INDIA'S TRADE NEWS AND VIEWS

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Foreign Trade Policy to offer more incentives
Amiti Sen, Business Line (The Hindu)

New Delhi, 2 July 2014: The Government is looking at narrowing the focus of existing export incentive schemes to promote high-potential items, such as textiles, engineering goods and pharmaceuticals, in markets that import heavily.

The import appetite of the target countries, such as China and Russia, will also be given due consideration while drafting promotional schemes, a Commerce Ministry official told *Business Line*.

The Commerce Ministry, which will come up with the Foreign Trade Policy for 2014-19 after the Union Budget is presented next week, is also trying to persuade the Finance Ministry to continue the interest subvention scheme for labour-intensive exports. The scheme lapsed on March 31.

“We are planning to give more market-linked export sops to different products this time instead of incentivising products and markets separately. We can then plan our promotion and marketing drive better. There will also be focus on promoting services exports,” a Government official said.

India missed its export target of $325 billion for 2013-14 as the global slowdown hit demand from key markets in the West. Shipments during the year posted a rise of just 3.98 per cent, at $312.35 billion.

At present, incentives are given under three schemes — Focus Product, Focus Market and Market-linked Focus Product Scheme. More than 750 products and 150 destinations are included in these schemes.

“There is nothing focussed about the Focus Product and Focus Market schemes that we have at the moment,” the official said.

The Commerce Ministry also wants to provide exporters more incentives, as it feels that the existing incentive of 2--5 per cent of export value is not enough.

Big markets such as China, Russia and Brazil, which have so far not been extensively included in the promotion schemes, are now being considered.

Huge potential

“There is a large market for pharmaceuticals in China that we can tap if incentivised properly. Russia, too, has huge potential as our exports comprise a very small part of their total imports,” said Ajay Sahai, Director-General, Federation of Indian Export Organisations (FIEO).

The Ministry is also trying to use the foreign trade policy to get more benefits from Free Trade Agreements that it has with countries such as Japan, South Korea, Singapore, Malaysia and other Asean members.

“We believe that if the preferential duty that our exporters get in these countries is backed with export incentives, exports can rise sharply,” the official said.

FIEO has also urged the Ministry to expand the scope of the interest subvention scheme — under which the Government gives an interest subsidy of 3 per cent to select export sectors — and extend it from April 1 this year.

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The need to revisit India-Pak trade
Nisha Taneja & Samridhi Bimal, Financial Express

30 June 2014: To facilitate cross-border Line of Control (LoC) trade between India and Pakistan, the recent decision of the Union ministry of home affairs to provide International Subscriber Dialling (ISD) facility for government officials and the trading community, expansion of the list of tradable items, opening banking facilities in both sides of the border, increasing the number of weekly trading days and installation of full body truck scanners are welcome steps.

Cross-LoC trade commenced in 2008 as part of a confidence building measure and was expected to lead to enhanced economic interactions that could lead to improved relations between India and Pakistan. The purpose of the trade was to allow the people on both sides to trade in items produced in the region to meet their daily needs, which, in turn, would help them in building partnerships and relationships across the LoC. Trade was allowed through the Uri-Muzaffarabad and the Poonch-Rawalakote routes on an agreed upon list of 21 items that were of Kashmiri origin.

Two key features lie at the core of LoC trading arrangement: (1) Barter exchange and (2) zero customs duties. Exchange through barter creates difficulties in valuation of goods in the absence of a price mechanism. Trading partners are given three months to reconcile their transactions. Sometimes, traders are unable to reconcile within this time-frame as the two-way exchange of goods has to be of the same value. This imposes a huge transaction cost on traders. Traders also do not have any formal contract with their trading partners. Without institutional processes, this trade is based mostly on ‘trust’. Even though ethnic ties on both sides serve as a basis of mutual trust that mitigates risk amongst trading partners, there is no recourse to law in cases of dispute. While such trade builds confidence, its benefits will be temporary if it is not supported by mechanisms and practices that are long-lasting and transparent. Permitting duty-free trade through the two designated border points in J&K creates trade distortions. Traders trading through other points such as Attari and Wagah feel disadvantaged as they have to pay duties applicable under SAFTA. This distortion has led to diversion of trade from other land routes and sea routes to the state of J&K to avail duty-free access into each other’s markets. In practice, trade not only takes place in goods from other Indian states but also in third country goods as there is no customs duty at the LoC. Increasing the list of items on the tradable list would widen the distortion as more trade would be diverted from other states and routes to the LoC to trade at zero duty.

The solution to this complex situation is to shift from barter trade in a limited number of items to regular trade through a formal and institutionalised channel that would follow trade rules that are applied to all other trading routes. The process of formalisation of the LoC trade would unleash huge trade opportunities. However, for this trade to be realised, additional measures that could be undertaken include modernising infrastructure at the border, removal on the restriction on the type of trucks, permitting Indian and Pakistani trucks to move freely in each other’s territory, and easing business travel. In fact, business associations have suggested that they should be issued travel permits to the point of unloading goods where they could meet with their business partners. Such permits are issued to truck drivers for 12-24 hours and can be extended to business persons as well.

But shifting to normal trade would mean imposing duties on traded goods, which is likely to hurt LoC trade. Keeping in mind the sensitivities of the region, this has to be done gradually so that adequate adjustment period is given to traders. Simultaneously, for non-least developed countries (Pakistan and Sri Lanka) in SAARC, India should reduce the tariff levels to zero from the prevailing 0-5%. This would reduce the impact of tariffs on LoC trade.

To normalise and enhance trade between India and Pakistan, it is imperative to develop a uniform and clear trade policy governing trade across all routes between the two countries. The same policies should be followed regardless of the route. For this, it is important to formalise and institutionalise the LoC trade with a dispute settlement mechanism in place. Policymakers should lay down a roadmap for formalising LoC trade and bring it under the ambit of SAFTA. Traders would also have to be sensitised about the long-term consequences of shifting from barter trade to institutionalised trade. A clear direction would perhaps reduce the pain of adjustment and would lead to peaceful and prosperous economic relations between the two Kashmirs. Overall, by reforming existing trade policies, strong cooperation on trade between India and Pakistan could extend to other aspects of the bilateral relationship.

The authors are researchers at ICRIER. Views are personal

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Booster for LoC trade: Phone lines to PoK soon
Mir Ehsan, Indian Express

Srinagar, 1July 2014 : Ahead of Prime Minister Narendra Modi's proposed visit to Kashmir this week, the Centre has decided to open phone lines for traders to speak to their counterparts across the Line of Control (LoC).

To boost cross-LoC commerce, the government plans to increase the number of tradeable items, officials said.

International Subscriber Dialling (ISD) facilities will be set up at the trade facilitation centres at Salamabad in Uri and Chakanda Bagh in Poonch, and at one or two designated locations in Baramulla and Srinagar. Traders from Pakistan-occupied Kashmir (PoK) have been able to call counterparts on the Indian side since the trade started in 2008; however, traders from J&K are barred from making calls to PoK or Pakistan.

The proposal to allow phonecalls had been on the table, but the decision to go ahead was made after a team of senior home ministry officials led by the joint secretary (Kashmir Affairs), R K Srivastava, reviewed the cross-LoC trade with the state administration and police on Friday.

Officials said the central team asked the state government and BSNL to work out a proposal to set up ISD communication links at designated points for the ministry to give its final approval.

The officials said the central government also planned to allow more items to be traded through the Kaman Post and Chakanda Bagh in Poonch. In the absence of a proper banking system, cross-LoC commerce, from the time it began, has been based on barter. Traders estimate that goods worth Rs 3,000 crore have been traded so far.

"The setting up of ISD facilities will help boost cross-LoC trade. But even though the home ministry has agreed to provide ISD facilities at designated points for traders, we are demanding that ISD facilities should be provided to all registered cross-LoC traders," Hilal Turki, general secretary of the Cross-LoC Trade Union, said. "We have given a charter of demands to the central team that visited Kashmir," he told The Indian Express.

The MHA has also agreed to install full-body truck scanners at Salamabad and Chakanda Bagh, something the Army has long asked for. In January, 114 kg of brown sugar worth Rs 100 crore was seized

from a truck that came from PoK to the Salamabad Trade Centre. Smaller drug hauls and weapons have been recovered earlier from trucks.

“The installation of the truck scanners will help trade, as in the absence of scanners, many genuine businessmen were afraid to book consignments,” Bashir Ahmad, a cross-LoC trader, said.

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India seeks easier norms for entry of its goods in China
Dilasha Seth, Economic Times

New Delhi, 30 June 2014: Before grabbing China's offer to invest in and help develop India's infrastructure, the Narendra Modi-led government wants to ensure easier norms in return for India to export IT, pharmaceuticals, farm goods, and health and tourism services so that the trade imbalance between the two countries gets reduced.

In response to the five-year trade and economic planning cooperation plan that China submitted to India in February, the new government at the Centre has proposed to raise the country's exports to $95 billion over the next five years from $15 billion at present.

"India-China trade in the next five years must stand at $200 billion, comprising $105 billion worth of imports and $95 billion exports," a government official familiar with the development told ET. China is now India's biggest trading partner but the trade balance is heavily skewed in China's favour.

India has said the trade deficit must be cut to one-fourth, targeting $10 billion by 2020 from close to $36 billion at present. "The only way to cut trade deficit is by asking China to invest in manufacturing activity. Rather than importing, China can manufacture machinery, heavy duty power equipment etc in SEZs (special economic zones), NIMZs (national investment and manufacturing zones) or industrial parks," said the official, who did not wish to be identified.

The Cabinet has already cleared signing of a memorandum of understanding with China for setting up industrial parks in India. The five-year trade and economic planning road map prepared by India after several rounds of interministerial consultations has noted that information technology sector can be a win-win for both economies if China eases its licensing norms to allow participation of Indian companies in local projects.

Pharmaceutical companies, which rank among India's potential strengths in bilateral trade, face registration hurdles in China, where it takes three-five years for registration compared with just three-six months in India.India has also asked China to allow export of buffalo meat to the country.

China had proposed in its five-year plan to enter critical areas including telecom, railways, roads, and nuclear and solar power for investment in India. While China was silent on narrowing the trade deficit, it noted that the gap was on account of the very nature of the two economies, China's being manufacturing-led and India's services-led.

China, which has accumulated over $4 trillion of forex reserves, plans to invest $500 billion overseas in the coming years, it announced in March.

"There is no need to fear investment from China. It just needs to be leveraged well. We need investment in building our roads, railways, manufacturing. Barring the sensitive areas, flow of funds should not be discouraged from China," the official cited earlier said.

Although India has said that it will welcome investment from China in sectors like roads, effluent treatment and railways, the matter is yet to be examined by the ministries of defence and home affairs. China is keen on railways, particularly electrification, high-speed trains, wagons, last-mile connectivity and gauge conversion.

It has also identified sewage treatment and tunnel building among areas where it can offer substantial expertise. China has invested about $0.4 billion in India in the past 14 years, contributing just 0.18% to the overall foreign direct investment in the country.

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Gas pipeline to China: India to talk to Russia for extension
Huma Siddiqui & Siddhartha P Saikia, Financial Express

24 June 2014: India is set to start negotiating with Russia the extension of a $30-billion gas pipeline Moscow plans to build to China till the Indian border. If the proposed pipeline from Russia via China's Xinjiang province materialises, it will be among the world's most expensive gas pipelines.

Sources said given Narendra Modi government's intent to bolster sourcing of oil and gas to meet the country's rising energy demand, an Indian delegation would take up discussions on the proposed pipeline's extension with Moscow and Beijing during the BRIC summit in July.

The proposal would also be in focus when Russian President Vladimir Putin visits India later this year. "India is a large importer of energy — in FY14, its net energy imports were 6.3% of the GDP. Without energy imports, we calculate it would have run a current account surplus of 4.6% of the GDP," the Goldman Sachs said in a recent report.

India is also working on the $9-billion Turkmenistan-Afghanistan-Pakistan-India (TAPI) pipeline. During the World Petroleum Congress held in Moscow last week, petroleum minister Dharmendra Pradhan is learnt to have discussed the possibility of the pipeline with his Russian counterpart, Alexander Novak. India is looking to set up a pipeline from Russia either through China or the same route as TAPI. Recently, Russia and China signed a 30-year gas contact worth $400 billion. GAIL (India) has already tied up 2.5 million tonne of liquefied natural gas (LNG) from Russia; the supply will commence from 2020. OVL managing director SP Garg said India is surrounded by countries rich in oil and gas. "Russia is one such country, which has surplus oil and gas. It will be a very good idea to build a pipeline from Russia to India," Garg said.

Goldman Sachs said energy imports can be reduced further by switching from oil to natural gas and improving conservation.

"Reforms in the energy sector could reduce India's annual energy import bill by $40 billion by FY23. Energy imports in a reform scenario could come down to about 4% of the GDP, from 6.3% currently," it said.

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India, Singapore want economic partnership deal fast-tracked
Business Line (The Hindu)

New Delhi, 1 July 2014: India and Singapore have asked their negotiators working on the Comprehensive Economic Partnership Agreement (CEPA) to show adequate flexibility to move ahead and have the review completed at the earliest.

This was agreed to at a meeting that the Singapore's visiting Foreign and Law Minister K Shanmugam, had with External Affairs Minister Sushma Swaraj here on Tuesday. "The focus of the discussion was largely economic. Singapore is the source of the largest foreign direct investment into India," the spokesman of the Ministry of External Affairs said.

Infra projects

The two leaders also had "prolonged and detailed" discussions on the possibility of Singaporean companies participating in infrastructure projects based in the Delhi-Mumbai industrial corridor, the Chennai-Mumbai corridor, in the North East and on the Buddhist circuit. "The focus was principally on Singapore investments in urban development projects and efficient delivery of urban services," the spokesman said.

India and Singapore will also exchange state visits as part of the year long 50th anniversary celebrations of establishment of diplomatic relations between them.

Iraq situation

Meanwhile, the Government has purchased tickets for 233 Indians wanting to fly out of Iraq, the spokesman said.

"The most significant numbers are from North India because their tickets are booked for Delhi. After that the largest number is to Hyderabad. There are a limited number to Kerala and Tamil Nadu but these are in single digits," the spokesman added.

While about a 1,000 Indians have confirmed to the mobile teams established by the Indian Embassy in Baghdad that they would like to return an almost equal number have indicated that they will remain there, the spokesman said adding that not all Indians have been contacted.

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US trade team on review visit
Nayanima Basu, Business Standard

New Delhi, 27 June 2014: A team of officials from the US International Trade Commission (USITC) is currently visiting India to understand the change in the business environment between the two countries with the coming in of a new government led by the Bharatiya Janata Party. The team is also assessing the stance of the new government on intellectual property laws. The officials will also be carrying out a survey on the thinking of the American conglomerates in terms of mending ties between both the countries that recently got entangled in a bitter fight over IPR and compulsory licensing issues, especially in the pharmaceuticals sector.

Their findings here will also be used as a basis of the out-of-cycle reviews (OCRs) that US authorities intends carrying out from August onwards, as part of the suggestion made in the Special 301 Report of the US Trade Representative Office.

According to sources, USITC officials have met senior executives of Eli Lilly, Pfizer, Agilent, Abbott, Microsoft and Monsanto among other.

Although the Narendra Modi-led government is expected to revive the bilateral ties between both countries, it is unlikely that it will allow any sort of unilateral action by the US, sources said.

Minister of Commerce and Industry Nirmala Sitharaman had told this paper in an interview that efforts are on to negotiate with the US and make them understand the country's IPR regime. She also asserted that India is not in violation of the global trading rules.

Earlier this year, apprehensions were running high here that the US might tag India as 'Priority Foreign Country' in its annual Special 301 Report. This is a label given by the US government to those countries where, it believes, gross violation of IPR laws has taken place. However, India was kept in the 'Priority Watch List' meaning US will keep a hawkish stance on India's IPR laws and will take action in the event India exercises any of its flexibilities under these laws.

"It is imperative that the industry and the governments of both the countries come together to discuss this issue in a reasoned and respectful manner. Do we have concerns regarding IPR in India? Yes. Going forward, is acrimony the answer? Absolutely not. It is time to open up the lines of communication and address the challenges directly," US India Business Council's Acting President Diane Farrell said recently.

The Obama administration had been miffed with India over a number of issues. Bilateral trade ties started getting impacted since 2011 when the US government raised the fees for professional visas - H1B and L1. Since then, India and the US have dragged each other to the WTO's disputes settlement body on various issues. Significant among those were New Delhi banning the US's poultry imports and Washington levying extra duties on steel items from India.

Since US President Barack Obama's visit to India in 2010, American companies started becoming vocal about India's IPR laws and patents regime. This reached its peak in April last year, when the Supreme Court rejected a patent application made by Swiss company Novartis for its cancer drug, Glivec.

But matters went from bad to worse during the diplomatic row over Indian diplomat Devyani Khobragade, who was arrested in the US and strip-searched over charges of visa fraud.

American companies have been raising questions on India's IPR laws since the controller general of patents, designs and trademarks decided to grant a compulsory licence to Natco Pharma to produce and sell generic versions of Bayer-Onyx's cancer drug, Nexavar.

All eyes are now on the upcoming India-US Trade Policy Forum meet that is expected to take place in July-end or early August. India and US have set a bilateral trade of $500 billion in goods and services from $100 billion currently.

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Rule-making In Mega FTAs: Potential Impact on India
Surendar Singh, Business World

20 June 2014: The emergence of mega free trade agreements in the developed world, led by the United States, is threatening the multilateral trade framework under the World Trade Organization. The United States and the European Union are negotiating a Trans-Atlantic Trade and Investment Partnership (TTIP). It is expected to cover two-third of world gross domestic product and one-third of world imports.

Similarly, the Trans-Pacific Partnership (TPP) among 12 countries including the United States, Canada, Mexico, Australia, Malaysia, Singapore, Vietnam, and Japan is also under negotiation and is expected to be completed by the end of this year. These countries account for around 38 percent of global GDP and 25 percent of global trade.

On the other hand, there is an on-going dialogue on Regional Comprehensive Economic Partnership agreement (RCEP), which covers the ASEAN (Association of South East Asian Nations) group of countries and six more, viz. Australia, India, China Japan, Korea and New Zealand. The RCEP group of countries accounts for more than three billion people (over 45 per cent of the world population), with a combined GDP of about US$ 17 trillion.

These mega FTAs are expected to push global trade further into preferential trade. That would be a major setback to the on-going global trade talks under the WTO.

It appears that the TPP and TTIP are aimed to maintain the hegemony of United States and the EU in global trade. They want to set up new standards for international trade, which may be higher than the existing multilateral rules. A major reason could be to arrest the fall in their share in world trade since the beginning of this century. On the other hand, the share of RCEP group of countries is increasing steadily and there is a perception that RCEP is about countering the possible negative impacts of the other two mega FTAs.

Potential Impact on India

These two mega FTAs (TPP and TTIP) are likely to have far reaching implications on emerging countries like India. Though the magnitude of their impact is yet to be fully measured, that can be done by: a) looking at how they would impact India's exports and b)analyzing how they would potentially undermine the WTO's pre-eminence as a rule-maker of global trade.

Firstly, the elimination of trade barriers among the members of these FTAs could create trade diversion, particularly in tariff-sheltered sectors of India. This includes textiles and footwear, agriculture and garments, all of which are relatively more labour intensive. Furthermore, there will be new and higher standards including a stricter intellectual property rights regime, which can act as technical barriers to India's exports. Indian exporters will have to adhere to those standards and that would impact their competitiveness.

Looking at the present capacity of Indian exporters of many of these product categories, it seems difficult for them to meet new and higher international standards. Moreover, they may create a sui generis dual regulatory regime in key areas of product and process standards and intellectual property protection. Large export-oriented firms will have to adopt higher standards, while a large part of small producers will not be in a position to adhere to them due to lack of human and monetary resources.

Secondly, these mega FTAs will undermine the WTO-led, gradual trade liberalisation agenda in order to achieve their ambitious liberalisation and regulatory harmonisation before the completion of the Doha

Round of multilateral trade negotiations. This is expected to drag the conclusion of the Doha Round. More importantly, they may become rule-setter and contaminate the process as well as content of multilateral trade negotiations.

Thus, this kind of new regionalism initiated by mega FTAs will result in sub-optimal outcomes for emerging economies like India. India's engagement in RCEP negotiations should take this into account as many RCEP countries are also part of Trans-Pacific Partnership. If they want RCEP to agree to higher standards set by TPP then the competitiveness of many Indian exports will get significantly affected and that will constrain India's ability to enhance its trade in those markets.

Policy Analyst, CUTS International, CITEE, a Global Think Tank

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India should seal trade pact with EU
Ritesh Kumar Singh/Prachi Priya, Business Line (The Hindu)

25 June 2014: Despite several rounds of the negotiations which started in 2007, the proposed EU-India Bilateral Trade and Investment Agreement (BTIA) covering trade in merchandise, services and investment is far from concluded. The recent EU ban on the import of mangoes from India will further strain the bilateral commercial relationship, already troubled by a series of tax disputes involving European companies.

Given the subdued sentiment on foreign investment and trade, restoring activity to its normal level will be one of the top priorities of the Narendra Modi government. What is holding back the conclusion of the pact?

India’s interests

Considering the contribution of the sector to GDP (57 per cent), it is natural that India would seek improved market access in services. India’s offensive interests lie in Mode 1 that covers ITES/BPO/KPO and Mode 4 that covers movement of skilled professionals such as software engineers. A recent RBI survey on computer software and information technology enabled services export shows that Europe’s share in India’s software export declined from 27 per cent in FY08 to 20 per cent in FY13. The share of Mode 4 services in overall software service exports declined from 25 per cent in FY08 to 14 per cent in FY13.

Improved market access in Mode 4 will allow skilled professionals such as software engineers to temporarily reside and work in EU countries. The barriers to Mode 4 include work permits, wage parity conditions, visa formalities and non-recognition of professional qualifications.

India also seeks data secure status from EU as the high cost of compliance with existing data protection laws and procedures renders many of its service providers uncompetitive.

EU’s thrust areas

The EU’s demand in India’s Mode 3 services includes further liberalisation in FDI in multi-brand retail and insurance and presently closed sectors such as accountancy and legal services. European banks have been eyeing India’s relatively undertapped banking space. However, the surrender of banking licences by Goldman Sachs, Morgan Stanley and UBS shows that the burden of priority sector lending and financial inclusion has discouraged foreign banks.

India’s IPR regime is another impediment. India fears that any commitment over and above WTO’s intellectual property right rules will undermine India’s capacity to produce generic formulations. Further, data exclusivity protection measures (that allows pharmaceutical companies to exclusively retain rights to their test results for a certain time period) would delay the supply of generic medicines. That explains India’s opposition to the proposal. European pharmaceutical companies are wary of India’s patents law which prevents evergreening, which allows companies to renew patents on old drugs by making incremental changes.

Duties and tariffs

India has reduced duties on parts and components but maintains 60 per cent import duties on fully-assembled cars. It is75 per cent in the case of cars with fob value above $40,000 and engine capacity 3000cc for petrol and 2500cc for diesel. This over-protectionism with respect to fully assembled cars remains the most contentious issue in the BTIA negotiation.

The EU also seeks deeper cuts in India’s tariffs on wines and spirits. They feel high effective duty and additional state-level taxes escalate the price of imported liquor in India. However duties on wines and spirits are a critical source of tax revenue for the Government.

Agricultural trade is highly distorted in both the EU and India. Even though average MFN (most favoured nation) import duties on agricultural commodities in EU (13 per cent) are much lower than in India (33 per cent), EU’s peak tariff rates on certain products such as dairy (650 per cent), fruits and vegetables (156 per cent), and sugar and confectionary (133 per cent) are more than those in India.

Again, the fishery and dairy sectors in the EU are highly subsidised. There is fear of EU dairy products flooding Indian markets after the FTA. India wants the EU to cut its agricultural subsidies while the EU has interests in India reducing its duties on dairy products, poultry, farm and fisheries. Thus, both India and the EU have strong defensive interests with respect to agriculture trade negotiations.

Reconciling differences

To be fair, EU does not have a single market for labour mobility. Regulations related to work permits and visas differ across members. There were efforts to harmonise the EU market through various directives but they have met with limited success. Moreover, EU’s continuing unemployment problems have reduced policy space for ceding ground on Mode 4.

India’s demand for greater market access in Mode 1 and 4 is dependent on its ability to meet EU’s demands in Mode 3. Lack of political will on FDI in retail and insurance or willingness to open its legal services for European law firms undermine India’s negotiating capacity on other critical issues.

Domestic car manufacturers fear that reduced duties on cars under the EU-India BTIA will impact their market share and flood India with European cars. Besides, European automakers will have no incentive to set up a local manufacturing base in India. This is debatable as almost all major European automakers have a manufacturing presence in India.

Can European carmakers compete in the Indian small car segment (comprising 80 per cent of India’s market) by producing in Europe? Studies show that it’s difficult to succeed in India without a strong dealer network and reliable after-sales service. Prohibitive duties on cars are unjustified when duties on non-car automobile segments have been substantially reduced. This also deprives consumers of choices.

Improving India's investment climate is a better way to promote investment and job opportunities. Similarly, allowing exclusive rights to commercially exploit patents will incentivise R&D and bring in more FDI. Thus, going forward, India would need to strengthen its IPR regime.

A trade pact is about give and take. Failing to conclude the EU-India BTIA will be a lost opportunity when trade pacts such as the Trans-Pacific Partnership and the Transatlantic Trade and Investment Partnership (that together account for two-third of world GDP and one-third of world imports) are moving global trade away from MFN routes to bilateral/regional routes. They are setting new trade rules that would be far more difficult to comply with. On the other hand, a badly negotiated trade pact can hurt India's long-term trade interests. With the change of guard in New Delhi, are India's trade negotiators ready for a tightrope walk?

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Govt to hike sugar import duty; soft loans for mills
Express News Service

New Delhi, 24 June 2014: Two days after hiking railway fares and freight rates, the government on Monday raised the import duty on sugar to 40 per cent from 15 per cent that caused the cost of the commodity to rise by Rs 60 per quintal on the country's leading wholesale markets.

In addition, sugar-mill owners will be given an additional Rs 4,400 crore interest-free loan towards payment of pending dues to sugarcane farmers. The total dues amount to around Rs 11,000 crore, said Union minister for food and civil supplies Ram Vilas Paswan on Monday.

"The country's existing sugar stock will hold good for a year. There is no dearth. So rather than impacting prices, these moves will boost production and also bring in money to sugarcane farmers," said Paswan who had convened a high-level meeting attended by, among others, transport minister Nitin Gadkari, petroleum minister Dharmendra Pradhan, commerce minister Nirmala Sitharaman, principal secretary to the PM, Nripendra Misra, and cabinet secretary Ajit Seth.

It was also decided that the export subsidy will be extended till September this year to give relief to the sugar industry, which owes Rs 11,000 crore to cane growers largely in Uttar Pradesh.

Paswan said efforts would be made to implement mandatory 5 per cent ethanol blending with petrol and subsequently achieve 10 per cent blending. "The petroleum minister has agreed to this," he said.

"We have taken four key decisions. We have decided to extend the interest-free loan given against excise duty paid by sugar mills for five years instead of three years," he said after the meeting.

In December, the Centre had approved Rs 6,600 crore interest-free loans for the sugar industry for clearing cane arrears. It decided to give loans via banks equivalent to the excise duty paid by the mills in the past three years.

"We don't have any problems to announce these incentives formally if millers are ready to make payments. If they give assurance today, we will announce incentives today itself", Paswan said.

Some of the decisions will be notified by concerned ministries, while some require the Cabinet nod, he added. "Whenever necessary, we will get these moves to the Cabinet," Paswan told The Indian Express.

Expressing concern over mounting cane arrears, Paswan said, "While the Centre fixes the cane price, some states are fixing higher prices that are putting burden on millers. There should be a holistic view on pricing."

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Basmati rice exports up by Rs 10,000 crore
Ikhhlaq Singh Aujla, Times of India

Chandigarh, 22 June 2014: Demand for biryani in the Middle East has spurred basmati rice exports from India which registered a huge jump of Rs 9,890.58 crore in 2013-14 as compared to the previous season.

Riding on strong overseas demand especially from Iran and Saudi Arabia, the value of basmati rice exports jumped by 50.96%.

According to the figures available with the Agricultural and Processed Food Products Export Development Agency, India exported about 37.57 lakh tonnes basmati rice from April 2013 to March 2014 valued at Rs 29,299.96 crore. In the previous season about 34.59 lakh tonnes of basmati rice was exported for Rs 19,409.38 crore to the country's rice exporters.

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Cashew kernel exports fall
Mahesh Kulkarni, Business Standard

Bangalore, 25 June 2014: After a record rise in cashew kernel exports last year, exports of the commodity have seen a decline in the first two months of this financial year, owing to a shortage of raw cashew nuts. A decline in production in India and African countries led to the shortage.

For April and May this year, kernel exports stood at 15,715 tonnes, compared with 19,904 tonnes in the corresponding period last year, a decline of 21 per cent.

"The availability of raw cashew nuts was lower during the fourth quarter of last financial year; this was processed and exported in the months of April and May. Though the processors imported a higher quantity in the first two months, they faced a shortage in the preceding months. In addition, the prices of raw nuts rose significantly, adding to the cost of processors," said Rahul Kamath, partner at Mangalore-based Bola Surendra Kamath and Sons.

He said new crop arrivals were seen only in April and due to a smaller crop this year, prices of raw cashew nuts increased about 50 per cent to Rs 100 a kg. Nuts imported from Tanzania were priced at Rs 94 a kg, which added to the processing sector's costs. During April and May, many processing units either worked at half their capacities or were shut, Kamath said.

In value terms, exporters earned Rs 683.39 crore in April and May, 10.3 per cent lower than in the year-ago period, when their earnings stood at Rs 761.96 crore. In dollar terms, the earnings were $114.2 million, a decline of 18 per cent compared with the year-ago period's $139.3 million. The average unit-value realisation was, however, higher at Rs 434.85 a kg, against Rs 382.82 a kg for April and May 2013.

"During the beginning of this financial year, raw cashew nuts weren't freely available for exporters; the rupee was steady against the dollar. Some issues at the Tuticorin port resulted in a huge pile-up of trucks and led to delay in nuts exports. More, domestic prices were encouraging and the processors were happy

to sell in domestic markets," said Sasi Varma, executive director, Cashew Export Promotion Council of India.

In May, exports stood at 8,397 tonnes, against 7,318 tonnes in April. "At the beginning of the financial year, there was a slight drop in demand in consuming countries. But it is picking up now and we expect exports to pick up in the coming months. The buyers adopted a wait-and-watch policy in the first two months. Unavailability of raw cashew nuts was the main reason for decline in exports," said Pankaj Sampath of Mumbai-based Samsons Traders said.

He said through the past six months, there was renewed demand for broken grades from buyers in the EU and the US. For 2013-14, India exported a record 113,260 tonnes, valued at Rs 4,976 crore, an all-time high.

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Coffee exports dip 2.6%
Business Standard

Bangalore, 2 July 2014**:** Coffee exports from India have seen a marginal decline of close to 2.6 per cent to 182,553 tonnes during January-June, reflecting the depressed sentiment among exporters as the news of a better-than-expected crop in Brazil resulted in price drop.

The rupee appreciation combined with lower availability of beans locally left the exporters with much lesser quantity to export also caused dip in exports. During the first six months of the last year, coffee exports stood at 187,494 tonnes.

"The shipments have declined in the first six months in line with our expectations. We have projected a decline of 5-10 per cent in exports this year due to lower crop in the season ended March. Rupee appreciation bothered exporters to an extent. The other main worry is that prices came down to around 170 cents per lb after reaching a high," said Ramesh Rajah, president, Coffee Exporters Association. He said the news of Brazil not going to reap a lower crop impacted the sentiment, as everybody were expecting that Brazil will go for a lower crop and the prices will continue to rise.

In value terms, exporters earned $486.40 million as against $518.42 million in the same period last year. In rupee terms, the exports were valued at Rs 2,969.71 crore as against Rs 2,766.16 crore with an average unit value of Rs 162,676 per tonne, an increase of 10.3 per cent over the corresponding period last year.

Coffee prices remained highly volatile in April and May, with the ICO composite indicator recording its highest monthly average in two years at 170.58 cents per lb in April. It, however, declined 3.9 per cent in May to settle at 163.94 cents per lb.

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India's beef exports rise 31% in 2013-14
PK Krishnakumar, Economic Times

Kochi, 25 June 2014: Beef has become an important foreign exchange earner for India among the agriculture commodity exports after basmati rice, with 31% increase in quantity and 52% rise in value terms during 2013-14. India was ranked second largest beef exporter in the world with 20% market share after Brazil by the department of agriculture of the United States (USDA) in its recent report.

Curiously, India's beef exports comprise almost entirely water buffalo meat (carabeef) as cow slaughter is banned in most places. As per the figures of Agricultural and Processed Food Products Export Development Authority (Apeda), the beef exports totaled 14,49,759 tonne worth Rs 26,458 crore last year. The country exports mostly to South East Asian and Middle East countries. In the previous year, the growth in quantity and value was 12% and 27% respectively.

"The main reasons for increased growth in exports are the emergence of more state-of-the-art abattoirs and price competitiveness of our meat. India's buffalo meat is cheaper and is bought by Asian countries," says Apeda chairman Santosh Sarangi. Unlike India, the western countries export both cow and buffalo meat. Perhaps because of the taste difference, the US and the Europe hardly buys Indian beef. Huge markets like China and Russia have not opened their market to Indian beef. "Bovine meat import is included in the trade agreement signed between India and China.
They sought some technical clarifications which we have provided," Santhosh Sarangi adds. With the opening up of Chinese market, beef export from India could see a big jump. The fact that India has a huge buffalo herd population and supplies halal meat has worked to its advantage. "Most of the major brands like Al Kabeer buy our products," says Mir Ali of Quereshi International, based in Hyderabad. Vietnam is the largest buyer of Indian buffalo meat, followed by Malaysia, Egypt, Thailand and Saudi Arabia.

However, the exporters declined to comment when asked whether they expect any change in the policies regarding export of buffalo meat from the new government. Prime Minister Narendra Modi had criticised the previous government for the rising meat export and cow slaughter, which he referred as pink revolution, during his election campaign.

USDA has projected India's beef shipments to touch 1.9 million tonne in 2014. It states that a more favourable demand outlook for a wide range of countries will stimulate greater shipments from Brazil and India, which will offset the downward revision in production in Europe and Australia.

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Granite exports cross Rs.12,000 crore
N. Anand, The Hindu

Chennai, 2 July 2014: Despite facing internal hurdles and severe competition from host of countries such as China, South Africa, Saudia Arabia and Brazil, the Indian granite exports have grown by 23 per cent in value term during 2013-14. However, it remained more or less similar volume-wise.

According to sources, the Indian industry faced hurdles due to inconsistent and contradictory leasing policies followed by the State governments and also due to absence of export-oriented policies by the Centre that prevented setting up of large number of EOUs for granites, marble, slates and sandstones near the quarries and as well as closer to the shipping ports. Besides, only a few ports in the country had the facilities to handle granite.

During 2013-14, India exported granite blocks worth Rs.12,047 crore against Rs. 9,766 crore in the previous year. Granite and products accounted for the majority of exports revenue, followed by other stones and products, marbles and slate stone. Granite was exported to China and European countries, and finished marbles to Japan.

“Though there is a growth in the industry, the growth could have been 300 per cent more if the policies were implemented speedily with a positive approach. On behalf of the industry, we are seeking a uniform leasing and renewal policy and allowing marble for re-exports without hassles,” said an industry representative.

Chemical and Allied Export Promotion Council of India, Southern Regional Chairman, R. Veeramani, said that due to the prevailing negative factors, the industry performed at 50 per cent of it capacity and it was time the Centre provided IT exemption on 100 per cent EOUs and float common brand equity fund for promoters of Indian brand in exports.

"This sector is growing by 5-10 per cent annually, though it faces severe shortcomings. We have been asking the Directorate General of Foreign Trade to provide subsidy/incentive to this sector. They have been denying it citing the progress made by us in the recent times," said a granite exporter.

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Replace export floor price with duty on shipments
G Chandrashekhar, Business Line (The Hindu)

Mumbai, 22 June 2014: Fixing a minimum export price (MEP) for certain commodities has been adopted as a strategy among a slew of measures to augment availability of essential food commodities and contain price rise.

Onions and potatoes are the produce targeted for such a treatment. MEP for onion has been proposed at $300 a tonne.

However, fixing MEP may not be a prudent measure; if anything, it is antediluvian.

In the past, MEP was used as a tool in a number of commodities such as onion and basmati rice to obtain higher price from the international market or restrict the volume of export out of the country.

Not foolproof

It is important to recognise that there are ways to beat the stipulated minimum price through invoice manipulation and other ingenious methods.

Often, exporters subjected to MEP make quality adjustments. In quality matters, our border control is not really robust.

It is also possible that the difference between MEP and actual (lower) price agreed with the overseas buyer is adjusted in subsequent deals or in other products traded. So, MEP is not really a foolproof tool that can help obtain higher price from overseas market.

An ideal way to regulate export of commodities is to impose duty.

Such a levy will restrict the possibility of ingenious adjustments or invoice manipulation. Importantly, while serving the objective of obtaining higher price, export duty will generate instant revenue for the exchequer.

Hassle free

The seller will obviously include the amount of export duty in the price of the product and it will be paid for by the overseas buyers. Alternatively, the seller will absorb the duty and take lower profits on the export deal. This will make for a hassle-free and transparent transaction.

Depending on market conditions, the Ministry of Finance can effect changes in the rate of export duty. To take prompt decisions relating to commodity trade and tariff measures, the government needs to set up a commercial intelligence and research desk to track global and domestic market dynamics and be able to have a scientifically evolved market outlook that will facilitate pro-active and prompt policy decisions.

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Govt probes 'unusual' jump in gold jewellery exports, big firms face heat
Indian Express

New Delhi, 1 July 2014: An astonishing surge in gold jewellery (GJ) exports from outside special economic zones (SEZ) at a time when the demand overseas is poor and the simultaneous plunge in the growth of shipments from SEZs since March 2013 has come under the government scanner.

The concern now is whether this 'unusual' rise in GJ exports from domestic tariff area (where normal taxes and duties are applicable unlike the SEZs, which are tax/duty-free enclaves) is genuine, according to official sources.

What is being looked at is the possible angle of exporters in DTA, especially the big exporters who are in the registered star trading house (STH) or premier trading house (PTH) category, over-invoicing GJ shipments and sending them to tax havens /low-tax nations or other destinations overseas to claim incentives (including duty-free import entitlements). The suspected methodology is that whatever exports done so are then brought back into the country after melting the same as gold input for further exports. Recurrent use of this method could allow the players to reap huge, undeserved profits.

The sources said the big exporters in the STH/PTH category also get the benefit of the RBI's 20/80 scheme (where nominated banks/agencies including some PSUs as well as STHs and PTHs can import gold provided they ensure that at least 20% of it is exported).

This, they said, is leading to these big exporters in the DTA "making a killing" by selling up to 80% of their gold imports domestically at a 6-8% premium (even after paying the 10% duty) as there is a shortage of the yellow metal in the local markets owing to the prevailing import restrictions.

SEZs, on the other hand, do not get any duty entitlement/refund benefits such as duty credit scrips for any exports as these are tax-free enclaves. They are allowed to import gold duty free only for exporting it entirely after the meeting the prescribed value addition norms.

GJ exports from DTA in 2013-14 grew year-on-year by a whopping 141.58% to $5.68 billion. However, such shipments from SEZs shrunk sharply by minus 66.28% to $5.36 billion in 2013-14 from a healthy $15.9 billion in 2012-13.

This trend continued in this fiscal too. GJ exports from DTA shot up by 130.61% y-o-y during April-May 2014 to $728.69 million, while such exports from SEZs contracted by minus 30.19% to $542.72 million in April-May 2014.

As against this curious trend, GJ exports from SEZs have always been performing better than such shipments from DTA. In 2012-13, GJ exports from SEZs clocked 9.55% growth over the previous year as against 5.06% growth by DTA GJ exports. The SEZ performance in 2011-12 was much better as against

DTA with GJ exports from these enclaves recording a 35.3% growth year-on-year against just 4.64% growth by such exports from DTA. Similar was the trend in previous years too.

Last year, the government and the RBI had identified high gold imports as one of the main causes leading to widening of the current account deficit (CAD), and took steps, including hiking import duty on gold from 4% to 10% to curb its imports and contain CAD.

RBI norms in August 2013 said gold supply by nominated agencies to SEZ units, STH and PTH will not be treated as exports for the purpose of the 20/80 scheme.

In May 2013, the government had restricted gold trading from SEZs following complaints which alleged that some SEZs were diverting gold that is imported duty-free to the DTA and making huge profits due to the cost and duty arbitrage.

These factors meant that there was no real incentive for business persons to be in SEZs for exporting gold. As GJ exports from SEZs declined, the government in June 2013 said gold jewellery and ornaments can be exported from SEZs with a minimum value addition of 3%, while studded gold jewellery exports were allowed from these zones with a minimum value addition of 5%. Earlier, this value addition norm was applicable only to DTA units.

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Scotch imports hit food-safety barrier, consignments held
Sushmi Dey, Business Standard

New Delhi, 27 June 2014: Whenever someone asks me if I want water with my scotch, I say I'm thirsty, not dirty," Joe E Lewis, American comedian and singer, once said. Perhaps he was not the only one who preferred Scotch for its unadulterated taste. The liquor now seems to be engulfed in a controversy as it has come under the scanner of Indian food inspectors.

Around 60 shipments of the imported spirit, including European Scotch whisky, are being held by the customs in New Delhi and Mumbai airports for allegedly violating India's labeling requirements, it is learnt.

Under the Indian law, manufacturers are required to list the ingredients of a product on its label unless it is a single ingredient product.

While scotch makers argue that all alcoholic beverages are made of one ingredient, the Food Safety and Standards Authority of India (FSSAI) say scotch whisky consignments were held at the port because sampling found they contain ingredients such as added caramel, colour or some flavour, whereas the same were not listed in their labels.

"Consumers must know what is there in the bottles. Their (Scotch manufacturers) contention is that scotch should be deemed as single ingredient. Our law does not allow that. We have told them that products which contain other ingredients need to list them on the label. Even Codex, which is in line with international standards, does not deem scotch to be a single ingredient product," FSSAI's Chief Executive Officer Dillip Kumar Samantaray told *Business Standard*.

According to Samantaray, the matter has been reviewed by an independent scientific committee, which has found that scotch contains other ingredients and therefore the manufacturers need to print them on the label on bottles for consumer interest.

Scotch Whisky Association says scotch whisky is recognised in many markets as a 'single ingredient product'.

"While the current import blockage is frustrating for both consumers and industry, with UK and EU support, we are continuing to have useful discussions with the FSSAI aimed at early resolution of the issue so that single ingredient products, such as scotch whisky, can enter the Indian market at the earliest," Rosemary Gallagher, the association's communications manager said in response to an e-mail query.

She said, "Given that the term 'scotch whisky' must appear on every bottle sold, there is no risk of consumer confusion as to what is being bought, and there is no need for such a restriction."

FSSAI officials say the labelling norms are equal for all products entering the market, and labeling requirements will not be relaxed for any supplier. "If they are saying that ingredient labels are not required in many countries, there are also other countries where they are required. Moreover, Indian law requires this and therefore they need to declare it," Samantaray emphasised.

FSSAI has also written to various ministries such as ministry of health and family welfare, ministry of commerce as well as ministry of external affairs, clearing its stand and providing them details of the review by scientific committee and results of the sampling. The regulator has also discussed the matter with various stakeholders, including associations of wine makers and some other food product manufacturers.

"We are very clear in our stance. If a product is non-compliant, we cannot allow it in the market. It can be anything - Scotch, wine or chocolates. Labeling requirements under the law of the land need to be complied with," Samantaray said.

The spat between the regulator and food product importers has been on for quite some time now. At the end of last year, several containers of packaged food products, worth Rs 750 crore to 1,000 crore, carrying imported chocolates, crispies, gourmet cheese, olive oil, noodles, pasta, jams, honey, oats and sauces, etc, were blocked by FSSAI at various ports and airports across the country for allegedly flouting labelling requirements.

However, blocking of Scotch is also seen by many as a fallout of the ongoing tussle between India and the European Union. Recently, EU banned the import of Alphonso mangoes and four other vegetables - egg plant, taro plant, bitter gourd and snake gourd - from India, citing the presence of pests such as fruit flies in them. Reports suggested the Centre has taken up the issue and a European delegation is expected to visit India in September to review the situation.

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Polyester fibre makers flay anti-dumping duty on PTA
Business Line (The Hindu)

Mumbai, 25 June 2014: The man-made fibre industry has flayed the anti-dumping duty levied on import of purified terephthalic acid (PTA) from China, Korea, Thailand and the European Union.

Hearing a petition filed by Reliance Industries and Mitsubishi Chemical Corporation PTA India, the Ministry of Commerce and Industry last week notified anti-dumping duties ranging from $117 at the highest level to a low of $19, depending on material quality.

Pulkit Agarwal, Manager (Corporate Ratings), Care, a research agency said the duty came at a time when the industry was showing signs of revival after suffering weak margins last fiscal.

Except for small companies, the industry at large would be able to pass on the incremental cost to end consumers, as demand has been strong, he added.

The polyester sector is exposed to fluctuating raw material prices. Polyester fibre makers import fair quantities of PTA, as there is a gap between demand and supply.

Raising its voice against the duty, Indo Rama Synthetics said since there are no large, integrated polyester fibre players in India, except for Reliance Industries, which would be the sole beneficiary of the duty, the duty was uncalled for.

“The provisional anti-dumping duty is uncalled for, and would be a death blow to over 20,000 small and medium polyester fibre and products manufacturing units in the country,” the company said in a statement.

“It seems that the recommendation to impose anti-dumping duty was done in hurry, without understanding and proper calculations, as the margin from PX (paraxylene) to PTA is hardly $100 a tonne,” noted Indo Rama in the statement.

Domestic PTA players are already charging a premium of $30-40 a tonne over the FOB (free on board) price in view of the provisional anti-dumping duty, which is not healthy for the downstream industry, the company added.

The move may hurt the positive sentiments in the textile industry and impact companies such as Indo Rama Synthetics, Filatex, JBF and Wellknown, which are facing high raw material costs.
Polyester making companies pay about $100 a tonne in addition to buy PTA, than their global competitors do. The additional charges include $50 a tonne as Customs duty, $35-40 as freight differential, and $10 as other levies, such as port handling charges.

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U.S. push to tag India as ‘emerging economy’ aimed at market access
Puja Mehra, The Hindu

New Delhi, 18 June 2014: The crisis at the World Trade Organization (WTO) talks in Geneva has deepened with the United States demanding India and China be categorised as ‘emerging’ rather than as ‘developing economies’. India is resisting the move which, if it materialises, will halve WTO caps applicable to India’s food subsidies. It will also require India to grant market access to the U.S. The U.S. is insisting that India meet its food security law obligations with American imports, Commerce Ministry sources told *The Hindu*.

“The U.S. insists that economies such as India and Indonesia with high rates of growth can no longer be categorised as developing countries,” the sources said. “India’s stand is that going by per capita income it is actually the world’s largest Least Developed Country where about 600 million live at less than $2 a day,” the sources said.

The U.S. has also tabled a study in Geneva, produced by its allies Pakistan and Canada, that claims food subsidies in India and China exceed those in the U.S. and the EU, sources said. India has countered the

study, the sources added, with data to show that the U.S. farm subsidies to its corporate sector are to the tune of $20,000 to $30,000 per capita per year against India's mere $200.

Besides, India's subsidies go to subsistence farmers, said the sources, "To say that the subsidies that India and China give are greater than what the U.S. gives is over the top."

At the Geneva talks, the U.S. has so far successfully thwarted India's efforts aimed at finding a permanent protection against even the WTO's agriculture caps currently applicable to its food subsidies. America's own agenda of an agreement on Trade Facilitation, however, is well on track for the July 31 deadline as laid down at the Bali Ministerial.

"The U.S. is seeking to muddy the waters on the issue of subsidies in order to cause delays as it is in no position to give a commitment on the issue. The U.S. is engaged in its own domestic political arithmetic over the rejig of its Farm Bill and subsidies, it is not in a position to negotiate on the matter in Geneva," the source said.

Emerging economy categorisation at the WTO will lower the agriculture subsidy caps applicable to India from 10 per cent to 5 per cent.

"The developing countries have managed a complete vilification by indulging in half truths; India needs to put forth its points more forcefully at Geneva," said Biswajit Dhar, Professor of Economics at Jawaharlal Nehru University.

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India Justified In TISA Stand
Joe C. Mathew, Business World

20 June 2014: India's decision to remain out of the Trade in Services Agreement (TISA), an international agreement that is being negotiated by over 50 countries that have 68.1 per cent share in global trade in services, seems to have been justified.

The contents of the confidential draft of the Financial Services annex of TISA, released by whistleblower website WikiLeaks on Thursday (20 June), shows that the draft rules are aimed at assisting the expansion of financial MNCs – mainly headquartered in New York, London, Paris and Frankfurt – into other nations by preventing regulatory barriers. The leaked draft also shows that the US is particularly keen on boosting cross-border data flow, which would allow uninhibited exchange of personal and financial data.

TISA negotiations are currently taking place outside of the two multilateral agreements – the General Agreement on Trade in Services (GATS) and the World Trade Organization (WTO) framework – that India is a signatory. However, the agreement is being crafted to be compatible with GATS so that a critical mass of participants will be able to pressurise the remaining WTO members such as India to sign on in the future. In a press release announcing the release of the TISA document, WikiLeaks highlighted the absence of the BRICS countries of Brazil, Russia, India and China in the negotiations and said that the exclusive nature of TISA will weaken BRICS position in future services negotiations.

The draft text comes from the April 2014 negotiation round - the sixth round since the first held in April 2013. The next round of negotiations will take place on 23-27 June in Geneva, Switzerland.

In a preliminary analysis of the leaked financial services chapter of TISA , Jane Kelsey, Faculty of Law, University of Auckland, New Zealand, notes that the secrecy of negotiating documents exceeds even the

Trans-Pacific Partnership Agreement (TPPA) and runs counter to moves in the WTO towards greater openness.

According to Kelsey, TISA is being promoted by the same governments that installed the failed model of financial (de)regulation in the WTO and which have been blamed for helping to fuel the global financial crisis. "The same states shut down moves by other WTO Members to critically debate these rules following the GFC with a view to reform. They want to expand and deepen the existing regime through TISA, bypassing the stalled Doha round at the WTO and creating a new template for future free trade agreements and ultimately for the WTO", she notes adding that "TISA is designed for and in close consultation with the global finance industry, whose greed and recklessness has been blamed for successive crises and who continue to capture rulemaking in global institutions".

The leaked text indicates that governments signing on to TISA will be expected to lock in and extend their current levels of financial deregulation and liberalization, lose the right to require data to be held onshore; face pressure to authorise potentially toxic insurance products and risk a legal challenge if they adopt measures to prevent or respond to another crisis.

Indian civil society groups have in the past alleged that the mounting pressure of the US administration to force India to join agreements such as TISA go against India's developmental priorities and its potential to generate employment and create sustainable livelihoods.

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Debate Over Trade Facilitation Implementation Seeps Into Post-Bali Talks
Inside U.S. Trade

26 June 2014: Key World Trade Organization members including the United States and European Union, along with WTO Director-General Roberto Azevedo, this week delivered a strong warning that efforts by African countries to delay the implementation of the Trade Facilitation Agreement (TFA) would kill any chances of concluding the Doha round.

"[A]t this moment, there are movements afoot to renegotiate how we bring the TFA into force," Deputy U.S. Trade Representative Michael Punke said at a June 25 meeting of the WTO Trade Negotiations Committee (TNC). "Those leading this movement seem to believe, in part, that they may get more out of a post-Bali work program if they are somehow successful. This is a mistaken and dangerous miscalculation."

The African Group and Least-Developed Country group have floated the idea in Geneva that the TFA not enter finally into force until the conclusion of the Doha round "single undertaking."

That stands in stark contrast to the implementation timetable laid out by ministers in Bali, who informally agreed that the TFA should be implemented by July 31, 2015, according to a written response provided by USTR Michael Froman to the Senate Finance Committee in the wake of a May 1 hearing.

The African stance on trade facilitation is also complicating the renewal of the African Growth and Opportunity Act, the unilateral U.S. trade preference program for Africa.

Sources said African Union leaders were expected to discuss their position on implementation of the TFA during a week-long summit in Equatorial Guinea that ends today (June 26). Several informed sources said there were indications that African Union leaders may decide to back off their earlier position and instead endorse the timely implementation of the agreement.

In part because that summit was underway, the African Group did not go into the specifics of its position at the June 25 TNC meeting, and merely reiterated the importance of the single undertaking, as did the LDCs and the African, Caribbean and Pacific countries (ACP) group.

The LDC group also reiterated its worries about whether and how developed countries will provide the technical assistance they have promised to developing countries to implement the TFA.

The debate over TFA implementation took up a significant part of the roughly six-hour TNC meeting, even though both Azevedo and Punke noted that this issue is somewhat outside of the purview of the committee. The TNC is currently focused on developing a work program by the end of the year to conclude the Doha round, although those efforts are proceeding slowly and face serious challenges.
The next major milestone to evaluate progress on the work program will be a July 24-25 General Council meeting, which will come ahead of the summer break.

At the TNC, China and Mexico said WTO members should aim to conclude the Doha round by the next ministerial meeting in 2015, while the U.S. indicated support for that goal.

A major obstacle to crafting a work program is an impasse between the U.S. on one side, and China and India on the other, on the extent to which those two emerging economies should cut their agriculture subsidies. The U.S. wants China to reduce those subsidies to a greater extent than it was required to do under a Doha round draft agriculture text from 2008, under which China was eligible for special treatment as a "recently acceded member" of the WTO. China acceded to the WTO in 2001.

Under the 2008 Doha agriculture modalities text, developing countries were required to reduce their level of trade-distorting subsidies from 10 percent of total domestic production to 6.5 percent, while certain recently acceded members were to reduce their level to 8.5 percent.

China has made clear in the current work program discussions that it will not accept more than the 8.5 percent cut applicable under the 2008 text. Punke took issue with this position in his TNC statement, although he did not specifically mention China. "Geneva must be the only place in the world where the term 'recently' is divorced from time. That's just goofy," he said.

Meanwhile, the U.S. wants India to bring up to date its notifications of domestic agriculture subsidies that are required under existing WTO rules; India's last notification was in 2003.

In his statement, Punke indicated that the U.S. is not prepared to move forward on the work program talks until China and India budge on these issues.

"You've heard us raise in past meetings the importance of current data, the need to reexamine definitions of 'recently acceded' that are approaching nonsensical, and the critical importance of ensuring that all agricultural subsidies, by all Members, be part of the discussion in any resumed discussions of agriculture," Punke said. "I'll spare you a lengthy repetition of those points today, but suffice it to say that we have difficulty envisioning forward movement unless we have clear understandings on these issues."

At the TNC meeting, Punke signaled that the U.S. needs to see movement by China and India before it is willing to assess the concessions it is willing to make for a Doha round deal. He stressed that contributions to a deal must be shared among members."Frankly, it is difficult at this juncture to assess a potential U.S. contribution when basic questions remain unanswered," Punke said. "For example, are emerging economy agriculture subsidies a part of the negotiating landscape? Even more basically, when will key emerging economies notify their subsidies so that we know what they are?"

If the U.S. sticks to that stance, it will likely stifle progress on a work program. Azevedo has asked WTO members to begin identifying what concessions they are willing to make to a Doha deal instead of staying mired in criticizing others for not doing enough and focusing on what they themselves cannot do.

WTO members are still debating the extent to which the 2008 Doha texts on agriculture and non-agricultural market access should be used as the basis for the discussions on the post-Bali work program. Despite its insistence on retaining the agriculture subsidies provisions of the 2008 text, China has not ruled out moving away from the 2008 texts, according to EU sources.

Informed sources said that the EU is floating the idea of moving away from the formulas for agriculture and NAMA tariff cuts included in the 2008 texts and instead adopting an average tariff cut combined with required maximum and minimum cuts.

An average tariff cut would presumably allow WTO members to achieve a nominal level of tariff reduction while still providing some protection for sensitive products. Adding a minimum and maximum would limit the ability of members to achieve that average by only cutting tariffs on non-sensitive items. An informed source said he expected the EU to put forward a paper on NAMA in the coming weeks, although a source close to the EU declined to confirm that.

At the TNC, EU Ambassador to the WTO Angelos Pangratis made clear that the EU wants to simplify the approach on agriculture and NAMA, an idea that was backed by Punke. But Pangratis made clear that simplification would not mean scrapping the 2008 texts altogether.

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