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Exports fall for 7th month in Nov
Business Standard Reporter

New Delhi, 12 December 2012: Slackening demand abroad triggered a contraction of exports for a seventh straight month in November, with outbound shipments declining 4.2 per cent to $22.3 billion against $23.3 billion in the same month last year, prompting the government to assure exporters of more incentives coming for them. In fact, exports fell faster than the 1.7 per cent in the previous month, belying expectations that the deceleration in shipments would come down.

“It (incentive package) will hopefully come by the end of the week. We are waiting for final confirmation from the ministry of finance. We are trying to give a fillip to sectors which contribute most to exports’ performance,” said Commerce Secretary S R Rao, while releasing the data.

The data showed that imports, however, increased 6.4 per cent to $41.6 billion during the month compared to $39.1 billion, pushing the trade deficit to $19.3 billion against $15.8 billion in November 2011.

Rafeeque Ahmed, President, Federation of Indian Export Organisations, said, “With the slowdown in global trade, pricing has become a key issue and extension of some fiscal benefit by the government will help exporters to factor these in their prices to procure such orders, which are being lost by them, either for wafer-thin margins or for a loss.”

Cumulatively, between April and November this year, exports registered a fall of six per cent to $189 billion, while imports recorded a decline of only 1.6 per cent at $318.7 billion. Consequently, the trade deficit rose to $129.5 billion, higher than the $122.6 billion reported in the same period last year. This could dash the initial optimism of the commerce department, that the trade deficit would be lower this year against the $185 billion in 2011-12.

Earlier, imports also contracted till August, so the deficit was under control. However, now even the trade deficit has started rising, which would aggravate the current account deficit (CAD), projected to come down to 3.6 per cent of GDP this year by the Prime Minister’s Economic Advisory Council, against 4.2 per cent in 2011-12.

Madan Sabnavis, chief economist, CARE Ratings, said, “CAD is likely to end close to four per cent of GDP, higher than the targeted 3.6 per cent.” If indeed CAD rose to four per cent, it would be a consecutive year when it remained higher than even in the balance of payments crisis period, when it stood at three per cent. However, the two situations are also dramatically different, as India now has forex reserves of $294 billion, against a meagre amount at the time of the BoP crisis.

“It is unlikely that exports will recover in the coming months, given the recession in the Euro zone and recovery slowing in the US on concerns of the fiscal cliff,” Sabnavis said. He said there might be a marginal recovery in outbound trade, only because exports declined in the later months of 2011-12.

Within imports, oil was 16.8 per cent higher at $14.5 bn in November, while non-oil imports were up slightly by 1.5 per cent to $27 bn. Cumulatively, oil imports were up 10.8 per cent at $110.1 bn in the first eight months of this year, while non-oil declined 7.1 per cent to $208.6 bn. So, there is partial recovery in non-oil imports, a a glimmer of hope on industrial revival. "With the improvement in industrial growth, non-oil imports are likely to go up, along with oil imports putting pressure on the trade deficit and thereon on CAD," Sabnavis said.

Rao said the increased demand in petroleum products was distressing. Crude oil imports continue to be very high, he admitted.

GDP in America grew 2.7 per cent in the third quarter of this year, the fastest since late 2011. The Euro zone, on the other hand, was in recession.

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Exports may fall USD 40 bn short of govt target: FIEO
PTI

New Delhi, 14 December 2012: India's exports may touch USD 320 billion during the current fiscal as against the target of USD 360 billion due to the global demand slowdown, Federation of Indian Export Organisations (FIEO) today said.

India had recorded the highest ever export of USD 307 billion in the last fiscal. The prevalent economic crisis in the developed economies is hitting India's exports. "The target of USD 360 billion is likely to elude us. Going by the present trend, we may end up with exports between USD 300 - USD 320 billion in the current fiscal," FIEO President Rafeeque Ahmed told reporters here.

During the April-November this fiscal, the country's shipments have shrunk by 5.95 percent to USD 189.2 billion. He also said present forecasts point to a difficult 2013 as uncertainties are looming large on the European Union which will have its bearing on every country.

"The world trade forecast for 2013 is definitely better than 2012 but still is not very encouraging," he said. Talking about the country's exports region-wise, he said while exports to EU went down by 9.6 percent in April-October 2012 over the same period last year, exports to ASEAN, North East Asia declined substantially. "Contrary to popular perception, India's exports to North America went up by 12.5 percent during April-October 2012 over the corresponding period in 2011 thanks largely to substantial growth in Exports to the US," he added.

India's exports to North and Latin America increased to USD 24.6 billion and USD 8 billion during the first seven months of the fiscal from USD 21.8 billion and USD 7.23 billion respectively in the same period last year, he said. Exports to Africa and CIS region grew by 11.12 percent and 19.45 percent to USD 15.24 billion and USD 2 billion respectively during the period. While, exports to ASEAN, Europe and Asia declined by 19.4 percent, 9.5 percent and 2.5 percent to USD 17 billion, USD 30.7 billion and USD 83.3 billion respectively during April-October 2012.

Ahmed asked the government to provide support to exporters to boost the country's shipments. "The long-term strategy for promoting exports would be to support export of high technology items, branded products and moving up the value chain in respect of all product categories," he said.

On rupee, he said that the volatility in rupee will continue on account of rising trade deficit and erratic inflows. "Rupee will strengthen only if we see massive inflows through FDI route," he added.

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Incentives for exporters likely soon
Business Standard Reporter

New Delhi, 19 December 2012: The government will soon announce incentives for exporters to cushion the decline in exports due to contracting demand abroad.

Minister for Commerce and Industry Anand Sharma said: “We have had intense scrutiny, and we have looked at the sectors that are weak, also the regions in the world where the demand has contracted ... and whatever possible, given the constraint of resources, we are seriously considering (incentives). We shall take a final view very shortly.”

The minister made these comments while speaking on the sidelines of the Indo-Asean Business Fair organised by the Federation of Indian Chambers of Commerce & Industry and the Ministry of Commerce and Industry to mark the 20th year of dialogue and 10th year of summit-level talks between India and the 10-member Asean.

Outbound shipments from India contracted for the seventh straight month in November, declining by four per cent to $22.29 billion against $23.3 billion registered in the same month in the last financial year. Sharma said, “We are definitely concerned on two counts: (Firstly) Contraction of demand in some of the major markets globally, as a result of which exports have fallen. It has a direct bearing on industrial productivity. And, second, the trade account deficit; we have to do everything within our reach to push our exports and to keep the trade account deficit within manageable limits.” Additional sectors may be brought under the interest subvention scheme of two per cent for exporters, he said.

Cumulatively, between April and November this year, exports registered a fall of five per cent to $189.2 billion, while imports recorded a decline of only 1.58 per cent at $318.7 billion. Consequently, trade deficit rose to $129.5 billion, higher than the $122.6 billion reported in the same period last financial year. This may dash initial optimism of the commerce department that the trade deficit would be lower this financial year against the $185 billion in 2011-12.

Earlier, imports had contracted till August, so the trade deficit was under control. However, it has started rising, which may aggravate the current account deficit situation.

India’s current account deficit was projected to come down to 3.6 per cent of gross domestic product this financial year by the Prime Minister’s Economic Advisory Council, against 4.2 per cent last year.

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Have free trade agreements helped exports? Exporters say no
Times Of India

New Delhi, 15 December 2012: The fears of local industry over a proliferation of free trade agreements resulting in little gains for domestic players seem to be coming true. Latest trade data reveals that exports to several of these countries have decreased at a faster clip than the value of all shipments from the country.

In fact, the trend has prompted even the export lobby group Federation of Indian Export Organizations, for years known to toe the official line, to air its concern over what it termed as the government's failure to sufficiently educate exporters to avail of the opportunity before them.

"The idea of signing the FTAs was to increase exports, but we have not seen the benefits. We should not just sign and leave it... We will release the potential areas that exporters can tap, something that the government should have done," Fieo president M Rafique Ahmed told a press conference on Friday. Even officials in the commerce department, who are responsible for negotiating the agreements, have long complained of the benefits actually accruing to India's trading partners. They said that countries such as Japan and Asean members have low average tariffs and the reduction in duties cannot be significant. In contrast, India agrees to substantially lower its duties — and even remove them for thousands of items — in return for more service sector gains, which usually does not happen.

They point to the experience with Asean, where the services treaty is yet to be negotiated, prompting New Delhi to now sign separate agreements with members such as Malaysia, Thailand and Indonesia to realize some of the gains that were expected to flow to Indian nurses, doctors, accountants and IT companies.

Similarly, in case of Thailand, an early harvest scheme, a precursor to an FTA, was botched up in such a way that several companies moved manufacturing out of India.

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India, Asean talks on services, investment pact set to conclude
Asit Ranjan Mishra, Livemint

New Delhi, 19 December 2012**:** India and members of the Association of Southeast Asian Nations (Asean) are all set to announce closure of negotiations on a long-pending agreement on services and investment in New Delhi on Wednesday, seeking to boost trade and investment links.

“We will definitely conclude it and then we are duty bound to report to the heads of states and heads of the governments who shall formally make the declaration on 20 December,” Commerce And Industry Minister Anand Sharma said at a joint press conference with trade ministers of key Asean countries.

To mark the 20th anniversary of a dialogue-level partnership and the 10th anniversary of its summit-level partnership with Asean, India is hosting the India-Asean Commemorative Summit on the theme “India and Asean: Partners in Progress and Prosperity” on 20-21 December, which will be attended by head of states of the Asean region. The summit is expected to result in the adoption of the “Asean-India Vision Statement 2020”, which will chart the future direction of relations.

Asean groups Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Vietnam.

Two-way trade between the two sides stood at $80 billion in 2011. They are targeting $100 billion by 2015.

India became a sectoral dialogue partner of Asean in 1992, and the relationship was upgraded to a full dialogue partnership in 1996. Since 2002, India has been having annual summits with Asean.

While both sides have signed a free trade agreement (FTA) on goods that came into effect in August 2010, India has been pressing hard for the services and investment agreement as it sees more gains in these two sectors.

Sharma said that after conclusion of the talks for the services and investment agreement, it may take an year to fully implement the pact. Sharma hopes early operationalization of the agreement would provide greater impetus to trade and investment flows.

A trade expert who spoke on condition of anonymity said his impression was that the pact will be very low in ambition and India is unlikely to gain anything significant from the agreement.

The Philippines has been opposing a services pact with India as it competes with it for outsourcing business. Felicitas Agoncillo-Reyes, Assistant Secretary, Department of Trade and Industry, who represented the Philippines in the negotiations, was absent from the joint press conference attended by all other trade ministers of the Asean region.

"This is just to make a political statement," the analyst said. India views its partnership with Asean as a crucial block in sustaining growth momentum. "We would like to benefit from Asean experience in key sectors of economy such as infrastructure, agro-processing, retail and value-added manufacturing. Equally, Indian companies can be invaluable partners for Asean economies in augmenting their productivity," he said.

The Asean region, along with six major economies in the region—India, China, South Korea, New Zealand, Japan and Australia—have also agreed to launch negotiations for a regional comprehensive economic partnership with an aim to be the largest trading block in the world when negotiations conclude in 2015.

Sharma said the proposed treaty, when it is reached, will be a momentous step and will truly have a defining influence on the global economic architecture.

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Security clause inserted in Asean trade pact
Indrani Bagchi & Sidhartha, Times Of India

New Delhi, 19 December 2012**:** The government is not taking any chances with security and is seeking a specific "exception" clause in the agreement on services and investment with the Asean members, while staring at a prospect of having three sets of terms to deal with concerns raised by the Philippines and Indonesia.

Sources privy to the negotiations told TOI that India wants an explicit "security exception" built into the agreement to block companies or individuals from using the services agreement to gain entry into India. Although, the WTO agreements provide member countries the right to restrict trade due to national security and environmental reasons, the government is keen that the treaty provides it clearly to avoid any confusion in the future. In fact, many see it as a precursor to similar clauses being inserted in several international agreements that are currently under negotiation.

In case of Asean services agreement that has been under discussion for years, India will make one offer to eight members of the Asean group, with separate offers to the Philippines and Indonesia. With an eye on expanding its IT presence in the region India is seeking full access for contractual service suppliers or employees of companies that do not actually have offices or commercial presence. But, it is facing resistance on allowing executive below the level of directors and specialists said a source familiar with the talks.

In the Philippines there are concerns over the easier entry of Indian companies as it has emerged as a BPO hub in its own rights.

Officials on both sides said that the issues are expected to be resolved by Wednesday with negotiators in the final stages of concluding an agreement. "The matter of services agreement is a continuing discussion.

We are hopeful we can conclude this particular agreement. There's no blocking, there is only continuing discussion in this matter. I am optimistic it will be concluded very soon," Philippines vice president Jejomar Binay told TOI in an exclusive conversation. Responding to question on concerns of Philippines' industry, he said, "Despite this, there are 17 of your top 20 IT companies and BPOs already operating in Philippines. There are concerns on some other business aspects, not on IT and BPOs."

Commerce and Industry Minister Anand Sharma said the deal will help tap the enormous potential for the trade to grow and the two sides are committed to bring the negotiations to a closure. "We will definitely conclude it and we are duty bound to report to the heads of states and heads of the governments who shall formally make the declaration on Thursday," he said.

Cambodian commerce minister Cham Prasidh was more forthcoming, saying, "We may be able to give you a good news tomorrow."

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Conclusion on Thai-India FTA postponed to 2013
The Nation

15 December 2012: The conclusion of the long-awaited comprehensive free-trade agreement between Thailand and India will possibly be postponed to 2013 instead of this month because both sides have yet to agree on several issues, the Trade Negotiations Department said.

Meanwhile, the department is also giving careful consideration as to whether it should go ahead with the Thai-European Union free-trade talks after related enterprises and consumers have voiced concerns about certain issues, mainly trade in pharmaceuticals and alcohol.

Delaying the conclusion of a comprehensive Thailand-India FTA could result in bilateral trade not meeting the US$9-billion (Bt275.69 billion) projected expansion by 2014. However, it is believed the pact will be wrapped up by early 2013.

Piramol Charoenpao, Director-General of the Trade Negotiations Department, said that Thailand would not rush into finalising a deal with India if the benefits are not satisfactory to both sides. "The department recently informed Prime Minister Yingluck Shinawatra about postponing a final decision on the Thailand-India agreement because the benefits are not balanced. The prime minister has acknowledged this and will not push to conclude the talks during her visit to India," Piramol said.

Yingluck is scheduled to attend the Asean-India Leaders Summit in New Delhi on Thursday to Sunday. Initially it was expected that Yingluck and her Indian counterpart, Manmohan Singh, would announce the completion of the pact during this summit.

Since 2004, the two countries implemented the Early Harvest Scheme, under which tariff is waived on 82 items. This scheme now covers 84 items, while the FTA pact is expected to cover more items as well as the liberalisation of service and investment. However, so far, India has only agreed to open its market for 59 items, while Thailand has decided to eliminate tariff for 150. Hence, Thailand needs to convince India to include more items under the trade liberalisation scheme. India, however, wants Thailand to let more Indian professionals in though the Thai private sector has objected, because it would cut down on employment opportunities for Thai people.

In addition, Piramol said that the Thai government would need to carefully consider whether it should move ahead with talks about signing an FTA with the EU. The department has organised a public hearing on issues concerning pharmaceuticals, alcohol and cigarettes.

"We can relax on the Thai-EU FTA, though the department will pay careful attention to the issues and consider whether to start official negotiations," Piramol said.

However, the department and related private enterprises agree that a Thai-EU FTA is needed because Thailand is losing export privileges under the Generalised System of Preferences that the European Union has granted to other developing nations. Also, the bilateral pact should make Thailand more attractive to European investors, otherwise they might opt for Malaysia, which already has an FTA with EU, she added.

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FTA with Bangladesh can boost trade: World Bank
Special Correspondent, Hindu

New Delhi, 18 December 2012: With India seeking to address the "brutal trade imbalance" with Bangladesh, a World Bank report released on Monday said a free trade agreement (FTA) between the two countries could push bilateral trade by over 100 per cent.

"An FTA between the two nations would increase Bangladesh's exports to India by 182 per cent and that of India's to Bangladesh by 126 per cent," World Bank lead economist Sanjay Kathuria said, while releasing a report titled 'Unlocking Bangladesh-India Trade' at a CII function here.

During 2011-12, the two-way trade stood at $4.3 billion. Bangladesh has long complained that trade with India was unequal, with India selling goods worth over $3.5 billion to Bangladesh against the latter's export to India of about $0.6 billion.

Research and Information System for Developing Countries Fellow Prabir De said India's closer economic cooperation with Bangladesh can be an important steeping-stone to reduce the economic isolation of India's North-Eastern states. The agreement would also be beneficial for Bangladesh as more manufacturing activity would take place which would generate more employment opportunities.
In 2004, India and Bangladesh had exchanged documents for an FTA and negotiations were underway. However, talks were stalled over a few issues. India's exports to Bangladesh include cotton, cereals, nuclear reactors, boilers and machinery, while imports from the neighbouring country comprise edible fruit and nuts, fish, apparel and textiles articles. The study said to realise the potential of the pact, both the countries need to further liberalise trade, cut tariffs on India's exports to Bangladesh, reduce and remove non-tariff barriers and improve trade facilitation both at borders and inland.

To enable larger gains, Bangladesh and India cooperation should go beyond goods trade and include investment, services and technology transfer, it stated.

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Trade pact discussions will take place early next year
Surabhi, Indian Express

12 December 2012: Australian Deputy Prime Minister Wayne Swan, who is on a two day visit in India to strengthen bilateral trade ties, believes that the two countries must expand relations beyond minerals and energy. In an interview with Surabhi, he spoke on a range of issues including uranium sales to India,

Australia's role in the G-20 as well as the apparent suicide by a nurse in a London hospital after a hoax call from an Australian radio station. Excerpts:

What is the main purpose behind your visit to India?
It is a part of our regular engagement with the Asia Pacific. It comes in the context of the Asian Century White Paper. It is a good opportunity to catch up with Indian policy makers on the G-20 core issue of uplifting growth. More importantly, we wish to deepen our bilateral relationship not just at an economic level but also at a strategic level. Trade relations with India have strengthened in recent times to about $20 billion.

How can the two countries broaden their trade relationship?
It can be much broader than just investment in energy and resources. I am very optimistic about what we can do in the future together. We can extend it to a whole range of trade and services such as financial services or working with your domestic resources. I also know that India is very interested in our expertise in infrastructure projects. We can ensure that there is professional expertise and planning in infrastructure projects in India.

By when can we expect conclusion of the comprehensive economic cooperation agreement (CECA)?
Another round of discussions will take place around the first quarter of next year. I don't think we can rush into it, we have to proceed in a very methodical way. But it doesn't put on hold our bilateral trade ties.

By when will Australia begin uranium sales to India?
Our Prime Minister has dealt with it when she visited India in October. The two countries have agreed to commence the negotiation of a civil nuclear cooperation agreement, but no date has been set for the final round of talks. The minerals resources rent tax framework has also been largely agreed on.

An Australian radio station is embroiled in the apparent suicide of a nurse. Is the government concerned?
It is a tragedy and there are obviously lessons to be learnt from it. I think the Australian media regulator is having a look at the kind of lessons that we can learn from this episode.

Australia is now a member of the G-20 troika. What will be your focus areas at the G-20?
At present, we are engaging with Russia and finalising their agenda. We will chair the G20 only in 2014. But we have come through a very challenging period in the world economy where Europe is in recession and there is slow growth in the US. It has had an impact on Australia and other countries. We are clear that the central objective of the G-20 should be about lifting growth and supporting jobs.

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Indo-Pak trade, silver lining in dark cloud
Sandeep Dikshit, Hindu

New Delhi, 17 December 2012: Security and terrorism may have often stalled India-Pakistan relations in the past but healthy trade relations are boosting confidence levels and could help to normalise ties, a senior official has said.

Two years after then Foreign Secretaries Salman Bashir [now High Commissioner of Pakistan to India] and Nirupama Rao [presently Indian Ambassador in Moscow] kick-started the dialogue process suspended after the Mumbai attacks, the biggest achievement is on the trade and economic front, said Additional Secretary in the Ministry of External Affairs Yash K Sinha at a meet on South Asia economic integration organised by the CII. Mr. Sinha credited the increased Government-to-Government and business-to-business contacts on this score as having contributed to a market improvement in the environment.

India was still waiting for certain steps to be taken by Pakistan – most favoured nation status to India by this month end and opening up the sole land route to all permissible items. The completion of formalities could set the stage for both countries to move to a Preferential Trading Arrangement. It would lead to India immediately reducing the list of sensitive items barred from trading to just 100 and Pakistan reciprocating the gesture over a period of five years.

The diplomat referred to observations by Pakistan Senate Chairman Syed Nayyer Hussain Bokhari to suggest opening of more land routes because the only trading route near Amritsar will cater only to north India and Pakistan Punjab.

Opening the conference, Foreign Secretary Ranjan Mathai declared India's abiding interest in pushing ahead with economic integration among SAARC countries but felt "non-economic considerations'' bar the way for the expansion of business. "We are clear that policies are made in each country, based on that countries' law. But once such policies are in place, in line with international practices, we should not allow non-economic considerations to affect functioning of commercial entities in each other countries,'' he said.

Bangladesh High Commissioner Traiq Karim resented his country being bracketed with Pakistan when it came to investing in India. "We are still bracketed with Pakistan in terms of security. The RBI mechanism spits out the application and it is thrown on the wayside because we are still a security risk.... We have taken this up, I don't know how long it will take," he complained. "The major problem is banking transactions. If I go to Dhaka, you will see over 100 Indian brand names over there. I face questions from my own family that why cannot we see Bangladeshi brand names here. We had somebody apply for setting up an outlet here but he cannot.''

If Bangladeshis are not permitted to even open bank accounts, "they are not going to come. These are little things but they translate into huge things," he said while hoping that before he left India after a year, there would be a revised travel arrangement in place to make communication easier.

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India-US discuss visa, domestic content issues
PTI

New Delhi, 10 December 2012: Domestic issues like hike in visa fee and recent Indian regulations in solar tech policies were raised by India and the US respectively during the high level official meeting today.

With the focus on concerns of various sections in their respective countries, Commerce Secretary S R Rao and Assistant US trade representative Demetrios Marantis discussed issues that were of interest to both the sides.

"Americans would raise issues like domestic content in some sectors in India. India would raise issues such as visa fee. So we raise our respective issues and tried to see that we conveyed a better understanding of our perspective on either side. And we hope we were successful in doing so," Additional Secretary in the Commerce Ministry Rajeev Kher said. He was talking to reporters on the sidelines of a Ficci function.

The US had raised visa fee in 2010 to fund its enhanced costs on securing border with Mexico under the Border Security Act. India has been protesting against the measure at different forums.

India is also considering to drag the US in WTO on the matter.

On the other hand, the US also time and again expresses its concern over certain Indian policies in renewable energy and clean technologies that it says inhibit investments by foreign firms, keen on collaboration with local companies. For example, under the National Solar Mission, India requires that crystalline cells be manufactured in India, a move which is strongly opposed by the US solar industry.

According to reports, India has an ambitious target of generating 20,000 megawatts of solar power by 2022. The US is especially keen on taking a slice of this market.

"Both the sides brought up the issues that were of interest to both of them and we expressed our respective views," he added.

The bilateral trade between India and the US stood at about USD 60 billion in 2011-12.

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Indian car exports face excise duty hurdle in Sri Lanka
Amrit Raj & Elizabeth Roche , Livemint

New Delhi, 10 December 2012: Indian auto companies, facing the prospect of a slowdown in their home market, are also seeing an export market that accounts for around 13% of their exports dry up after Sri Lanka effected a steep increase in indirect levies that will make it all but impossible for them to remain competitive.

The move, which dates back to early November but is just coming to light, doesn’t single Indian firms out, but affects them the most because they account for 95% of the auto market in the island nation.

Through 2012, Sri Lanka has made it difficult for Indian auto exporters, first by increasing import duty significantly in April, and following up with the increase in excise duty. Sri Lanka has increased excise duty on utility vehicles to 173% from 100% previously. Total duty on cars less than 1,000cc increased from 120% to 200%, including a 47% increase in excise. The excise on three-wheelers was raised from 45% to 100%, and on two-wheelers from 61% to 100%. Colombo has also imposed an absolute levy of Sri Lankan rupees 109,000 on commercial vehicles, besides a 12% excise duty. The new structure came into effect on 9 November.

“We are still trying to evaluate the impact of the development. The impact of it has been negative and exports of vehicles to Sri Lanka has completely stopped,” said Vishnu Mathur, director general, Society of Indian Automobile Manufacturers, or Siam, an industry lobby group. Domestic sales of cars declined 8% in November, in a month when they were expected to rise.

New Delhi has taken note of the developments in Sri Lanka.

“We believe the very substantial rise in import tariff in Sri Lanka is going to adversely affect our car exports to Sri Lanka, so we are concerned about it,” Rajiv Kher, additional secretary, ministry of commerce, said in New Delhi on Monday.

According to Siam, Sri Lanka is the largest export market for Indian automobiles. In 2011-12, out of India’s $6 billion worth of auto exports, Sri Lanka accounted for $800 million.

The relationship between the two countries has been testy in recent times over the issue of the treatment of Sri Lankan Tamils and also after some fishermen from Tamil Nadu were captured by the Sri Lankan coast guard for allegedly straying across the maritime boundary.

Mint reported on 12 October that state-run power utility NTPC Ltd’s plan to build a 500 megawatts (MW) plant in Sri Lanka has been indefinitely delayed, in part because of the protests by Tamil Nadu against the Sri Lankan government.

The $500 million power project to be set up as an equal joint venture between NTPC and Sri Lanka’s Ceylon Electricity Board (CEB) is an integral part of India’s attempt to engage Sri Lanka politically and economically at a time when China is becoming increasingly influential in that country. The changes in import and excise duty have already affected India’s exports to Sri Lanka, said a senior Siam official who spoke on condition of anonymity.

“In the current fiscal, two-wheeler export to the country has declined by 70% and cars and utility vehicles by 90%. The new duty structure seems to be targeted at us more than anybody else,” this person added. The industry lobby and India’s department of heavy industries are discussing a possible solution with Colombo. Meanwhile, Siam has also put on hold a January auto show in Sri Lanka, the official added. He said second-hand cars “coming in from Japan and Singapore” are not affected by the incremental levies. Sri Lanka doesn’t have local car makers.

Prasad Kariyawasam, Sri Lanka’s high commissioner to India, said the increases in excise duty are not targeted at any one country. “Duties on cars have been increased across the board so it’s not only cars from India but across the world. The increases are on certain types of cars,” Kariyawasam added.

The Sunday Times (not to be confused with the UK paper), a weekly newspaper in Sri Lanka, termed the duties as “prohibitive” and said it “may edge out Indian vehicles from Sri Lanka’s market while the exemptions to those coming from Japan will give them an added advantage in the market”.

Another Sri Lankan newspaper, *Business Times*, said the government had “controversially reduced duties on racing cars while increasing excise duty on small cars with engine capacity of less than 1,000cc.” The newspaper said “this has shattered the dream of Sri Lanka’s middle income earners in owning a small vehicle with the Maruti 800, said to be the cheapest small car (in Sri Lanka), going up by at least Rs200,000 (Sri Lankan rupees).

Quoting an anonymous Sri Lankan customs official, *The Sunday Times* said the “technicality placed imports of cars from Japan at an advantage. While 90% of cars imported into Sri Lanka are from India and under 1,000cc engine capacity, no such vehicles are brought from Japan”.

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Darjeeling tea growers get protection from European Union
Jim Yardley, Economic Times

Darjeeling, 18 December 2012**:** Among connoisseurs, few teas surpass a good Darjeeling. The smooth and mellow taste commands a premium price, and the name itself evokes a bygone era when the British first introduced Chinese tea plants here in the Indian foothills of the Himalayas.

To Anil K Jha, the superintendent of the Sungma Tea Estate, all this would be extremely good for business, except that much of the tea sold globally as "Darjeeling" is not grown here. Foreign wholesalers often put the name on a blend of the real stuff and lesser teas. And in some cases, growers elsewhere simply slap a Darjeeling label on their tea. So Jha and other Darjeeling growers have followed the example of Scottish whisky distillers and French wineries, winning legal protection for the Darjeeling label under laws that limit the use of certain geographic names to products that come from those places.

In a decision this year, the European Union agreed to phase out the use of "Darjeeling" on blended teas. Now, just as a bottle of Cognac must come from the region around the French town of Cognac, a cup of Darjeeling tea will have to be made only from tea grown around Darjeeling.

"That flavor, that uniqueness that comes from here - it is nowhere else," Jha said as he stood among manicured tea bushes on a hillside about 5,000 feet above sea level, near the border with Nepal. "People have tried to replicate it, but have failed," he said.

The uniqueness of Darjeeling as a place certainly seems beyond dispute. On clear days, the white peaks of Kanchenjunga, the world's third-highest mountain after Everest and K2, floats over the hilltop city like an ethereal fortress. Beyond the noisy clamor of the city, many of the steep surrounding foothills are carpeted with tea estates, some planted more than 160 years ago when a British surgeon found that tea bushes thrived in the region's alpine setting.

The mountainous terrain also limits production. India produces almost 2 billion pounds of tea annually, more than any other country, but Darjeeling accounts for only about 1 percent of that output. The Darjeeling district has 87 certified tea gardens, as they are locally known, producing about 20 million pounds of tea every year, and the potential for expansion is almost nil.

That is why local tea growers grew annoyed that as much as 88 million pounds of tea were being sold as Darjeeling on the global market each year.

"Darjeeling tea has always been more expensive," said Ranen Datta, a longtime adviser to local tea growers, noting that the wholesale price is about five times that of ordinary teas. "And we found that sellers all over the world were selling tea under the name Darjeeling."

And not only tea: A French company that makes lingerie has fought legal battles with the Tea Board of India to keep using the name. "This brand name, Darjeeling, was being misused," Jha said. "The basic interest of Darjeeling was being killed."

Local tea growers had already fought to save their product from the vagaries of Cold War politics. During the era of British rule, Darjeeling tea was mainly shipped to Europe, which remained the primary market after Indian independence in 1947, when Darjeeling's tea gardens shifted from British to Indian ownership.

But as India drew politically closer to the Soviet Union, a deal to sell tea to Moscow ushered in a dark period for Darjeeling. The Soviets ordered in bulk and mixed Darjeeling with pedestrian teas from Soviet satellite countries so it could be marketed more widely.

"Russians were not particular about the quality of Darjeeling," Datta said. "They took it if it was clear and black."

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India revokes patent for Merck asthma drug
Agence France Presse

12 December 2012: India has revoked a patent for an asthma drug held by US-based Merck following a challenge from local pharmaceutical giant Cipla, marking a new blow to global drug firms in the Indian market.

The development is the latest in a string of patent revocations by India and involves interpretation of patent protection rules introduced in 2005 to comply with World Trade Organisation regulations.
The drug produced by Merck & Co, a global health care company, was "not inventive", said the order announced late Tuesday.

Schering Corp, later acquired by Merck, had applied for a patent for the asthma drug in 2004 and was granted it in 2011.

Medical charities have expressed concern that compliance with WTO rules could reduce the country's role as a supplier of low-cost medicines. India is the world's leading exporter and manufacturer of non-branded medicines.

But Western firms, looking to countries such as India for sales growth, have voiced criticism of poor brand protection in India.

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Andhra Pradesh power cuts to hit pharmaceutical exports target
Raji Reddy Kesireddy, Economic Times

Hyderabad, 12 December 2012: Severe power cuts in Andhra Pradesh - a state that accounts for some 40% of India's bulk drug exports - have forced the Pharmaceutical Exports Promotion Council (Pharmexcil) to slash the country's pharmaceutical export growth projections for this fiscal by 5%.
India, whose pharmaceutical exports rose nearly 25% to $13.2 billion (about Rs 71,500 crore now) in the 2011-12 financial year, may end up posting only a little over 17% growth this fiscal, hurt by power shortages, said Pharmexcil director general PV Appaji.

Also, margins of pharma companies are likely to come under pressure as most of them will be forced to execute export orders by using costly diesel generators during the power cuts.

Poor monsoons and fuel supply constraints to both gas- and coal-fired power plants have forced the AP power transmission companies to resort to major power cuts, hurting industrial customers the most.
"After taking into account the production losses in AP, among other factors, the Indian pharmaceutical exports this fiscal are expected to reach only $15.5 billion," Appaji told ET.

He said other factors weighing on export targets include the European economic crisis and the preference by certain economies-such as Latin American countries and Russia-to encourage local manufacturers.
Power supplies to AP industries fell 35% short of total requirements in peak summer. The shortage is hovering around 25% now, said MV Rajeswar Rao, secretary general of trade body Federation of AP chambers of commerce and industry (Fapcci).

While the overall industrial production loss due to the shortages was estimated at about 40%, the pharma sector suffered some 15% losses with many mid-sized and major companies relying on expensive alternative arrangements, he said.

Dr Reddy's Laboratories, Aurobindo Pharma, Mylan Laboratories, Divi's Laboratories, Hetero Drugs, Natco Pharma, Virchow Laboratories, Suven Life Sciences and Nueland Laboratories are among the key pharma companies with manufacturing facilities located in AP. ET could not ascertain how many of them suffered losses in exports or margin declines because of the power cuts.

M Narayana Reddy, former president of Bulk Drugs Manufacturers' Association and managing director of Virchow Laboratories, said the industry is likely to witness at least 10% additional operating costs this fiscal owing to alternative power supply arrangements.

For the six months period ended September 2012, pharma exports from the country amounted to $7.02 billion, which translates to a growth of 13% over the same period of last fiscal.

Pharmexcil's Appaji said the Indian pharmaceutical industry is unlikely to achieve the ambitious exports target of $25 billion by March 2014 set by the government as the industry would have to grow at over 60% during next fiscal alone to meet it.

An analyst with a Mumbai-based brokerage, who did not want to be identified, said regardless of reaching ambitious growth targets, Indian pharma exports are growing at a healthy 17% CAGR (compound annual growth rate) notwithstanding only a 12% CAGR in global generics spending.

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Decision on sugar exports in January
Rituraj Tiwari, Economic Times

New Delhi, 18 December 2012: The government is likely to take a decision on sugar exports in January after assessing the final cane crop and the estimated sugar output.

"Sugar exports have been suspended since September-end this year after the permission of free exports expired. We are taking stock of the situation before taking any decision on exports," said a senior food ministry official.

The decision on sugar exports is keenly awaited as the government has already decided to continue free export of wheat, rice and cotton this year.

Last week, Union food minister KV Thomas had said that the country should frame clear export-import policies to support the export of surplus produce. "We should benchmark certain quantity every year to create an image in the global market that we are a reliable supplier," he had said.

According to advance estimates, the country is likely to produce sugar surplus for a third consecutive year. While government put the estimate at 23 million tonnes, the industry expects the output to go up to 24 million tonnes as against last year's record production of 26.2 million tonnes. "There is an opportunity to export at least 1.5 million tonnes this year also. Last year, we had exported 3.4 million tonnes after it was put under open general licence," said Gautam Goel, former president of Indian Sugar Mills Association (ISMA), an industry body.

However, the declining global prices of sugar may not go well with the sugar export plans. The global prices have crashed from around $650 (35,750) a tonnes to $513 (28,215) in the past four months. Industry experts believe that the bearish trend for sugar is likely to continue this year as the global market is flushed with a surplus of 5-7 million tonnes and in 2013-14 the market will get another 7 million tonnes.

"Exports are completely unviable even if permission is granted. For viability, the global prices should be in excess of $650, which looks distant at the current global supply," said Abinash Verma, director general, ISMA.

The bearish global trends may depress domestic sugar prices also if the government decides to keep the import duty unchanged. The government levies 10% import duty on finished as well as raw sugar. At the current prices, both the imports are cheaper than the domestic production cost which ranges between 32,000 and 38,000 a tonne.

"If government doesn't tweak import duties, the country will be flushed with cheaper imported sugar distorting the domestic prices," he said.

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Government may export additional 2.5 mn tonne wheat
Rituraj Tiwari, Economic Times

New Delhi, 11 December 2012: The Union food ministry is likely to move a proposal to the Cabinet this week for exporting additional 2.5 million tonne wheat from the bulging government stocks of 40 million tonne. The proposal has the backing of other ministries such as agriculture, commerce and finance.

"The government has already approved 2 million tonne, out of which shipment of 1.8 million tonne has been contracted. Since August this year, we have exported wheat in small tranches, fetching prices in the range of $296.68 per tonne to $322.13," said a senior food ministry official.

Looking at better realisation in exporting wheat in small tranches, the government will again divide 2.5 million tonne in tranches.

"Global prices are moving up due to dwindling global supply. While US wheat is fetching $370 a tonne, India grains are commanding $325-330 a tonne. It may rise after speculation about dwindling Black Sea supplies and the prospect of export curbs in Ukraine," the official said. Global prices are likely to remain firm in the next few months.

Huge domestic reserves and diminishing global supply from the drought-hit Black Sea countries of Russia, Ukraine and Kazakhstan will help India to be a stable supplier. India exports wheat to Bangladesh, South Korea, Thailand, Vietnam, Indonesia, Yemen, and Oman.

The Commission for Agricultural Costs and Prices, which advises the government on agri-price policy, too has recommended liquidation of excess wheat stock.

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Coffee exporters worried as global prices tumble
P K Krishnakumar, Economic Times

Kochi, 10 December 2012: Indian coffee exporters are staring at a bleak year as global coffee prices tumble with Brazil and Vietnam, the two largest coffee producers, harvesting a bumper crop.
The global sentiment is reflecting in the Indian coffee prices as well. It is feared that the domestic harvest season, due to begin this month, may hasten its fall.

Almost 70% of the Indian coffee production of over 3.2 lakh tonne is exported. This year, economic woes in Europe, the main buyer of Indian coffee, have led to subdued purchases. Coffee shipments from the country have declined by close to 10% till the first week of December in 2012. "The sentiment is bearish and buying has been slow. A further fall in international prices will hit our exports hard," said MP Devaiah, general manager of Allanasons, a major coffee exporting firm.

Brazil's coffee output for 2013 estimated to be around 50 million bags (of 60 kg each) was unexpected as the country reaped a record 55 million bags this year. As a rule, production drops after a peak year.

Predictably, the prices of Arabica beans, which account for the bulk of production, are expected to slump by over 10%-12% in the coming months. Intercontinental Exchange (ICE) New York Arabica futures for March 2013 delivery ruled at $1.5095 per pound on Friday, down from $1.7 per pound some weeks ago.

Vietnam, the biggest producer of the Robusta variety, also had a great crop year with the output calculated to touch 25 million bags, up by 3 million bags from the previous year. Rising demand for the variety due to a switch-over by roasters from Arabica when its prices zoomed last year had kept the prices more or less steady around $2,000 per tonne. But Robusta prices, too, have started declining. The January futures on London International Financial Futures and Options Exchange (LIFFE) stood at $1,905 per tonne on Friday.

"Indian coffee prices have dropped even as plucking is set to intensify this month and in January," said a senior officer of NKP Jayanthi, one of the leading exporters. Arabica prices have fallen by over Rs 60 to Rs 140 per kg in the last few months while Robusta prices have slid by 20% to Rs 115 per kg. But a shortfall in Robusta production, expected by the planters, may arrest a decline in its prices. "As harvesting has begun, we have noticed a shortage as farmers are increasingly shifting to rubber. The crop is low in Mananthawady while it is slightly better in Kalpetta," said Prashant Rajesh, secretary of Wayanad Coffee Growers Association.

Coffee Board's post-blossom coffee production estimate for 2012-13 is 2,21,300 tonne of Robusta and 1,04,000 tonne of Arabica, up by 4% and 2 % respectively over previous year.

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WTO sees more trade disputes ahead after vintage year
Tom Miles , Reuters News

14 December 2012: A surge in trade disputes has forced the World Trade Organization to reallocate staff to cope with a flood of litigation in the pipeline for 2013, according to diplomats and documents at the global trade body in Geneva. The WTO's 157 members have launched 26 trade disputes so far in 2012, the most since 2003 and three times more than the eight new complaints filed in 2011.

According to an internal WTO document seen by Reuters, the WTO decided to reallocate staff to the disputes team to deal with the increasing number and complexity of legal cases. "We are seeking to reallocate resources from other divisions. It's happening already," said one WTO source.

As well as moving staff, the trade body also advertised for a senior dispute settlement lawyer, at a starting salary of around 161,900 Swiss francs ($175,300), and is seeking short term candidates to help deal with the caseload.

The boom in litigation comes as the WTO struggles to get back on the path to reforming its rules, after the failure of the decade-old Doha round of trade negotiations last year.

"The less you negotiate the more you litigate, and vice versa," said one trade diplomat.

The resort to the dispute settlement system signifies both trust in the global trade rules and distrust among its members, as they fight for a share of a pie that is not quite shrinking, but expected to grow by a mere 2.5 percent this year.

Although the WTO expects global trade growth to quicken to 4.5 percent in 2013, that would remain below the annual average of 5.4 percent over the past two decades.

WTO Director General Pascal Lamy will report to WTO members on the global trading environment on Monday, armed with a report showing they had brought in 308 new trade-restricting policies, covering 1.3 percent of traded goods, over the past 12 months. "The difficulties and concerns generated by the persistence of the global economic crisis, with its many facets, are fuelling the political and economic pressures put on governments to raise trade barriers," Lamy's report says. "This is not the time to succumb to these pressures."

US and China under fire

The countries attracting most complaints in 2012 were China and the United States, each the target of six disputes. The United States also initiated the most disputes - three against China and one apiece against Argentina and India.

This year's new disputes included many that were either apparent tit-for-tat actions or counter-challenges, ensuring that the heat was concentrated in certain areas.

Solar power components were the subject of several disputes, as accusations flew that China's overstimulated producers had flooded the world with cheap supply. China hit back with its own claims against the United States and the EU, alleging that the U.S. case was illegal and renewable energy markets in Italy and Greece were rigged in favour of local firms.

Other recent disputes have taken aim at countries using environmental or health concerns as trade barriers, such as China's export restrictions on rare earths and Australia's tough cigarette packaging laws. One of the most fertile areas for potential new disputes in 2013 is trade-distorting subsidies, whether overt or covert.

The United States and China are already wrangling over the legality of Beijing's alleged subsidies and Washington's attempts to root them out.

But China was hit from an unexpected angle in October when Mexico launched a wide-ranging complaint about China's support for exports of clothes and textiles.

Eight WTO members - including the EU, United States, Brazil and Australia - asked to observe the case as interested third parties but, in a highly unusual move, China refused to admit any of them, cloaking the dispute in even more secrecy than is usual and fuelling speculation that it is concerned about others building their own case against Beijing.

Covert subsidies include "local content" rules, where a country makes sure local firms get a certain cut of government projects at the expense of foreign competitors. Appetite for "local content" disputes has been boosted by a case against Canada brought by the EU and Japan, which Canada is expected to lose. China has already brought the complaint against renewable energy rules in Italy and Greece, while the EU, United States and Japan have repeatedly criticised local-content rules in Brazil, India, Indonesia and Nigeria.

More disputes could also come from this year's addition of Russia to the WTO. The EU has said it is ready to take open legal cases on several fronts, and the United States has said Russia's rules on meat imports appear to be inconsistent with WTO rules.

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WTO services talks progress; China, Brazil, India still hold out
Market News International

14 December 2012: An initiative by 47 rich and emerging economies to negotiate a trade pact to slash barriers to trade in services has posted substantial progress with the participants agreeing in principle on a blueprint framework on how to broker a global accord but still face foot dragging or opposition by key emerging market nations.

The talks, which are strongly backed by U.S. and European services conglomerates, especially major financial services providers on both sides of the Atlantic, came up with the blueprint after a week of closed door talks here last week, but have to date been snubbed by giant emerging economies such as China, India and Brazil.

"I think this will receive a warm reception in Washington ... U.S. companies are very interested in getting this done. And this should be not one of those that creates (problems)," Samuel di Piazza, chair of the U.S. Coalition of Services Industries (CSI), an umbrella group, told MNI.

Top trade diplomats tracking the talks, speaking on the condition of non attribution told MNI the objective is to launch the negotiations officially in March and for participants to start putting forward offers in May. The talks are spearheaded by the United States and backed by the European Union, Japan, Australia, Hong Kong, Turkey, Switzerland, Panama and Colombia, among others.

Di Piazza, who is also vice chair of Citigroup's Global Markets Inc. institutional clients group, said in an interview that Washington "has been very supportive ... so we're hopeful." And "there's no question, Wall Street would like to see this done."

Exports of commercial services such as banking, insurance, telecommunication, transportation, retail and energy, among others, grew by 11% last year to $4.1 trillion, according to WTO data. The United States is the top services exporter with $578 billion, followed by the United Kingdom with $274 billion, and Germany with $253 billion.

CSI President Peter Allgeier, a former senior U.S. trade negotiator, told MNI "this is the first real effort in negotiating on services in years.

Certainly, since probably the (WTO) ministerial in 2008, and its important. First of all, there is a large number of countries that is involved that account for 70% of world trade in services, and also it is a first look really at the new landscape," since the Uruguay Round liberalization talks from 1986-1994.

One of the focal point of the talks, sources say, is to try and ensure countries make commitments that allow majority equity for foreign investors in a host of service sectors from banking and insurance to telecom, energy, courier and retail services.

Di Piazza said, "Equity caps has to clearly be one of the issues the negotiators have to deal with otherwise the agreement is not a comprehensive agreement. "Frankly, business would like equity caps to go away. The question is how do you get to that place, what sectors, and whether it's realistic to put that as a minimum. But equity caps is an issue for service companies," he added.

EU Trade Commissioner Karel de Gucht, talking to reporters in Geneva Thursday, said the goal of the plurilateral talks on a trade in services agreement is "to make sure it's a deal, if it comes about, that can be easily multilateralized" and anchored on the World Trade Organization's General agreement on Trade in Services.

That initiative was launched because efforts in the Doha round of trade liberalization talks were bogged down because progress in the services segment was linked by emerging countries to movement in other areas of the negotiations such as agriculture and industrial tariffs.

With regards to the ambivalence of major emerging powers, such as China, De Gucht said: "In the end its not our fault that China would not become a member. It's not because they do not want to become a member, that we should stay quiet or standstill that's not good either."

A Chinese trade diplomat told MNI, "China is not interested at all" in the plurilateral services talks. Moreover, in a recent WTO forum, China said its position "on this controversial issue has not changed so far."

However, top services industry executives monitoring the talks are of the view that if China shifted and came on board, it would be very hard for Brazil, India and others to stand on the sidelines.

A top European executive told MNI his assessment, at the moment, is that the so-called BRICS nations - Brazil, Russia, India, China and South Africa - will not join the services intiative. "They're watching carefully, but we don't expect them to make it," he added.

Pascal Kerneis, managing director of the European Services Forum, an umbrella group, said the initiative "has come a long way" and he expects the number of countries taking part to grow.

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Bali Ministerial December 3
Washington Trade Daily

Geneva, 12 December 2012: The World Trade Organization’s ninth ministerial meeting will commence on December 3 next year in Bali – and continue for four days, members decided yesterday at their year-end General Council meeting (WTD, 12/12/12).

General Council chair Elin Østebø Johansen told members that the ministerial will strictly adhere to three principles – full participation, inclusiveness and transparency – as was the case with the last two ministerial conferences in Geneva. She said governments that wish to put proposals or core recommendations for consideration by ministers in Bali must do so on the notion that they secure consensus.

The chair urged members to complete work well in advance for the ministerial conference.

At yesterday's meeting, coordinators of several groups – including the Arab group, the "cotton" four countries, the African Group and small and vulnerable economies – issued a strong message that the ministerial deliver on the "development" mandate of the Doha Development Agenda.

After the meeting, US Ambassador Michael Punke commented to WTD – "We are looking at two things. We are looking at the scale of people's proposals in terms of short-term work and we are looking at do-ability. So we are willing to engage with anybody and everybody and those are the criteria."

On other issues discussed in the General Council, members were in near unanimity in criticizing Ukraine for saying it intends to renegotiate 371 tariff lines (WTD, 12/3/12). The deadline for the Ukrainian request for Article 28 consultations is today.

In a separate development, members approved the Kimberly waiver process for diamond trade until 2016 (WTD, 11/7/12).

WTO Director General Pascal Lamy told members that cotton development assistance had reached $1.2 billion out of a promised $5.4 billion (WTD, 12/10/12).

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WTO Members Aim for "Realistic" Doha Deliverables for 2013
Bridges Weekly Trade News Digest, Volume 16, Number 43

12 December 2012: One year after the Doha Round of trade talks was formally declared at an impasse, WTO members are beginning to show signs of re-engagement in the negotiations, according to WTO Director-General Pascal Lamy. However, he warned delegates last Friday, members must be realistic and pragmatic in the months ahead to avoid jeopardising the small Doha deliverables package that they aim to clinch by next December's ninth ministerial conference (MC9) in Bali, Indonesia.

"MC8 left us with a long to-do list," the Director-General told WTO members, referring to last year's ministerial conference in Geneva, where trade ministers formally directed the global trade body's members to explore new negotiating approaches in light of the stalemate in the talks.

However, Lamy added, members now appear to be showing "encouraging signs" that they are ready to resume their negotiations in earnest, despite 2012's admittedly slow start. "The activities of 2012 have contributed to building some momentum. You have put on your negotiating caps again. And we cannot afford to lose it," he said, urging members to transform this renewed sense of engagement into concrete proposals during the first quarter of 2013. "Our credibility in the next phase will depend on our ability to make tangible progress on specific issues as they mature."

Progress in some areas, standstill in others

Chairs of the various Doha negotiating groups also spoke at Friday's meeting of the WTO's Trade Negotiations Committee (TNC) - which is tasked with all negotiating aspects of the Doha Round - in order to give delegates the current state of play on the different topics under negotiation.

Topics such as trade facilitation, agriculture, special and different treatment (S&DT), least developed country (LDC) issues, and dispute settlement have advanced over the past twelve months, they said, while others - such as the WTO’s negotiations on services - have barely moved at all, and are unlikely to move forward in the months ahead.

The possibility of a trade facilitation deal by end-2013 - an area of the talks that deals with easing customs procedures and other border restrictions - has gained increased prominence over the past several months. Negotiators have been working toward finding internal balance within the subject-specific talks, as well as trying to find deliverables from other areas of the Round to go with it, in response to concerns from some members that a deal focused solely on trade facilitation would not be “self-balancing.”

On trade facilitation, negotiating group chair Eduardo Ernesto Sperisen-Yurt - who serves as Guatemala’s WTO ambassador - noted that talks in this area have shown promising developments over the past year, with members demonstrating a willingness to continue negotiating further in the year ahead.

In his oral report to the TNC, Sperisen-Yurt also stressed that members should not be alarmed by the various unresolved parts of the trade facilitation draft text. “Those who don’t follow these negotiations closely could see themselves tempted to count the brackets that still remain in the text,” he said. “But I’d warn them that it would be an error to see that as an indicator of current progress,” he added, noting that in many cases, just one area of disagreement is the source of many of those brackets.

Notably, the topic of S&DT in the trade facilitation talks was raised by many members in their interventions, and is expected to feature prominently in upcoming negotiations.

In parallel, three proposals on agriculture - two from the G-20 coalition of developing countries, and one from the G-33 developing country group - have been debated as possible components to pair with a trade facilitation deal, earning a cautious welcome from fellow WTO members.

Australia, speaking on Friday on behalf of itself and for the Cairns Group of agricultural exporters, reportedly commented that the new proposals have been a positive development, given that they have helped re-establish agriculture as a key element of the negotiations. However, sources note that Switzerland, on behalf of itself and the G-10 coalition of countries with highly-protected farm sectors, remarked that agriculture is not the only issue on the table.

Steer clear of surprises, Lamy cautions

In preparing for MC9 in Bali next year, members should “go back to our well-known principle of ‘no surprises’,” the Director-General cautioned on Friday. “Any kind of Christmas-tree syndrome as we get closer to MC9 would have destabilising effects on the entire process, jeopardise the ministerial conference itself, and dent the credibility of the WTO.”

Efforts last year at building an LDC-focused “Doha-light” package in time for the December 2011 Geneva ministerial ultimately fell apart, due to members being unable to agree on which LDC - and non-LDC - issues to include in such a deal, in what was also referred to as a “Christmas-tree” problem.

In order to achieve results in time for Bali, Lamy added, members should pursue “realistic” demands that account for other members’ so-called “red lines,” while avoiding unattainable goals or being confrontational in the negotiating process.

He also said that proponents of any new proposals should take on the responsibility themselves to build consensus among other members, and that members must avoid setting “new and unworkable deadlines.”

MC9: a Doha Round stepping stone

While a small package of Doha deliverables for next December now appears to be members' current goal, many made clear at Friday's meeting that the Bali event would not mark the end of the organisation's efforts to conclude the entire Round.

"Of course, we should be under no illusion about the breadth of what we can achieve in the short timeframe between now and MC9," Lamy said. "Nor should we create unrealistic expectations. The main stumbling blocks of the [Doha Development Agenda] are still standing and many of the toughest nuts will likely not be cracked by the time ministers meet in Bali." "But we should also not wait for the last minute to engage," the trade chief warned. "One more housekeeping ministerial conference in Bali would not suffice to keep the Doha House alive."

Various delegations who spoke on Friday echoed the Director-General's comments, noting that Bali is just one step in a longer process. Many also cautioned that the year until Bali's meeting is - in practice - less time for negotiating than it sounds.

"A successful MC9 appears today clearly as a necessary precondition for the conclusion, at a later stage, of the whole Round," EU Ambassador Angelos Pangratis commented. "Progress achieved is fragile; the road ahead is long and the time to MC9 is in fact very short."

"Bali is not a deadline, but it has already emerged as a milestone. One way or the other, Bali will mark a moment when not only we but the world outside of Geneva take stock of our work and the health of the trading system," US Ambassador Michael Punke added.

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