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Differences between India and the US over intellectual property rights (IPR) issues have widened after a ministerial-level trade policy forum meeting on Tuesday, a...

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GDP growth disappoints

The economy slowed in the first full quarter of the new government, growing at 5.3 per cent as gainst 5.7 per cent in the previous April-June quarter...

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WTO battle brews as members charge India with under-stating farm sops

Amiti Sen, Business Line

New Delhi, November 16, 2014 : India has yet another fight on its hands at the World Trade Organization (WTO) over food subsidies. Many developed nations are now questioning the agriculture subsidies notified by India, charging that the country may have under-stated the actual figures. India's decision to notify the subsidies in US dollars rather than the rupee is particularly under the scanner.

India's classification of all farmers as low-income or resource-poor, thereby lowering its notified trade-distorting subsidies (called the aggregate measurement of support or AMS), has been strongly challenged by Japan and the US.

Dollar usage questioned

Also, Canada, Australia as well as the EU are crying foul over India's decision to notify the subsidies in US dollars. Using the dollar, which has strengthened significantly since the reference price for calculating subsidies was fixed in 1986-88, brings down the domestic support figure significantly, they argue.

India has said that WTO rules allow subsidies to be notified in dollars and about 30 countries do the same.

No breach

In a recent Committee on Agriculture meeting, India maintained that its subsidy notifications were strictly in line with the WTO rules and that its subsidies were well within the capped limits of 10 per cent of agriculture production.

Agricultural input subsidies (on fertiliser, electricity, and seeds) to low-income or resource-poor producers, along with investment subsidies, are exempt from the AMS calculation. Such subsidies were equivalent to around 13 per cent of the total agricultural output in 2010. The exemption has helped India stay within the WTO rules, which cap AMS at 10 per cent of the total farm output.

Japanese challenge

Questioning the subsidy at the WTO, Japan has asked India to explain why it includes farmers with relatively large farmland in the low-income or resource-poor producers category. "By classifying farmers with less than 10 hectares of land as "low income or resource poor producers", India has excluded all the input subsidies from the calculation of AMS," Japan complained.

It further argued that the average farmland size in India is 1.2 hectares, and more than 80 per cent of holdings are less than two hectares. "Nevertheless, India classifies farmers with less than 10 hectares of land as 'low income or resource-poor producers'," it said.

India, however, has maintained that low-income farmers are those with less than 10 hectares of land, accounting for 99 per cent of the farmers in the country. A WTO official said that India has promised to provide more information on the input subsidies given to the farmers.

Many developing countries, including India, want either their food programmes to be dropped from the list of trade- distorting subsidies, or for subsidies to be calculated on a more recent base line or for the indexing of subsidies to inflation.

India recently managed to convince the US to extend a 'peace clause', which offers it immunity against action in case of a breach of the subsidy cap. The clause has been extended in perpetuity, till the formula for the calculation of trade-distorting subsidies is amended.

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Grappling with 'China Policy' at home, Taiwan keen on FTA with India, other nations

Pradip K Bagchi, The Times of India

Taipei, November 17, 2014 : Struggling to forge a domestic consensus on its outreach to Beijing for strengthening economic ties and days after China and South Korea signed on the outlines of a free trade agreement (FTA), Taiwan is keen on fast-tracking such trade pacts with India and other nations, particularly those in the Asia-Pacific region.

"We have been trying for an FTA with India since 2009. It will be beneficial for both. We are waiting for a response from the new Indian government," said Michael Tseng, deputy chief negotiator in Taiwan's ministry of economic affairs.

He said a Taiwanese team will soon visit India to explore market for automobiles, shipbuilding and textiles among other things. "Our team will visit Gujarat and some other places later this month to see prospects for original brand manufacture (OBM) facilities as also setting up techno parks," he said. India has so far been cautious in response to Taipei's overtures lest it ruffles feathers in Beijing.

"We hope the new government in India will be more assertive in promoting economic cooperation in the Asia-Pacific region. India should take advantage of the situation through engagement," said Vanessa Shih, Taiwan's vice minister for foreign affairs, when asked about the shadow of Sino-Indian diplomacy on New Delhi's ties with Taiwan.

Taiwan's fresh initiative to increase its export footprint- Free Economic Pilot Zones (FEPZ)- currently faces scrutiny in Parliament which is also debating the contentious 'Supervisory Act' put in place after the students' unrest earlier this year. The 'Supervisory Act', is aimed at setting up institutional checks and balances for transparency while dealing with China.

In March, thousands of students had protested for weeks in Taipei to stall ratification of a services pact between Taiwan and Beijing. Taiwan had also signed Economic Cooperation Framework Agreement (ECFA) with China in 2010, seen as 'pro-Beijing tilt' of the government.

"The clash of political and economic forces in Taiwan is a serious problem. Resolution has to be found here. There is very little that Beijing can do. Half of the population is living in the past," said Dr Yun-Peng Chu of National Policy Foundation, a think tank.

Taiwan hopes the FEPZ Act will be a springboard for it to eventually join the US-led Trans Pacific Partnership (TPP) and Beijing-led Regional Comprehensive Economic Partnership (RCEP).

But China has so far shown little interest in Taiwan joining RCEP. "The main reason seems to be political (two Chinas). But we have been trying to convince Beijing that our membership in TPP and RCEP is a purely trade issue," said DR Chu-Chia Steve Lin, deputy minister in Mainland Affairs Council.

The announcement of the proposed FTA, set to be in place in 2015, by China and South Korea during the APEC summit in Beijing earlier this week has come as another blow to Taiwan. It is particularly worrisome for Taipei as over 70 per cemt of exports from Taiwan and South Korea overlap.

"We are watching the impact of the China-South Korea FTA," said Dr Chu. "As a WTO member, Taiwan is entitled to FTA," he said.

"We cannot rely on China only for exports. We should look to India and ASEAN nations," said Jiann-Chyuan Wang of Chung-Hua Institution for Economic Research. Currently, China accounts for nearly 40 per cent of Taiwan's exports. In 2013, bilateral trade between India and Taiwan stood at 6.17 billion dollars with 70 Taiwanese companies having set shop or invested in Indian businesses.

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India looking at ways to restrict import of Chinese goods

Dilasha Seth, The Economic Times

New Delhi, November 17, 2014 : Xiaomi mobile phones may be climbing up the popularity charts in India, but the government is looking at ways to restrict such imports and several other consumer goods from China through standards and safeguards as it has not been able to extract a concrete plan from the country to address the heavily imbalanced trade.

According to officials, the government is also looking to substitute essential imports like power and telecom equipment imported from China over the next decade through goods produced at home to spur domestic manufacturing as well as address security concerns over imported instruments.

"An import management strategy is being worked out to check imports flooding the Indian market. The trade deficit will become unsustainable this way," a government official said, adding that India has been forced to look at remedial measures such as anti-dumping safeguards and countervailing duties to curb such imports since China does not seem keen to bridge the widening gap.

In order to frame this strategy, the government has looked at 1,500 product imports from China worth $2.5 million (about Rs 15 crore) and above over the past few years that include mobile phones, laptops, CDs, CD covers, ceramics, auto seat covers, etc. It has emerged that a quarter of the total imports from China in the past two years have been just electronics and consumer goods, which the government believes India can produce locally.

Of the $12.5 billion (about Rs 78,000 crore) worth of consumer imports in the past two years each, mobiles phones alone account for $5 billion (about Rs 31,000 crore) worth of imports and this segment has seen a surge in imports in the past three-four years, a government official said. Officials said an inter-department monitoring group is likely be put in place to check imports from China, comprising representatives from departments of pharmaceuticals, telecom, power, chemicals and fertilizers, pharma and steel.

The department of pharma has identified 125-130 items which are banned but are being imported as chemicals. India's trade deficit with China stood at $36 billion in 2013-14, with exports totalling $15 billion against $ 51 billion worth of imports. "Laptops and mobiles are coming in, over which we have absolutely no control. Low quality goods are also coming in. Quality controls may be imposed to check that," the official said.

A few years ago, the government had used standards to ban Chinese mobiles through the IMEI

(International Mobile Station Equipment Identity). "But now we need to find new ways such as countervailing duties and other safeguards measures to check such imports," said another official. While India needs to import goods such as power and telecom equipment, the commerce department has asked other departments to devise a strategy and give a time frame by when these imports can be brought down.

"The commerce department has asked ministries of power and telecom to suggest a strategy as to how these imports can be brought down by import substitution and for how long we continue to import it as there are security concerns related to such imports. There is pressure from the Prime Minister's Office also," said a department official involved in the talks.

The department of industrial policy and promotion (DIPP) has also been asked to prepare an import strategy. Recognising a need for indigenisation of power equipment imports, DIPP has asked Chinese companies to invest in India and set up manufacturing bases for sectors such as automobile, power, telecom, infrastructure for domestic manufacturing and bring in investments for development of smart cities and industrial corridors.

"It is commendable that the government has recognised the need to check the rise in non-essential imports from China, which can also be linked to the 'Make in India' campaign. However, the implementation or actually restricting imports may not be easy," said Biswajit Dhar, professor, JNU. "The problem is, if you impose standards, you have to do it on an MFN (most favoured nation) basis. Then you cannot say that you don't want Chinese imports."

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Trade deficit widens as exports shrink in Oct

The Times of India

New Delhi, November 18, 2014 : India's exports contracted 5% to $26 billion in October due to a fall in shipments of engineering goods, gems and jewellery, and pharmaceuticals. With imports continuing to rise, trade deficit widened to $13.4 billion, putting fresh pressure on the government and the Reserve Bank of India to put fresh checks on gold imports.

Data released by the commerce department showed that imports rose 3.6% to $39.4 billion as gold imports went up almost four times in October, while silver shipments more than doubled. The surge in bullion imports negated the benefit of cheaper crude oil prices. Due to cheaper petroleum prices, India's oil import bill was 19% lower at $12.4 billion, while non-oil imports shot up 19% to over $27 billion.

Gold and silver apart, the big worry for policymakers was the decline in exports for the first time in six months, which exporters said was on account of depressed sentiments in the US and Europe, and resulted in fresh demands for government support from lobby groups such as Fieo.

Economists, however, suggested that there was not too much of a worry at present. "We expect non-oil, non-gold imports to rise in the coming months on stronger domestic demand. However, lower oil prices (lower oil import bill) and lower gold imports (as festive demand normalizes) should offset part of the increase and keep the current account deficit contained at around 1.4% of GDP in 2014-15 versus 1.7% in 2013-14," Nomura economists Sonal Varma and Aman Mohunta said in a note.

ICICI Securities Primary Dealership's A Prasanna and Abhishek Upadhyay said the current account deficit may be around 1.6% of GDP, compared to 1.7% last year, while trade deficit too will hover around last fiscal year's level.

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Auto companies ask government to ink FTAs with South and Central America, Africa and Middle East

Chanchal Pal Chauhan, The Economic Times

New Delhi, 18 November, 2014 : Domestic carmakers are pressing for free trade agreements (FTAs) with developing nations to shore up exports, which have sagged due to sluggish demand in Europe, one of the main markets for small cars made in the country.

India is the world's largest exporter of compact cars, but sluggish global markets have pulled down car shipments by 7 per cent in the first seven months of the fiscal from a year ago to 312,000 units, ringing alarm bells for the industry that has been a major source of foreign exchange for the country.

In a bid to ramp up demand, the Society of Indian Automobile Manufacturers(SIAM), an apex body of 49 auto manufacturers, has asked the government to enter into FTAs with emerging nations, including those in South and Central America, Africa and the Middle East, where there is growth potential. It has also initiated talks with the government for a policy that focuses on increasing auto exports and aligns with the 'make in India' campaign.

"There has been a deep concern on falling exports and we are working with the government, seeking their help to enter new geographies. We have submitted a detailed report to the ministry of commerce, informing them about the regions with potential and asked them to make ways to possibly craft FTAs to boost demand for 'Made in India' cars," SIAM deputy director-general Sugato Sen said.

The industry is seeking incentives for the sector in the country's export-import policy, which is being framed. Also, in a response submitted to the commerce ministry, SIAM has identified some 20 high-potential export markets, including Colombia, Chile, Peru, Nigeria and South Africa, which have seen a surge in demand for Indian cars. As per SIAM data, Africa is the largest consolidated market for Indian cars, accounting for about a third of the around 500,000 cars exported in 2013-14.

Indian auto companies are simultaneously also vying for new markets to increase exports. The country's largest car exporter, Hyundai Motors, which manufactures several variants at its twin Chennai plants to meet export demand from over 100 counties, has sharpened focus on countries like Algeria, South Africa, Indonesia, Myanmar and Australia.

"We have consistently maintained the highest car exporter tag from India by producing cars of global standards. With the stagnation in Europe, once the largest market for car exports, we have identified new markets to sell our cars and are entering new territories to expand our reach," said Rakesh Srivastava, senior vice-president (marketing & sales) for Hyundai Motor India.

Europe, the largest export market for Indian cars, has not been doing well for the past few years. Major Indian carmakers like Maruti SuzukiBSE 0.18 %, Nissan, Volkswagen and Toyotaare now focusing on emerging markets like Peru and Ecuador in South America; Guatemala, Honduras, El Salvador and Nicaragua in Central America; Kenya, Tanzania and Uganda in East Africa; Burkina Faso, Ivory Coast, Congo and Angola in West Africa and Turkey and Egypt in West Asia.

Total exports of passenger vehicles (PVs) — including cars, utility vehicles and vans — also declined in the April-October period. It was down 0.06 per cent from the year-ago period to 356,300 units.

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Modi, Abbott strengthen defence and trade ties

The Hindustan Times

Sydney, November 18, 2014 : India and Australia vowed closer defence and security ties Tuesday while stressing the importance of economic cooperation a day after Canberra sealed a huge trade pact with fellow Asian superpower China. Prime Minister Narendra Modi, who was given a rock star welcome by thousands of rapturous supporters in Sydney on Monday, described warmer relations as "natural".

"This is a natural partnership emerging from our shared values and interests and strategic maritime locations," he said in Canberra after inking agreements on drug control, social security, and tourism, as well a new framework on security cooperation. "Security and defence are important and growing areas of the new India- Australia partnership for advancing regional peace and stability and combating terrorism and transnational crimes," he added ahead of addressing parliament.

His comments came a day after Chinese President Xi Jinping used the same venue to repeatedly pledge that his nation, which is involved in territorial conflicts with a handful of neighbours, would always use peaceful means in pursuit of its goals.

Modi's trip Down Under -- for the G20 summit in Brisbane and a state visit -- is the first by an Indian prime minister in 28 years. It comes just two months after Abbott's tour of India, during which the two countries sealed a long-awaited nuclear energy deal.

Modi, said injecting new momentum into bilateral trade and business relations was also of key importance, calling Australia "a vital partner". He called for Indian businesses to have easier access to Australian markets and quicker investment approvals.

"India and Australia have a great economic synergy. There are huge opportunities for a partnership in every area we can think of -- agriculture, resources, energy, finance, infrastructure, education and science and technology," he said. "The economic climate in India has changed. I believe it will be a lot easier to convert opportunities into concrete outcomes."

Move beyond cricket

On Monday, Australia sealed a landmark trade deal with China that will abolish tariffs in the lucrative resources and most agricultural sectors as Canberra confronts a painful downturn in mining. Abbott already has his eye on a similar outcome with India, flagging the prospect of a pact by the end of next year.

"By the end of next year we will have a free trade deal with what is potentially the world's largest market," Abbott said, adding that both leaders "will make it happen". Abbott added that the bilateral relationship was ready to move beyond cricket, a sport in which they have a long-time rivalry.

"We in Australia tend to associate India with cricket and with sport," he said. "But we can never forget that India is an intellectual powerhouse, a potential economic powerhouse," he said, pointing to trade being "underdeveloped" while urging better intelligence and military cooperation.

"There's an enthusiasm on both our parts for more bilateral and trilateral military exercises and we hope to see much more of that in the years ahead," the Australian leader said. For his part, Modi said it was important that any economic growth did not impact on the environment or climate.

"(We need) energy that does not cause our glaciers to melt, clean coal and gas, renewable energy, a fuel for nuclear power, cities that are more sustainable and liveable," he said. "We see Australia as one of our foremost partners in the region," he said. Modi also referenced cricket to highlight the shared history of the two countries.

"India and Australia can play cricket hard with each other and I suspect we will next month," he said referring to his country playing a Test series in Australia. Modi later travels to a function at the Melbourne Cricket Ground, where India will face Australia in the traditional Boxing Day Test this year.

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Most states may agree on Rs 25-lakh goods and services tax threshold

Deepshikha Sikarwar, The Economic Times

New Delhi, November 19, 2014 : The states may be taking a hard stand publicly, but behind the scenes the Centre has managed to make up substantial ground on the proposed goods and services tax (GST).

A large number of states have acceded to the Centre's proposal on a higher annual turnover threshold of Rs25 lakh aimed at giving relief to small and marginal traders and shopkeepers, raising hopes for early finalisation of the new tax framework.

"Barring a few states, most states support a higher threshold," said a government official aware of deliberations on the issue. The empowered committee of state finance ministers had originally pitched for Rs25 lakh as threshold but later changed its stance after a few states such as Rajasthan and Tamil Nadu favoured a Rs10 lakh limit.

This would have meant that any goods seller or service provider with an annual turnover of Rs10 lakh would be liable to pay the tax. That would bring 60% of traders in the tax net but only end up contributing just 2-3% of revenue, significantly increasing the administrative burden as well as the cost of collection.

North Block had written a letter to the panel asking it to review the stance but decided against raising the threshold at its last meeting. But backroom talks with states have yielded results and this augurs well for the new tax structure. The Centre currently levies excise duty above a turnover of Rs1.5 crore and states levy value added tax on a turnover of Rs 10 lakh or lower. Service tax is levied on an annual turnover above Rs10 lakh.

The Centre is keen that small shopkeepers, traders and hawkers do not have to face any hardship under the new tax regime. "Lower turnover threshold is difficult from the point of view of small traders as well as administration. Moreover, it does not add much to revenue collections," revenue secretary Shaktikanta Das told ET explaining the rationale behind Centre's stance. Tax experts concur with this view, saying a lower threshold will make administration of the new regime very difficult.

"A composition scheme should be brought in for small traders with a turnover of Rs25 lakh to Rs1 crore as a lower threshold will put immense pressure on the tax infrastructure," said Pratik Jain, partner, KPMG India. "As it is, 90% of revenues would come from 10% of dealers and it would make sense to focus on those big ones."

GST seeks to replace a multitude of indirect taxes with one, removing barriers to the movement of goods and services across state boundaries and turning the country into a single market. The framework was originally scheduled to be rolled out from 2010 but has been stuck due to differences between the Centre and the states.

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India ready to sign WTO trade facilitation pact in December

Nayanima Basu, Business Standard

New Delhi, November 19, 2014 : After ironing out its differences over farm subsidies with the US, India is ready to sign the much-awaited trade facilitation agreement (TFA) during the coming meeting of the World Trade Organization (WTO)'s General Council (GC) meet next month. "We are ready to sign the TFA protocol, provided the GC takes a call on the resulting Bali package. Technically, it was only the US that was opposed to our demand. So, we hope there will be a positive movement on both these issues (TFA and farm subsidies) at that time," a top official told Business Standard on condition of anonymity. The GC, the highest decision-making body, is going to meet on December 10-11.

It is learnt the government is "not averse" to adopting the protocol to implement TFA, which it blocked in July. However, it will be only on the condition that the GC in its statement explicitly states that the so-called "Peace Clause" that will allow India to provide subsidies, which are now prohibited under WTO rules, until a permanent solution to this issue is agreed upon by all member countries. The "Peace Clause" also, therefore, grants India an indefinite immunity from all future disputes even if India exceeds the 10 per cent prescribed limit for granting farm subsidies to its poor and marginal farmers. According to WTO rules, developing countries can offer subsidies on crops based on 10 per cent of their total production. As a result, the December GC meet assumes importance in laying down a road map to arrive at a permanent solution to the food stockholding issue that will require amending its Agreement on Agriculture.

Besides, the WTO now has to also decide on a new deadline for implementing the TFA since the process of converting into a legal and binding agreement got delayed. The earlier deadline to implement TFA, that will ease global Customs norms, was July 2015. The government believes the developed countries, especially the US, "will now be in a hurry" to seek a permanent solution to the public stockholding issue in the absence of which developing countries following similar food security schemes will not be bound by any limit in offering agricultural subsidies.

"We are not in default now. We have just notified our farm subsidies. We will not be in default in next many years to come. However, even if we do breach the limit, nothing stops us from doing that. So, we are at an advantageous position now. Now, it will be on them to approve our food stockholding programme," the official added.

India has notified its farm subsidies to the WTO at $56 billion over the seven years from 2004-05 till 2010-2011, as a proof that it had not breached the prescribed limit of 10 per cent on such help.

Thus, the WTO will also have to now fine-tune the negotiations that will have to take place as part of the post-Bali work programme. The Bali package, which was signed in December last year, also have to progress on offering an incentive package to the lease developing countries (LDCs).

Minister of state (independent charge) for commerce and industry Nirmala Sitharaman last week announced that India and US have reached an agreement, wherein the latter has decided to support its demand for an indefinite 'Peace Clause' until a permanent solution is achieved.

On November 13, the WTO Agriculture Committee met to examine agriculture support policies of some of the countries, including India. During the meeting, countries such as Australia, Canada, the EU, Japan, Paraguay, Switzerland, Thailand and the US had raised questions on India's minimum price support programmes and calculation of subsidies.

Recently, on the sidelines of the G20 Summit, WTO Director General Roberto Azevêdo said a consensus on the Bali package can be achieved within the next two weeks.

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WTO to discuss India's food security demand at special meet

Nayanima Basu, Business Standard

New Delhi, November 20, 2014 : In an unprecedented move, the World Trade Organization (WTO) will hold a 'Special General Council' meeting on November 26 to discuss India's demand for food security, as well as signing of the trade facilitation agreement (TFA). This follows an understanding reached between India and the US on the food security issue.

WTO has decided to call a meeting of delegations from all member countries to seek their views on food stockpiling and whether or not India, and other developing countries, should be offered a 'Peace Clause' in perpetuity till a permanent solution to the issue is achieved.

"It is a Special General Council meeting, with only two items on the agenda - the protocol of amendment for TFA and the public stockholding limit for food security purposes. This was inspired by the India-US breakthrough; other members need to be informed what is going on and brought on board," a top official who did not wish to be named told Business Standard.

If a broad consensus was achieved during this meeting, "it is highly possible" that TFA would be signed and an understanding on the 'Peace Clause' for food stockpile be achieved when the General Council would formally meet on December 10 and 11, the official added.

It is learnt that the WTO Secretariat has already issued invitations for this 'special' meet to all 160 member countries. TFA and public stockholding for food security are the main pillars of the Bali Package, signed during WTO's ninth ministerial conference in the Indonesian island resort in December last year.

India and the US recently reached an understanding that the US will support India's demand for a permanent 'Peace Clause' till the issue of providing farm subsidies under public stockholding programmes is settled. The 'Peace Clause' also gives India immunity from legal challenges on farm subsidies. A permanent solution, though, will require an amendment to WTO's Agreement on Agriculture (AoA).

The India-US understanding, however, does not seem to have enthused farmers and civil societies, which believe India should have tried for a permanent solution, and not settled for a perpetual 'Peace Clause.'

"The US is playing such games because it needs TFA. No one will be able to bring them back to negotiate for a permanent solution after the trade agreement has been implemented. India is not playing its cards right in international negotiations. This was the time to bargain for a permanent solution on the food security issue. Once TFA comes into affect, no one can stop other countries from pointing fingers at us," said Devinder Sharma, a food and trade policy expert.

There also are concerns over the nature of deal struck between India and the US on the 'Peace Clause', as the countries availing of the provision would have to adhere to certain strict riders. According to Ranja Sengupta of Third World Network (TWN), the government has not been forthcoming in negotiating the conditions required to be followed for using the so-called 'Peace Clause'.

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Australia-China free trade pact forces India to open market under RCEP agreement

Dilasha Seth, The Economic Times

New Delhi, November 20, 2014 : The Australia-China free trade pact sealed on the sidelines of G-20 has intensified pressure on India to open its market to 15 countries under the Regional Cooperation and Economic Partnership (RCEP) agreement.

India, which is under pressure from member countries to submit an initial offer in the sixth round of talks scheduled for New Delhi next month, is treading with extreme caution as the deal will mean giving heavy duty concessions to China , with which the trade deficit stands at an alarming $36 billion.

RCEP is a 16-member grouping of ten Asean countries and six others - Australia, China, India, Japan, Korea and New Zealand - that have FTA with it. The grouping accounts for 40 per cent of the world trade. "The countries will put a lot of pressure on us to give a high initial offer. However, we will be initially giving less than what we have given to Asean," said a government official.

"We can't afford to give large access to China. We are in a pretty tight situation. Australia and New Zealand seem to be getting too ambitious, asking India to start with what we have given to Asean," he added. Australia signed the FTA with China earlier this week after nearly 10 years of negotiation eliminating tariffs on 93 per cent product lines. Asean countries already have a deal with China that reduced duty on 90 per cent products to zero.

This will mean India will have to give out the most in the deal, since so far it only has an FTA with Asean, Korea, Singapore and Japan. India has one of the highest average tariffs in the world at around 14 per cent. The December meeting will be about setting a deadline for the initial offer and the quantum of product lines offered by member countries at zero duty. "We will of course not like to give the same level of access to Australia, New Zealand and China, with whom we don't have an FTA yet," the official added.

The RCEP negotiations were launched in Phnom Penh on November 2012 and there have been five rounds of negotiations so far. The sixth round is scheduled to take place in New Delhi during 1-4 December. The inter-session took place two weeks ago where member countries attempted to put deadlines on submissions of offer. "We ensured that it did not happen. We have to be very conservative," said the official.

India's manufacturing sector contracted by 0.7 per cent in 2013-14. Its share in world merchandise exports stands at around 2 per cent against 10 per cent enjoyed by China. RCEP is proving to be a double edged sword for India. If India doesn't participate, it will become isolated in the world, which is getting integrated through regional trade deals such as Trans Pacific Partnership (TPP) and Transatlantic Trade and Investment Partnership (TTIP).

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OECD ups India’s growth forecast for FY16 to 6.6 per cent

The Economic Times

New Delhi, November 20, 2014 : The Organisation for Economic Cooperation and Development has increased its growth forecast for India in 2015-16 to 6.6 per cent, a five-year high, but said the country will need sweeping structural reforms — including some proposed by Prime Minister Narendra Modi — to achieve high growth levels of the past decade.

The Paris-based think tank has, in its country survey released on Wednesday, put flexible inflation targeting top of the list of reforms that India needs to undertake and backed the government's plan for a new monetary framework.

It revised India's GDP growth forecast for 2015-16 to 6.6 per cent from 5.7 per cent it projected in May. "Our forecast for 2015 and 2016 is that India's GDP growth will be under 8 per cent. The question is how do we get it to 8 per cent-plus?" OECD's chief economist Catherine Mann said. "Structural reforms will raise India's economic growth. In their absence, growth will remain below the 8 per cent level achieved during the previous decade."She said the Indian economy is coming out of some tough times in recent years when there were a steep decline in growth, stubbornly high inflation and a wide current account deficit. "But the situation is now improving," Mann said.

While investment and exports are driving the rebound, the OECD report said India can achieve strong, sustainable and inclusive growth by undertaking some crucial reforms.

In the near term, stable and lower inflation and smaller deficits are needed; structural improvements to the business climate are crucial for medium-term growth; and, health improvements and increased female participation in the labour market will sustain strong and inclusive growth in the long term, the report said. The finance ministry has already begun discussions with the RBI on the new monetary framework agreement. Welcoming the proposal, the OECD report said the choice of a 4 per cent consumer price index (CPI) inflation target with a relatively wide band is reasonable given the distorting effects of high inflation and the high volatility of consumer prices due to the large weight of food and energy in Indian consumption.

"Establishing a monetary policy committee and extensive reporting on policy discussion would greatly increase transparency and provide the RBI with important and regular channels of communication. This would also help anchor inflation expectations," it said.

However, OECD cautioned that strict inflation targeting has high disinflationary costs. "The influence of supply shocks, the still large weight of food items in the CPI basket and weaknesses in monetary policy transmission are key challenges," it said, adding that the inflation targeting framework should be implemented in a flexible manner.

The report listed several reforms, some of which are included in a package presented by the PM, that India needs to undertake to return to high growth trajectory. These included fiscal consolidations, implementing a national value-added tax, strengthening banking oversight, simplification of labour laws, improving access to education, accelerating approvals for infrastructure projects and improving the business climate.

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WTO members question India's sugar subsidy

Press Trust of India, Business Standard

November 21, 2014 : Some members of the World Trade Organization (WTO), including Australia, the European Union (EU) and Pakistan, have raised questions over India's export subsidy on sugar. Thailand, New Zealand and Colombia have also expressed concerns at the WTO's Committee on Agriculture.

"India was asked about its export subsidy programme for sugar, with Australia, Thailand, the EU, Pakistan, New Zealand and Colombia, saying they were concerned at a time when members had agreed (at Bali) to reduce and eventually eliminate these types of subsidies," the WTO said.

"It (India) said no incentives have been paid to producers so far," the WTO added. Earlier in July, too, a few members had raised similar questions. In February, India had announced a subsidy for export of raw sugar up to four million tonnes to help the cash-starved industry clear sugar cane arrears to farmers. The subsidy scheme ended in September 2014.

It was originally fixed at Rs 3,300 a tonne for February-March and the Centre had decided to review the quantum of subsidy every two months. Under the export incentive scheme, India had exported 700,000 tonnes of raw sugar in 2013-14 marketing year (October- September).

Sugar production of India, the world's largest producer after Brazil, has increased by 22 per cent to 560,000 tonnes till November 15 of the current financial year as compared with 462,000 tonnes in the year-ago period, according to the Indian Sugar Mills Association (Isma). The government has pegged overall sugar output at 250.5 million tonnes for the season, while Isma had estimated the production at 25-25.5 million tonnes. The production estimates for the current marketing year are higher than 24.4 million tonnes produced in 2013-14.

"Its spending on price support programmes, for instance, falls under the limit of 10 per cent of the value of production — a limit on trade-distorting domestic support allowed generally to developing countries when they don't have their own separate commitments," it said.

Some of the questions being raised by members include "why India notified its support in US dollars instead of rupees". Some members expressed concern that minimum support price and public stockholding programmes could impact other countries through exports.

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Iran's ban on basmati imports to hit exporters

Subramani, Vishwanath Kulkarni, Business Line

Chennai/Bangalore, November 21, 2014 : Indian rice exporters will be worst hit by a general ban on imports of rice imposed by Iran recently. The Iranian ban will further drag depressed prices of basmati rice in the domestic market.

Iran has barred rice from other countries as its local crop is reported to be good this year and is set to arrive in the market there. Teheran has imported over 1.25 million tonnes (mt) of rice this year during

April-July against 1.45 mt in the same period a year ago. Iran has bought over 2.5 million tonnes of basmati rice from India in the last two years.

“We feel the ban is temporary, but it will hit the exporters. Prices will also come under pressure,” said MP Jindal, President of All India Rice Exporters Association. Jindal, who is the Chairman of Best Foods International, a major exporter to Iran, said officials of the industry body are meeting the Commerce Secretary on Friday to take up the issue at government-level with Iran.

According to Agricultural and Processed Food Products Exports Development Authority (Apeda), basmati exports to Iran during April-July were valued at ₹1,732 crore against ₹1,810 crore a year ago.

AK Gupta, Advisor to Apeda, said, “though the ban seems temporary, it may lead to loss of our market, which we may or may not regain”. Gupta said the exports to Iran were lower by about three lakh tonnes in the current fiscal so far. Overall, the basmati exports this fiscal may end lower by 5-7 per cent at around 3.5 million tonnes, Gupta added. The consensus among the Indian exporters is that Iran may re-open their markets by end-January or early February.

Prices plunge

Currently, the basmati paddy is ruling at around ₹2,960 a quintal, far lower than the ₹5,360 it fetched during the same time a year ago, in the markets of Punjab and Haryana. The market seems to have factored in the Iranian ban as the rumours have been floating around over past three weeks, an exporter said. Basmati prices are down by about 30 per cent over last year, also influenced by a higher crop in India.

“Our production is higher by about 30-35 per cent higher than last year with output being higher in the non-traditional States such as Madhya Pradesh, Rajasthan and eastern UP,” said Anil Mittal, Chairman of KRBL, the largest producer and exporter of basmati rice.

While KRBL’s exposure to Iran has been minimal only at around 15,000 tonnes annually, Mittal said the demand from Europe was on the rise. Earlier this year, Iran cut imports of India’s basmati rice after it imposed new standards on chemical contamination. Dissatisfaction over the quality of rice being delivered by Indian exporters also led to fall in shipments.

India-Iran pact

India and Iran created a barter system two years ago to overcome Western sanctions following a dispute with Teheran over its nuclear programme. In exchange for Iranian oil, India offers Teheran rice, soyameal and pharmaceuticals. Under the trade arrangement, India pays for part of the crude oil it receives from Iran in rupees.

The funds are then deposited at the Public sector UCO Bank and used to pay exporters for shipment of food and other products to Iran. “Exporters will take a hit since prices are bound to fall in view of the ban. They deserve it since they have been ignoring other markets at the cost of focusing on Iran,” said an official of a rice exporting firm not wishing to identify himself.

India is already paying dearly for focusing on only Iran to export soyameal. In September, soyameal exports plunged to lower than 1,000 tonnes in view of Iran cutting its imports. As a result of focusing on Iran, Indian exporters had neglected or ignored other markets such as Japan and Korea.

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India to seek US support to protect herbal knowledge

Dilasha Seth, The Economic Times

New Delhi, November 24, 2014 : India will seek the United States' support for an international treaty to protect its traditional knowledge of medicinal plants and herbs from being patented by other nations at a bilateral meeting this week.

At the India-US Trade Policy Forum (TPF) starting in New Delhi on Tuesday, Commerce and Industry Minister Nirmala Sitharaman will also push for market access for the Indian goods in the United States and a 'totalisation agreement' that would allow Indians working in the US to repatriate their social security contributions when they return to the country. She will co-chair the high-level dialogue with US Trade Representative Michael Froman.

"We have been pressing the World Intellectual Property Organisation (WIPO) and all countries for a legally binding agreement on traditional knowledge between developed and developing world. The developed countries have been avoiding it, but we will seek the US' support to push it through," a government official said. "It will be amongst of our IPR agenda."

Relations between the two countries have warmed up since Prime Minister NarendraModi's US visit in September, followed by US President Barack Obama accepting an invitation to attend India's Republic Day celebrations. Earlier this month, the two countries had reached an agreement to break the deadlock at the World Trade Organisation.

The TPF is the principal trade dialogue body between the two countries, with five focus groups — agriculture, investment, innovation and creativity, services and tariff and non-tariff barriers. Intellectual property rights and investments in manufacturing will be discussed under separate joint working groups. "It will be a comprehensive dialogue between the two countries at the time of already improving ties," said a commerce department official.

"As dialogue starts, trade relations will definitely improve as most issues will be sorted," added the person who did not wish to be named.

At present, Indo-US bilateral trade is around $100 billion. IPR has been a thorny issue between the two sides with US picking holes in India's patent regime related to ever-greening and compulsory licensing. India has proposed to address IPR issues sector-wise, with a representative for each of the sectors from both sides.

"There are eightnine issues including traditional knowledge, geographical indication, copyrights, piracy, etc, and we want their representative for each of these to discuss IPR," said the official quoted first.

"IPR is not only about pharma."India will also push for market access for its farm products including rice, mangoes, pomegranates and table grapes.The US is expected to ask for market access for its poultry products after the World Trade Organisation (WTO) ruled in its favour in September, calling India's move of banning American poultry unscientific and not compliant with its rules.

Sitharaman will also seek American investments in the smart cities and industrial corridors to boost the country's sagging industrial sector and facilitate the 'Make in India' campaign. As India will seek investment in the country's manufacturing sector, the issue of bilateral investment treaty may be raised by the US, officials said. India will also pitch for a 'totalization pact' to protect interests of professionals of Indian origin who contribute more than $1 billion each year to the US social security through federal taxes without availing any benefits in return.

"The US' social security policy discriminates against Indian workers in the US as they end up losing their social security contributions due to discrepancy in visa and social security regime," an official quoted earlier said. The US has entered into totalization agreement with several countries, including the UK, South Korea and Chile.

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National IPR policy relook: Government moves slowly

Nayanima Basu, Business Standard

New Delhi, November 24, 2014 : Even as India prepares to sit for the first high-level dialogue on intellectual property rights (IPR) law and patents with the US on Monday, work on rolling out a 'National IPR Policy' has been moving at a rather slackening pace with the industry pointing fingers at the government's initiative.

The announcement that India is going to bring out its own IPR policy was made in early September, by commerce and industry minister Nirmala Sitharaman. Since then, the government has only established a think tank. It was only this month that the department of industrial policy and promotion (DIPP) invited comments from all stakeholders on the policies for consideration by the think tank, which has been given the task to dish out a draft policy.

So far, DIPP, nodal agency in shaping the policy, has had only one meeting with members of the think tank. The plan is that once the draft policy is ready, it will be circulated to all ministries. Then, it will be opened for stakeholders' comments and to the general public. After this, the final policy will be rolled out once the Cabinet approves it. The think tank, of only six members, has yet to get a proper office infrastructure and has been unable to "settle properly", sources told Business Standard.

India has always maintained that its IPR and patent laws are in compliance with the World Trade Organization's agreement on Trade-Related Aspects of Intellectual Property Rights. However, in the terms of reference for the IPR think tank, it is stated the body will seek "best practices" around the world, highlight "anomalies" in the present IPR legislations and give suggestions on "improving" India's IP infrastructure.

According to D G Shah of the Indian Pharmaceutical Alliance, India does not need a policy on IPR in the first place, as it follows global norms. "The misgivings are magnified by the terms of reference. It assumes the current IPR regime is deficient, which it is not. We are apprehensive of the whole exercise and its outcomes," he said.

The think-tank is headed by Prabha Sridevan, retired judge of the high court at Chennai; Pratibha M Singh, a lawyer who represented Cipla in the Novartis case; lawyer Punita Bhargava, also related to finance minister Arun Jaitley, Unnat Pandit, who comes from the generic pharmaceutical industry; Rajeev Srinivasan, a management consultant and columnist; and retired civil services officer Narendra K Sabharwal, who had worked with the World Intellectual Property Organization in 1991.

"There is a need for innovation in healthcare and we must demonstrate India's genuine interest in fostering local innovation and improving patient access to new medicines. The think-tank for formulating a national IPR policy is a good idea, but its membership lacks a diversity of perspective. We are disappointed that the research-based industry finds no representation at all," said Ranjana Smetacek, director general, Organisation of Pharmaceutical Producers of India.

India had been engaged in a contentious battle with the US over the issue, especially in the pharmaceutical sector. This peaked when the previous government decided to grant a compulsory license to Natco Pharma to produce and sell generic versions of Bayer-Onyx's cancer drug, Nexavar. Things became worse last year in April when the Supreme Court rejected a patent application made by Swiss company Novartis for its cancer drug, Glivec.

Both decisions triggered a trade issue between India and the US. The office of the US Trade Representative in its 2014 'Special 301 Report', accused India of having one of the world's weak IPR regimes and for the first time launched an 'Out-of-Cycle' Review of India's IPR laws.

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India, US Trade Policy Forum meets after four years

Nayanima Basu, Business Standard

New Delhi, November 25, 2014 : The much-awaited India-US Trade Policy Forum (TPF) met here today after a gap of more than four years with both sides seeking to address outstanding issues concerning bilateral trade and investment. Both sides have set a target of achieving $500 billion worth of trade in goods and services from the present $100 billion.

The meeting was chaired by Minister of State (independent charge) for commerce and industry Nirmala Sitharaman along with US Trade Representative Michael Froman. The meeting, which took place here for over one and a half hour, was held also attended by commerce secretary Rajeev Kher, DIPP secretary Amitabh Kant, additional secretary in commerce department JS Deepak and DIPP joint secretary DV Prasad among other.

"It was a very good meeting. They have understood our position. We will meet more often ... The dialogue will continue. It's not that the dialogue will take place after four years gap. It will be more often. We have expressed all concerns and addressed their issues," commerce secretary Rajeev Kher told Business Standard after the meeting.

A joint statement is expected to be issued later in the day. The last TPF was held in 2010. The TPF was preceded by the first high-level meeting of the working group in intellectual property rights issues on Monday, where, apparently US has asked India to improve its IP standards. Yesterday while addressing FICCI, Froman had said that it is in India's interest that it should implement and enforce a world-class IPR regimes.

"Patents, copyright, trade secrets. Piracy, counterfeiting, compulsory licensing. These are challenging issues, but dealing with them directly is critical if India is to play a leadership role in the knowledge economy, including on its way to becoming 'Digital India.' And in that regard, we have great interest in the ongoing review of India's Intellectual Property Rights Policy," Froman said.

India and US had been entangled into a bitter tiff concerning IPR and patents. American firms, especially, the pharmaceuticals companies had been extremely vociferous in pointing fingers at lack of innovation in India because of a weak IPR regime. US had been also upset with some of the other Indian trade and industrial practises such as mandatory local procurement.

At a closed door roundtable with a senior industry group from the Confederation of Indian Industry (CII), Froman highlighted issues relating to IPR protection, local sourcing norms, regulatory challenges and mobility of high skilled labor. He stressed on the high standards for IPR being adopted by the Trans-Pacific Partnership (TPP) negotiations and suggested that as an innovative economy, India needs to look at IPR norms more closely.

In a letter to Froman the US' National Association of Manufacturers (NAM) urged him to take up "longstanding bilateral trade irritants and new barriers imposed by the government of Prime Minister Narendra Modi." The TPF, which was established in 2005 is the premium forum for bilateral trade and has five main focus groups -agriculture, innovation and creativity, investment, services, tariffs and non-tariff barriers.

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WTO Trade Facilitation Agreement and food security pact should be approved simultaneously

Nayanima Basu, Business Standard

New Delhi, November 25, 2014 : In his maiden visit to India as the US Trade Representative (USTR), Michael Froman said the Trade Facilitation Agreement (TFA) and food security pact should be approved together by the World Trade Organization (WTO), even as he stressed on improving of intellectual property standards in India.

Lauding the efforts by Prime Minister Narendra Modi and US President Barack Obama, Froman said both countries were "working side by side in Geneva" to build support among other WTO members "to build the package of agreements that we agreed to (in Bali)", while addressing the Federation of Indian Chambers of Commerce and Industry. Froman is here for the India-US Trade Policy Forum, the top platform on bilateral trade and investment, taking place here on Tuesday.

"With the support of other WTO members, we (India and US) will now allow for the full TFA to be fully implemented… India and US are working side by side in Geneva, as we speak, to build support among other WTO members to build the package of agreements that we agreed to (in Bali, Indonesia)," said Froman. Asserting US support to India's food security concerns, Froman said once the TFA was fully implemented it would "intensify efforts" to seek a permanent solution to the food stockpiling programme that India and other developing countries follow.

He also emphasised on the fact that the US would support India's demand for a lasting 'Peace Clause' until a solution to the food stockholding issue, provided India met those conditions that enabling it to utilise the interim measure.

"As per the deal to allow TFA to be fully implemented, we agree to intensify efforts to find a permanent solution to the food stockpiling issue and eliminate any ambiguity in the Bali Package about the availability of the so-called Peace Clause in the meantime, provided that food stockpiling programmes meet the conditions set out in Bali," Froman said.

On the meeting of the India-US high-level working group on intellectual property (IP), the USTR said, "It is in India's interest to have and fully enforce a world-class IPR regime, patents, trade-marks, piracy,counterfeiting and compulsory licensing. These are challenging issues and dealing with them directly is critical. If India has to play a leadership role in the knowledge economy, including on its of becoming digital India and in that regard we have great interest in the ongoing review of the India's IPR policy."

During the day, several meetings took place between US officials and the ministry of commerce and industry. According to officials involved, the US stressed India to take part in the 'Out-Of-Cycle

Reviews' (OCR) undertaken by thr USSR and improve IP standards. Froman also stressed on improving the country's business environment by resorting to simplification of taxation, eliminating bureaucratic delays and tariff reduction.

Hailing Prime Minister Modi's 'Make in India' initiative, Froman said, "We are cautiously optimistic." "We had a frank exchange of views. We will continue to work together and see how we can work towards a common goal...(several) issues were brought up and discussed and we would like to see each other's perspective on those issues," Commerce Secretary Rajeev Kher told reporters after the meeting.

Deputy USTR Robert Holleyman said both sides discussed various issues. "We had an excellent engagement. It was a good opportunity to hold discussions... to prepare some advance work for TPF tomorrow (on Tuesday). It was a productive discussion and we agreed for a follow-up engagement," Holleyman said.

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IPR clouds Indo-US bid to step up trade

KA Badarinath, Financial Chronicle

New Delhi, November 25, 2014 : The United States has flagged compulsory licences and evergreening of patents as major hurdles for expansion of trade relations with India, especially in the pharma sector. India proposes to counter it, citing ending of the generalised system of preferences (GSPs) by the US Congress, which has impacted exports by Indian small and medium enterprises, and the USFDA targeting generic pharmaceutical companies from India.

Apart from pharma exports, India faces several other US barriers to technology, financial services, engineering and automobiles exports. These and several other issues are expected to figure at a high profile meeting of the India-US trade forum meeting being held on Tuesday ahead of President Barack Obama's India visit in January.

US trade representative Michael Froman and India's commerce minister Nirmala Sitharaman will lead the their sides at the deliberations being held for first time in four years. The Obama administration has been vocal in pushing for stringent patent regimes in countries like India, Canada, Japan, Peru and Mexico to benefit US drug companies, which have been facing pressure from firms that produce cost-effective generic alternatives.

An analysis by the US-based Centre for Responsive Politics (CRP) in 2011 showed drug companies and healthcare firms were among the biggest donors to President Obama's last presidential campaign and the Democratic Party candidates.

The CRP study pointed to drug companies winning more protection for branded drugs against cheaper alternatives in Obama's healthcare reforms. Proposals to have Medicare negotiate drug prices and allow import of drugs from Canada or other countries did not make it to the final bill. Medicare itself meant more business for the pharma companies with an estimated 32 million new Americans coming under insurance cover, the report pointed out.

The US government has been pushing India to tighten its intellectual property laws to ensure more protection for its pharma industry. Global drug majors have been protesting against grant of compulsory licences to generic producers by the Indian government, allowing them to produce patented medicines to meet genuine healthcare needs of the vulnerable sections.

The US also wants India to dilute a provision in its intellectual property law to prevent evergreening of patents. An industry insider pointed to USFDA's action against several Indian pharmaceutical companies in recent times as a 'limiting factor' in expanding India's trade relations with the US.

Insisting on compliance of Basel-III norms by Indian financial and banking companies was yet another hurdle in exporting financial services to the US, the Indian industry official said. The domestic industry is also upset over the non-tariff restrictions imposed by the North Atlantic Free Trade Agreement (Nafta) — a trade block of the US, Canada and Mexico — on Indian small and medium enterprises.

These issues are bound to figure at the trade forum. Ahead of the key deliberations Froman and Seetharaman are set to meet separately for an hour to thrash out various issues. The forum would deliberate on the roadmap for pushing bilateral trade between the two countries to $500 billion in next five years from $100 billion at present.

The US has been upset over the "local sourcing" norms imposed by the Indian government across sectors, like renewable energy, especially for the solar power equipment industry. Deputy US trade representative Robert Holleyman held confabulations with commerce ministry officials on Monday to resolve differences over various trade issues, especially on intellectual property rights.

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WTO's General Council to meet today in Geneva

The Economic Times

New Delhi, November 27, 2014 : The general council meeting of the World Trade Organization to discuss the India-US agreement on public stockholding was pushed back by a day to Thursday after member countries sought time to get approval on the revised drafts from their respective governments.

"The general council and the trade facilitation preparatory committee have been rescheduled for tomorrow afternoon. Further consultations are required," a WTO official told ET on Wednesday.

WTO had brought forward the general council meeting from December 10 after India and the US agreed to a balancing formula in the Bali deal, which included a permanent peace clause, instead of just a four-year window in which members couldn't be challenged for breaching the 10% agriculture subsidy limit.

Member countries are learnt to have raised issues on the post-Bali work programme to include issues of their interest, the deadline for which has been set at July 31, 2015.

"They however had no issues with the public stockholding or trade facilitation drafts," said a person aware of the matter.The revised draft based on public stockholding reasonably addresses the public stockpiling concerns of the developing nations through an indefinite peace clause and a timeline December 31, 2015 for members to agree and adopt a permanent solution to food security.If a permanent solution is not found till the 11th ministerial, to be held in 2017, this safeguard will continue till a solution is reached and adopted. The agreement also says that the food security issue will be pursued as a priority. Simultaneously, members will ratify the global customs deal, known as the trade facilitation agreement.

The post-Bali draft was subsequently revised on Wednesday and will be put on the table for approval on Thursday along with the trade facilitation and public stockholding drafts.

"Other member countries want their issues to also be addressed. But we are hopeful and optimistic that things will move in the right direction tomorrow and the deal will be cleared," said a government official.WTO director general Roberto Azevedo had circulated a package of three draft documents to delegations on Monday constituting a proposed solution to the impasse over the implementation of the Trade Facilitation Agreement (TFA) and asked them not to seek changes. Azevedo held a 'heads of delegation' meeting on Wednesday to work with member countries on their concerns.

All 160 members have to agree to the revised drafts for it to be formally adopted by the WTO. India had in July refused to support a protocol on trade facilitation till its concerns on food security were addressed. As part of a permanent solution on public stockpiling, India has asked the WTO to amend the norms for calculating agricultural subsidies, which limit them at 10% of the total value of production of that particular crop.

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Saarc nations sign energy deal

Press Trust of India, Business Standard

Kathmandu, November 28, 2014 : Saarc (South Asian Association for Regional Cooperation) countries on Thursday managed to salvage their summit by agreeing to a last-minute deal to trade electricity among them after Pakistan torpedoed proposals backed by India and other nations of the bloc for greater regional connectivity.

Before the Saarc Summit concluded here, foreign ministers of all the eight countries signed the framework agreement on cooperation in the power sector which would ensure electricity trading through grid connectivity but the two pacts on motor vehicle and railways could not be inked, following resistance by Pakistan.

Pakistan had opposed the energy pact, citing non-completion of internal process but finally agreed to sign it after heads of states and governments took up the matter with Pakistan Prime Minister Nawaz Sharif at a retreat session in Dhulikhel.

Saarc chair and Nepal Prime Minister Sushil Koirala announced at the concluding session that a timeframe of three months had been fixed for according approval to the connectivity pacts which will encourage people-to-people contact and movement of goods. At the end of the two-day Summit, which took place after a gap of three years, a “Kathmandu Declaration” was also adopted which said the leaders recognised that after 30 years of its existence, it was time to “reinvigorate” Saarc's regional cooperation and “revitalise” the bloc as an effective vehicle to fulfill the developmental aspirations of the people.

Describing the Summit as “successful”, India’s External Affairs Ministry Spokesperson Syed Akbaruddin said there were some “difficulties” on Thursday which were resolved in a “graduated” manner. He said the Indian side returned “satisfied” with Prime Minister Narendra Modi's “first successful Saarc Summit”.

The declaration said the leaders unequivocally condemned terrorism and violent extremism and underlined the need for effective cooperation among the member states to combat them. “They (Saarc leaders) directed respective authorities to ensure full and effective implementation of the Saarc Regional Convention on Suppression of Terrorism," the declaration said.

Thanking the leaders for giving the opportunity to host the next Saarc Summit in Islamabad, Pakistan's Sharif said, "We must adopt a realistic, pragmatic and step-by-step approach towards solution of issues which will open up new channel of cooperation," he said.

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Differences on intellectual property rights between India and US widen

Asit Ranjan Mishra, Livemint

New Delhi, November 28, 2014 : Differences between India and the US over intellectual property rights (IPR) issues have widened after a ministerial-level trade policy forum meeting on Tuesday, a government official said, asking to remain anonymous.

Tuesday's meeting saw the US express disappointment at the stature of a joint working group on the IPR issue. It accused India of backtracking from a commitment to appoint a high-level bureaucrat at the head of the group. But India insisted that the group, headed by a joint secretary, is important enough to resolve bilateral differences, according to a government official who spoke under condition of anonymity.

In September, during a visit by the then acting deputy US trade representative (USTR) Wendy Cutler to finalize the agenda for the trade policy forum and parts of Prime Minister Narendra Modi's US programme, the American side had insisted on setting up a working group on IPR at the secretary level. However, the Indian side had communicated that it may not be possible since the bureaucratic structures in the two countries are different.

"There are eight or nine departments who handle IPR in India. IPR is not only pharma. Copyright is with the human resources department, films, etc. are with information and broadcasting ministry, traditional knowledge is with AYUSH ministry. You can't have eight (Indian) secretaries and one person from the US sitting in a meeting to discuss IPR issues," a government official had earlier said.

However, both sides did agree to form the working group and an announcement to this effect was made in the joint statement from Prime Minister Modi's meeting with US President Barack Obama in September.

"Agreeing on the need to foster innovation in a manner that promotes economic growth and job creation, the leaders committed to establish an annual high-level Intellectual Property (IP) Working Group with appropriate decision-making and technical-level meetings as part of the Trade Policy Forum," the statement had said.

The working group, which is headed by joint secretary in the Department of Industrial Policy and Promotion (DIPP) D.V. Prasad on the Indian side, held its first meeting during the trade policy forum meeting earlier this week.

Dinesh Abrol, convenor of the National Working Group on Patent Laws, a civil society group, said India had walked into a trap by agreeing to form the working group and that US demands on India would only grow.

“The fundamental mistake that we committed is by agreeing to a bilateral mechanism on a multilateral issue. And on a bilateral platform, the US is at an advantage because we seek foreign direct investment and technology from the country,” Abrol added.

The US has been complaining about poor protection and enforcement of intellectual property in India and has announced plans to initiate an out-of-cycle review of India’s IP policy. The US has been threatening to downgrade India to “priority foreign country” —a category of serious offenders that could invite US sanctions, from India’s current status of “priority watch” list. The government official quoted earlier said the Indian side did not raise the matter as “it is the internal matter of the US and we are not worried about it”. The US-India joint statement after the Trade Policy Forum meeting stated that both countries recognize the importance of providing a transparent and predictable policy environment for fostering innovation.

“India and the United States recognize the importance of trade secrets protection to attracting investment and agree to exchange information on best legal practices in this area,” the statement said.

Speaking at an event organized by the lobby group Federation of Indian Chambers of Commerce and Industry (Ficci), US trade representative Michael Froman said that in September, Prime Minister Modi and President Obama had agreed to establish a high-level working group on intellectual property rights, “providing us with a platform to address issues of interest to both countries”.

“Copyright enforcement is a top priority of the entertainment industries in Hollywood and in Bollywood. Incentivizing life-saving innovations and promoting affordable access to quality healthcare and safe medicine will benefit all Indians and Americans,” Froman added.

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Historic trade facilitation deal struck at WTO after consensus on food security

The Financial Express

New Delhi, November 28, 2014 : The stage was set on Thursday in Geneva for a multilateral boost to the stagnant global trade. The World Trade Organisation removed, by a special general council resolution, the perceived ambiguity over the permanency of a peace clause for the benefit of developing countries breaching limits set on product-specific support to agriculture. It also approved a protocol on the trade facilitation agreement (TFA), meant to add $1 trillion to the global economy by easing customs rules.

Commerce secretary Rajeev Kher confirmed to FE that the WTO general council at Geneva approved the deal late on Thursday. Commerce minister Nirmala Sitharaman will make a statement in Parliament soon, he added. This is the first major deal for trade reform in the WTO’s 19-year chequered history, and was supported by all its 160-member countries.

A July 31, 2014, deadline for finalising the TFA protocol could not be met as India, with support from a tiny group of developing countries, insisting that their concerns on public stockholding for the food security purpose be addressed with the same seriousness as TFA, for the world body’s December 2013 Bali package to be implemented.

What enabled Thursday’s resolution is an agreement between the US and India in the run-up to the G-20 summit at Brisbane in Australia, underlining the perpetual nature of the peace clause till a lasting solution to the vexed issue is found. The ice was broken during Prime Minister Narendra Modi’s meeting with US President Barack Obama in Washington in late September.

The peace clause ensures that WTO members will not challenge developing countries' food security programmes at the WTO dispute settlement body until a permanent solution regarding this issue has been agreed on and adopted.

Earlier, there were different interpretations over whether the relevant Bali package provision is of perpetual validity or available only till the WTO's 11th ministerial conference slated for December 2017. On Thursday, the general council also agreed to a proposal to fast-track the completion of work on a permanent solution well before the 10th ministerial conference in December 2015, sources here said.

However, to benefit from the 'peace clause', India and other developing countries will have to meet many stringent conditions including submission of detailed reports in case of violation or likely violation of the stipulated domestic support to farm sector. As per the reporting system, developing countries have to submit on an annual basis details of their aggregate measurement of support (AMS), including the number of beneficiaries of the public stock-holding programme for food security, the relevant laws and rules, the number of crops covered, volume and accumulation of stocks, purchase and release prices, measures aimed at minimising trade distortion, and the amount of food grains distributed.

As per WTO norms for developing countries, 'trade distorting' domestic support of items (such as rice and wheat) cannot be higher than 10% of the value of their production. India running a massive food support programme for its millions of poor and implementing a food security law is concerned about this cap. It is also challenging the calculation of domestic support at 1986-88 reference prices citing inflation and currency fluctuation since then, and therefore wants the base year to be changed from 1986-88 to reflect current market realities and inflation adjustment. These will be part of negotiations on the 'permanent solution' while an abiding peace clause in force.

Without adjusting for inflation, India's product-specific supports for rice and wheat in 2010-11 was much higher than the WTO-mandated cap of 10% of the , at 26% and 17.9% of the total output value, respectively, as per a study by Icrier experts Anwarul Hoda and Ashok Gulati.

However, these supports for rice, as per the study, stood at minus 2.87% and that for wheat at minus 10.22% of the respective production values in 2010-11 when calculated on a fully inflation-adjusted basis. The developed world, including the US, is keen on faster implementation of TFA to boost their sagging economies through international trade, unhindered by red tapism and lethargy at the customs stations.

Following demands from a few members including Argentina, the general council meeting also agreed to give equal prominence to all elements of the Bali work programme for easing world trade and all other areas of the post-Bali work, as given to food security issues and TFA. Another issue was a demand from least developed nations to pursue on a priority basis a package for their benefit.

Clauses and effect:

Deal removes perceived ambiguity over the permanency of a peace clause.

Peace clause ensures members will not challenge developing countries' food security programmes at WTO.

Approves a protocol on the trade facilitation, meant to add $1 trillion to global economy by easing customs rules and create 21 million jobs.

First major deal for trade reform in WTO's 19-year history.

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WTO trade deal vindicates India's firm stand: Sitharaman

Business Line

New Delhi, November 29, 2014 : The agreement on trade facilitation and public procurement reached by World Trade Organisation (WTO) members on Thursday vindicated the "principled stand" taken by India on food security, Commerce and Industry Minister Nirmala Sitharaman has said.

“I am happy to report that we have been able to secure an outcome that addresses our concerns,” Sitharaman said in her statement to the Rajya Sabha on Friday.

The Minister pointed out that in August she had informed Parliament that India had decided not to join the consensus in the WTO in the implementation of the Trade Facilitation Agreement till its concerns relating particularly to the decision on public stockholding for food security purposes were addressed.

“There was much criticism of this stand in the subsequent months but India stood firm. Over the ensuing months, we concentrated our efforts on explaining our concerns and working with WTO members. These efforts have borne fruit,” she said.

The WTO’s General Council gave its approval to a draft on food procurement which unambiguously states a mechanism under which WTO members will not challenge the public stockholding programmes of developing country members for food security purposes, in case agriculture subsidy caps are breached. The "peace clause" will remain in place in petpetuity until a permanent solution regarding the problem of calculating trade distorting subsidies is sorted out.

India, on its part, gave its support to the protocol on Trade Facilitation Agreement (TFA) which was also adopted by the General Council. The TFA, being pushed by all major developed countries and a handful of developing countries, is a pact on upgrading customs and border infrastructure and procedures.

“The indefinite continuation of the waiver mechanism ensures the interest of the wTO membership in expeditiously working towards a permanent solution and protects us from the risk of having to accept an unsuitable solution under the threat of a limited duration peace clause coming to an end,” Sitharaman said.

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Gold import curbs eased, 80:20 scheme scrapped

The Times of India

New Delhi, November 29, 2014 : The government on Friday removed restrictions on gold imports, scrapping the controversial 80:20 scheme amid allegation of misuse by half a dozen companies.

Bowing to pressure from jewellers, the previous UPA government had eased some of the curbs and private agencies were allowed to import gold under the scheme that mandated traders to export 20% of all gold imported while retaining 80% for domestic use. The move is expected to cut smuggling and raise legal shipments into the world's second-biggest consumer of the metal after China.

"It has been decided by the Government of India to withdraw the 20:80 scheme and restrictions placed on import of gold. Accordingly, all instructions issued about the scheme from time to time... stand withdrawn with immediate effect," the Reserve Bank of India said in a statement.

Sources said the move to scrap the scheme was taken as the measure was intended tackle the widening current account deficit last year. "Now that CAD is under control why continue with an emergency measure," a source said, adding that the measure had led to smuggling. Apart from opening the floodgates to import, the move had resulted in nearly half the imports being routed through six agencies, raising alarm bells in the government.

Sources also ruled out any other curbs on gold imports for now. The scrapping of the scheme comes against the backdrop of expectations that the government will impose fresh restrictions to curb a surge in imports of the yellow metal in recent months.

Data showed import of the yellow metal spiralled nearly four times to $4.2 billion in October from $1.1 billion in the same month last year. Gold imports have shot up to 150 tonnes in October compared to 24 tonnes in the same year ago period. In the April-June quarter of the current fiscal, the CAD narrowed to 1.7%, from 4.8% of GDP a year ago.

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GDP growth disappoints

Puja Mehra, The Hindu

New Delhi, November 29, 2014 : The economy slowed in the first full quarter of the new government, growing at 5.3 per cent as gainst 5.7 per cent in the previous April-June quarter.

Poor manufacturing performancem which nearly came to a grinding haltm dragged down GDP growth. Factory output grew 0.1 per cent during July-September against 3.5 per cent in the previous quarter, show data released by the Central Statistics Office on Friday.

The pick-up in government's clearances of projects over the last six months did not show up in the growth data. Capital formation growth, an indicator of investment activity, remained low at 28.3 per cent, falling marginally from 28.6 per cent.

Both the Finance Ministry and former Finance Minister P. Chidambaram said that the slowdown was broadly on the expected lines. No one should be surprised, said Mr. Chidambaram. "When the government rushed to take credit for the first quarter's growth, I had cautioned them." He said that government should have focussed on the signs of a sluggish economy.

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