighbours which has led India to strive to isolate Pakistan globally through diplomatic efforts.

"Despite the challenges it faces, Pakistan is a country with abundant potential, given its geographical location and its rich human and natural resources... The authorities’ program is expected to help the economy rebound, forstall a balance of payments crisis and rebuild reserves, reduce the fiscal deficit, and undertake comprehensive structural reforms to boost investment and growth," the IMF had said in 2013.

Adherence to the program was also expected to catalyse the mobilisation of resources from other donors.

[Back to top]

EU may re-engage with India on free trade talks

The Hindu

New Delhi, September 24, 2016: European Union (EU) hopes to soon re-engage with India on negotiations regarding the proposed Free Trade Agreement (FTA), which, it said, will also include an investment protection pact.

The EU is seeking an "ambitious, comprehensive and balanced" FTA with India, Tomasz Kozlowski, Ambassador of the EU to India, said at a 'CII Invest North conclave.' The EU hopes to establish circumstances that are conducive to help it re-engage with India resolutely regarding the FTA talks.

The EU Ambassador said the FTA will not only cover (lowering/eliminating) tariffs but will also look at harmonisation of standards. He said there are more than 6,000 European firms in India providing direct employment to 1.2 million people and indirect employment to 5 million people, adding that an investment protection pact is important for these firms towards stability and certainty.

Water, energy

India and the EU are also looking at strengthening ties in the areas of water and clean energy and bilateral ties in goods, services and investment will get a boost after the FTA comes into force, he said.

Meanwhile, Korea suggested that India could boost its exports through incentives for foreign and domestic investments that go into export-oriented firms in India.

India can increase its exports if it introduces an incentive system for those investments that go into firms that are export-oriented, South Korean Ambassador to India Cho Hyun said at the vent.

Farm products

He said such an incentive system should be over and above the government's Special Economic Zone-policy. India are Korea are currently renegotiating their bilateral FTA to upgrade it and increase trade and investment, he said.

Both the countries had recently agreed that South Korean companies could invest in sectors including the processing of marine & farm products in India, do value-addition and then export them to overseas markets including in East Asia.

The diplomat said several Korean small and medium firms are keen to invest in India in the areas of waste management, water treatment and pollution-control.

Milan Hovorka, Ambassador of Czech Republic to India said the South Asian nation has the capacity to ensure greater economic growth through further reforms. India has the potential to be a global trade hub, he said.

[Back to top]

UPASI, China Tea Marketing sign pact

The Hindu

Udhagamandalam, September 23, 2016: In a bid to work jointly towards sustainable development of the tea sector, the United Planters' Association of Southern India (UPASI) and the China Tea Marketing Association (CTMA) have signed a Memorandum of Understanding. N. Dharmaraj, president of UPASI, said this is the first step towards greater regional co-operation between Indian and Chinese tea industries, the two countries that produce and consume the highest volume of tea. A delegation from UPASI visited China three months ago and the MoU was signed then. India's annual production of tea is about 1,200 million kg and China's is 2000 million kg (approximately). The producers follow several standards . “We are trying to see how these standards can be codified; there is a need for world standards.”

[Back to top]

Intra-SAARC group releases operation plans 2025

The Economic Times

New Delhi, September 27, 2016: In an indication that India will not allow Pakistan to stall regional development envisaged under SAARC, a smaller group of six south-Asian nations have released an operation plan running through to 2025.

Member countries of the South Asia Sub-regional Economic Cooperation (SASEC) are Bangladesh, Bhutan, India, Maldives, Nepal, and Sri Lanka — SAARC less Pakistan and Afghanistan.

"SASEC OP (operational plan) is the program's first comprehensive long-term plan to promote greater economic cooperation among members," finance ministry said in a statement.

SASEC was established in 2001 to improve cross-border connectivity, boost trade among member countries, and strengthen regional economic cooperation. With Pakistan stalling progress under SAARC umbrella, SASEC could get a bigger push from New Delhi.

Over 200 potential transport, trade facilitation and energy projects worth $120 billion in investments for the next five years have been identified under the plan. Out of these 74 projects are in India with an estimated project cost of over $60 billion. Majority of these projects are located in North East or Eastern part of the country.

The Asian Development Bank (ADB) is the secretariat and lead financier of the SASEC program and to date has approved 40 projects worth almost $7.7 billion in transport, energy, trade facilitation, and information and communications technology.

[Back to top]

Government working to give services trade a reforms push

Kirtika Suneja & Deepshikha Sikarwar, The Economic Times

New Delhi, September 27, 2016: Worried by the shrinking trade surplus in services, the government is working on a bouquet of reforms to play to the country's core strengths of technology, leisure travel and medical tourism.

The commerce department has circulated a cabinet note on domestic reforms to enhance earnings from services exports, detailing measures that can be implemented after due deliberations. "It is work in progress. There are services like IT, tourism, medical tourism, legal and education, which are not our jurisdiction...We can apply our mind but it is up to the line ministries,"said an official, requesting anonymity. The services trade surplus narrowed 9% to $5.36 billion in July from $5.88 billion a year ago.

The department is calling for an overarching strategy dealing with services exports as it is an area of strength that the country can leverage as it enters into trade deals.

It has proposed a dedicated body for setting standards in the services sector as also a mandate to the government's think tank, Niti Aayog, to identify steps to boost trade in the sector. The idea is to pinpoint sectors and ensure that they meet world-class standards though targeted measures.

Earlier, the commerce department had floated a note on liberalising visa norms to boost service exports, a matter that was taken up by the home ministry because it was outside the department's ambit.

In a separate cabinet note, the government has proposed to collect disaggregated sector-wise data on trade in services to help project a better picture of India's exports, which have been dragged lower by slowing outbound merchandise shipments.

With this, the government will be able to come out with sector-wise data on export and import of services such as health and education.

"We have circulated a draft discussion note-...line ministries will have to anchor it," said an official aware of the development.

However, citing issues in collecting data on services exports, the official said that remittances come from the banking channel and services exports are intangibles. So, building a database is a problem.

The two-fold strategy can help lift India's exports.

"We have been working with DGCIS (Directorate General of Commercial Intelligence and Statistics) so as to offer paper reporting on a voluntary basis-...how do you find a mechanism to measure legal services?" the official added. "DGCIS wants to collect data in trade in services because RBI data doesn't have disaggregated sector-wise data," said an official from another ministry who is aware of the note.

Although the RBI collects services data, the official said there is a requirement of country-wise and product-wise data as services as a sector is heterogeneous in which the quality of estimates matters. Services accounted for almost 58% of the country's gross domestic product in 2010-11 and even after a 52.5% share in gross value added in 2014-15, as per data available with the Central Statistical Office, the sector is not tracked very well.

India's major services exports in 2013-14 were computer services; business services including professional and consulting services, technical and trade-related services and R&D services; travel; transport, and financial, insurance and pension services.

Rs 1,500-crore booster dose

NEW DELHI: The government has given additional Rs 1,500 crore to boost exports of traditional medicines, herbs, marine products, plastics and industrial goods among others.

In the backdrop of the continued challenging global environment being faced by Indian exporters, the commerce department has extended support to certain new products and enhanced the rate of incentives for certain other specified products under the Merchandise Exports from India Scheme (MEIS).

It has added 2,901products falling under different product categories of traditional medicines like Ashwagandha herbs and its extracts, marine products, leather goods, newspapers, periodicals, silk items, made ups, wool products, tubes and pipes.

Earlier, 5,012 items were covered in the scheme.

The government also increased the rates of 575 product items including products of iron and steel, handicrafts, moulded and extruded goods.

[Back to top]

Olive oil imports likely to rise 20% in 2016-17

The Economic Times

New Delhi, September 22, 2016: India's olive oil imports are expected to rise 20 per cent to 13,500 tonnes this fiscal on the back of rising demand in metros and tier II cities, a top Indian Olive Association official said.

The country had imported 11,106 tonnes of olive oils, 65 per cent of which is sourced from Spain, in 2015-16 fiscal.

"Imports have been encouraging so far and we are hopeful the total imports during the year would rise by 20 per cent to 13,500 tonnes," Indian Olive Association (IOA) President Rajneesh Bhasin told PTI.

The country has imported 3,062 tonnes of olive oils in the April-June period of the 2016-17 fiscal, which is 19 per cent higher than 2,583 tonnes in the year-ago period, he said, a similar growth is expected in the coming quarters.

During the last year, Bhasin said that the olive oil imports fell because of high global prices in view of poor crop in Spain, as well as hike in import duty of edible oils and weak Rupee against Euro, he said.

"However, the crop prospects this year look bright in Spain and we hope this will bring down global prices. Rupee is also strong against Euro this time. All these factors should reduce the cost of produce at the source and boost imports," Bhasin said.

That apart, the domestic demand for olive oils is growing in tier II cities as well as in metros, he added.

Bhasin said the share of Pomace olive oil in total imports is coming down as consumers are switching towards Extra light variants.

India largely imports olive oil from Spain, Italy and Turkey. While India consumes 17 million tonnes of edible oils but the share of olive oil is only 0.1 per cent. More than 90 brands are competing for such a small share of market.

The top three brands in the domestic market, which together control more than 70 per cent of retail sales, are Leonardo, Figaro and Borges (including Cesar). Some other prominent brands include RS, Bertolli, Del Monte, Fragata, Colavita and Athena.

[Back to top]

Centre cuts import duty on wheat, edible oil, potato

Business Line

New Delhi, September 23, 2016: The Central government on Friday cut the import duty on wheat, edible grade crude and refined palm oils and potato to keep prices in check ahead of the festival season.

The import duty on wheat was cut by 15 percentage points to 10 per cent till the end of February to boost domestic supplies. The government also lowered the import duty on edible grade crude palm oil to 7.5 per cent from 12.5 per cent and that on refined palm oil to 15 per cent from 20 per cent.

The import duty on potato has been slashed to 10 per cent from 30 per cent.

The reduced import duty is likely to allow more wheat to be imported by increasing the viability of the transaction for traders.

The Central government is satisfied that it is necessary in the public interest to make the amendment, a Finance Ministry notification on the reduction in import duties stated.

Although global prices are low, Indian consumers have not been able to take advantage of because of the high import duties.

Following two years of drought, production levels are much below the peak levels in India and stocks have depleted, pushing up prices in the domestic market.

India has already bought about 600,000 tonnes of wheat in 2016, the most in nine years. According to estimates made by traders, imports may rise to 3 million tonnes following the reduction in import duties.

[Back to top]

In lean season, seafood exports increase by 7 per cent

Krishnakumar Padmanabhan, Economic Times

Kochi, September 27, 2016: In a sign of strong recovery, seafood exports in first five months of the current fiscal rose 7 per cent from a year ago to touch 333,832 tonnes, according to data from Marine Products Export Development Authority (Mpeda). In value terms, the year-on-year increase was 17 per cent to Rs 13,426 crore, Mpeda's provisional data for the five months to August showed.

"The good performance has come in the lean season, which augurs well for the coming months," Mpeda chairman A Jayathilak said.

In 2015-16, marine exports dipped 9 per cent from the previous year to Rs 30,421 crore as the unit value realisation of frozen shrimp, which constitutes over 70 per cent of total exports, fell by $2 to $8.28 per kg.

Jayathilak said the loss of the previous year has been made good in the first few months of the current year. He said seafood exports are expected to touch the targeted $5.6 billion in the current year.

As per Mpeda data, production of aquaculture shrimp, which is driving exports, touched an all time high of 550,000 tonnes in 2015-16.

[Back to top]

Pakistani traders willing to import quality tea from India

V Sajeev Kumar, Business Line

Ooty, September 23, 2016: Pakistani tea importers are batting for quality to double imports of Indian tea. Pakistan is the third-largest importer of tea in the world and is largely dependent on Kenya.

Mohammad Shakeel Jan, Chairman, Pakistan Tea Association, who led a 11-member delegation to the Indian International Convention 2016, mainly comprising traders, said that more than political issues, their focus is on strengthening the trade relationship between the two neighbours.

Speaking to *BusinessLine*, on the sidelines of the convention, he said imports of tea into Pakistan are at around 2.35 lakh tonnes a year, both legal and illegal. However, India’s share is only 10 per cent despite the fact it was the first country to cater to Pakistan market way back in the 1980s. Pakistan is the largest importer of Kenyan tea with about 72.94 million kg.

Fluctuating trade

Tea exports from India started again in 2000 but volumes did not pick up because of quality and other factors, said Mohammad Afzal, Managing Director, Usmania Traders, Karachi.

In the last 10 years, value of tea imports has increased to $22 million from $9.7 million. While this is good news, the fact remains that exports from India to Pakistan have not been steady in terms of volume.

In 2005-06, export from India to Pakistan was around 9.5 million kg (mkg) and it dropped to 5.7 mkg in 2007-08, but rose to 8.3 mkg in 2009-10 and further to 18.8 mkg in 2012-13 but then it dropped to 17.3 mkg in 2015-16.

During this period, the average price of Indian teas rose to $1.43 a kg in 2015-16 from $1.02 in 2005-06.

No credit

Abdul Majeed Paracha of Orient Traders said that while Indian exporters give credit facilities to buyers in other countries, they don't offerthe same to their Pakistani partners.

He noted that Kenyan suppliers give 30-40 days credit facilities, without any bank guarantees.

On quality issues, Afzal, who sources tea for different brands from India, said there are around 10-15 variants at the production stage in India, whereas in Kenya it is uniform despite the fact that Kenyan factories use machines imported from India. "The Kenyan tea taste never differs, but Indian teas don't have uniformity," he said.

This, is one of the reasons — despite Pakistan's demand growing by around 3.5 per cent — that imports from India have been fluctuating, he added.

[Back to top]

Government reviews impact of trade pacts on economy, employment

The Economic Times

New Delhi, 20, September, 2016: The government today reviewed the impact of free trade agreements (FTAs) on the domestic economy and employment generation amid concerns that these pacts may be helping trading partners more than India.

The meeting of various ministries to discuss the preliminary findings of a report on these pacts was chaired by Finance Minister Arun Jaitley.

During the meeting, Chief Economic Advisor (CEA) Arvind Subramanian gave a presentation on the working of FTAs.

Commerce and Industry Minister Nirmala Sitharaman, who attended the meeting, said the review of FTAs is a continuous process and "this one was also" on those lines.

According to sources, in his presentation Subramanian highlighted the impact of FTAs on employment generation. It was also decided in the meeting to hold stakeholder consultations to assess the impact of these pacts on employment generation.

Industry representatives including exporters have time and again raised concerns that these agreements implemented by India with other nations has benefited more to its trading partners than the domestic industry.

India has implemented these agreements with several countries including Japan, Korea and Singapore as well as the Asean group. It is also negotiating similar pacts with several regions, including the European Union, Australia, New Zealand and Canada.

When asked whether there was any discussion related to devaluation of rupee to promote exports, Sitharaman said: "I have not said and I am not saying anything on devaluation".

"There was nothing discussed on it," she said.

Worried over continuous slowdown in exports, the Commerce Ministry is pressing for better exchange rate policy, alignment of freight rates with global standards and a liberalised visa regime to boost shipments.

As part of the strategy to boost both exports of goods and services in the long run, the ministry is working on the three important pillars -- exchange rate, visa regime and freight rates.

Textiles Minister Smriti Irani, NITI Aayog CEO Amitabh Kant, Commerce Secretary Rita Teaotia and other senior officials attended the meeting.

[Back to top]