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**Foreign trade policy to focus on manufacturing led export growth, SEZs: Nirmala Sitharaman**
Financial Chronicle

New Delhi, 7 August 2014: The new foreign trade policy (FTP) will focus on ways to boost manufacturing sector and exports besides addressing the SEZ issues, Commerce and Industry Minister Nirmala Sitharaman said.

"The refreshing thing about this time's policy will be to understand where our strength lies, what are the challenges available. Manufacturing will be at the core of it...SEZ would also figure in the FTP," Sitharaman said in an interview to PTI.

She said the FTP till now has been only a compilation of schemes to boost exports and regulate imports.

The minister said the FTP for 2014-19 would also mention about the schemes and incentives besides ensuring that the announcements are WTO compliant and "making sure that international obligation are not violated".

The policy is expected to be announced by the end of this month.

"We have been reviewing SEZs not just for pushing exports but also because many of them who have already come and played into the SEZ are facing a lot of difficulties," she said.

The government is looking at the demands of SEZ developers and units on minimum alternative tax (MAT) and dividend distribution tax (DDT), she added.

Industry is time and again demanding roll back of MAT and DDT, saying imposition of the duty has adversely impacted the growth of these zones.

"The Finance Minister was very seized of the matter. I am sure something would come out of it. Because it is going to hurt SEZs. The way in which we are looking at in the commerce (ministry), I will certainly be requesting the Finance Minister to sooner rather than later definitely look at the matter. They have been a very big deterrent for the SEZs," she said.

Besides, the commerce ministry is also reviewing issues related to infrastructure for non-core uses of the SEZs, non-export component like the residential and healthcare accommodation, use of land within the SEZ for non-core purposes. Indian manufacturers are also asking for similar facilities which SEZs are enjoying.

"Indian manufacturers are saying that they are becoming competent, why can't they have such infrastructure, which is a legitimate question. Indian manufacturers also should have a foot into the SEZ itself. Should they? Should they not? Even that is also being contemplated," the minister said.

India's exports in the last three years have been hovering around $300 billion. India's exports in 2013-14 fell short of the $325 billion target and managed to reach $312.35 billion. The country's exports stood at $300.4 billion in 2012-13 and $307 billion in 2011-12.

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**India looks to boost exports to Russia**
Asit Ranjan Mishra, Mint

New Delhi, 7 August 2014: As the US and European Union (EU) shut their doors on Russia by imposing sanctions for backing Ukrainian separatists, India is eyeing a window of opportunity. The commerce ministry has chalked out a strategy to boost India's exports of around 24 items to Russia that the country usually buys from the EU and US.

While most of the sanctions against Russia are in banking, finance and high-end technology, the commerce ministry thinks Russia's souring relationship with the West may give India the opportunity to grab a slice of the market in other items that have been traditionally supplied by Western countries.

Items identified by the commerce ministry includes machinery, vehicles, aircraft and spacecraft, optics, electrical machinery, pharmaceuticals, plastics and meat. The ministry has written letters to various sector-specific export promotion councils to focus on these items in order to boost their exports to Russia.

Russia has suspended imports of beef and cattle from Romania, a regulator said on Wednesday, Moscow's latest trade ban following new Western sanctions against Russia over the Ukraine crisis, Reuters news agency reported.

Due to stricter animal health norms enforced by Russia, India was unable to export bovine meat—cow and buffalo meat—and egg products to that country. However, Russia told an India-Russia working group on trade and economic cooperation meeting in February that Indian entities have begun getting the nod for export of egg powder to the Russian Federation, Kazakhstan and Belarus, which have a customs union.

Russia also lifted a ban on the import of non-basmati rice and oilseeds from India in September last year. Ajay Sahai, director general and chief executive of the Federation of Indian Export Organisations (Fieo), said the EU and US sanctions provide an opportunity for Indian exporters to make an entry into the Russian market and establish a larger presence. "Russia is a major political partner of India, but it does not get reflected in our trade statistics. India-Russia trade is not even 1% of India's total trade."

India's exports to Russia contracted 6.46% in 2013-14 to $2.15 billion, while its imports from the country shrank 7.85% to $3.9 billion during the same year.

Sahai said Fieo is organizing a "Made In India" show in Moscow from 24-26 September where 125 companies will showcase their products. "Russia is fast changing despite its problems with the West. A sizeable population in that country has high purchasing power, and if Indian companies can offer quality products, they can make hefty margins," he added.

Kanwal Sibal, a former foreign secretary and ambassador to Russia, said that while the strategy is sensible, it was unrealistic to expect a significant portion of Russia's trade with the EU and the US to deflect to India in the short run. "Russia has to take a decision whether the products we intend to sell to them can be adequate substitutes for what they are buying from the US and Europe. It includes certain high-end technologies which we cannot provide since we ourselves are in the market for those technologies."

However, Sibal said there is a huge potential for exporting Indian-made items such as pharmaceutical products to Russia. “The other area is information technology where we have not been able to make enough penetration in the Russian market even though we are competing in the most advanced and competitive markets,” he added.

The Indian pharmaceutical industry faces non-tariff barriers in Russia. The lack of specified time periods for implementation of new variations, registration and confirmation in Russia leads to delays in supplies, starting production and launch of new products in the market.

Prime Minister Narendra Modi has described Russia as a “time-tested and reliable friend” and, during his meeting with Russian President Vladimir Putin on the sidelines of the Brics Summit at Fortaleza, Brazil, last month, reaffirmed that relations with Russia will continue to enjoy the priority that they have always had in India’s foreign policy. Modi also said he looks forward to working with Putin to deepen and broad-base the strategic partnership between India and Russia. “The two leaders looked forward to their annual summit in Delhi in December as an opportunity to outline a bold vision and roadmap for their relationship in the years ahead,” a statement from the Prime Minister’s office said last month.

India and Russia agreed in February to a proposal for setting up a joint study group for studying the scope of their Comprehensive Economic Cooperation Agreement with member-countries of the customs union. India is also trying to persuade Iran to build a 165km rail link between Rasht in Iran and Astara in Azerbaijan, a connection that is expected to give India market access to the landlocked Commonwealth of Independent States and Russia.

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**Textile vision document pushes export of finished products**
Financial Express

New Delhi, 5 August 2014: The textile vision document prepared by the Ajay Shankar committee, which envisages textile and garment exports worth $300 billion by 2024-25 compared with $39 billion in the last fiscal, suggests a structural transformation whereby the country ships out only finished products.

"This would imply that growth rates in exports of fibre and yarn start declining and growth rates of apparel, home furnishings, technical textiles and other finished products should grow very rapidly," said the draft vision document. "This would maximise employment generation and value creation within the country. In the process, investment of about $120 billion would take place and about 35 million additional jobs would get created."

However, implementing these suggestions would be easier said than done because attempts by the textile ministry in recent years to discourage cotton exports — either through a temporary ban or by fixing a cap on exports or a tax on outbound shipments to protect the interests of the industry — stoked wide-scale protests by farmers, political parties and even the agriculture ministry. It would also be difficult to discourage yarn exports by spinning mills, which have already added vast capacity to emerge as the largest suppliers of cotton yarn in the global market.

While cotton accounted for roughly 9% of the global exports of textiles and garment, cotton yarn, fabrics and made-ups made up for 23%. The country accounted for roughly 5% of global trade last year.

The vision document also forecasts textile and garment sales in the domestic market to rise to $350 billion by 2024-25, as against $100 billion in the last fiscal.

The draft vision, strategy and action plan seeks online comments/suggestions until August 18, after which feedback will be considered and a final action plan would be prepared and placed before the Cabinet for approval.

"There is no reason why India, provided it takes the necessary steps, cannot achieve 20% growth in exports over the next decade. In the domestic market, sustaining an annual growth rate of 12% should not be difficult," it said.

The country's textile and apparel exports have expanded at an average of 11% over the last 10 years, still lagging the growth rates achieved by even smaller nations. Even Vietnam could achieve a peak export growth rate of 30% while Bangladesh could achieve a growth rate of 18% during this period.

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**New Zealand awaiting Modi Govt stand on free trade pacts**
Amiti Sen, Business Line

New Delhi, August 6:New Zealand is keen to continue negotiations on a Free Trade Agreement with India, but has decided not to push things till the BJP Government has taken a firm view on such agreements.

A team of senior officials from the New Zealand Ministry of Foreign Affairs and Trade was in New Delhi last week to take stock of bilateral economic relations and discuss the way ahead with their counterparts in India’s Commerce Ministry.

“We believe that an FTA between New Zealand and India can benefit both countries. But the new Government should be allowed to settle down. We are here to discuss ways to move ahead and not push things,” an official with the New Zealand Government told *BusinessLine*.

*Study on FTAs*

New Zealand is especially watching out for a study on FTAs being carried out by the Commerce Ministry. The objective of the study is to do a cost-benefit analysis of the FTAs signed by India so far and also draw lessons for future agreements that the country would be signing.

“We want to see what the conclusions of the FTA study would be as the future of our own FTA could be determined by that,” the official said.

*Bilateral trade*

India-New Zealand bilateral trade, currently hovering around $1 billion, could grow manifold if an FTA is signed, a joint feasibility study carried out by the two sides in 2009 had concluded.

Although negotiations on the FTA, which covers goods, services and investments, began in 2010, talks got stuck over India’s reluctance to open up the dairy sector to New Zealand due to opposition from small farmers.

“Dairy remains important for us. We want to convince India that we are very small players in the segment and are not going to affect the domestic industry,” the official said.

If the FTA materialises, Indian businesses are likely to gain from phasing out of tariffs in sectors such as textiles, clothing and footwear.

Both sides would also gain in services with New Zealand expected to ease rules for movement of Indian professionals in return for more access in the financial services sector in India.

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**India should focus on Latin America, Africa, BRICS to counter trans-Pacific challenge**
Bureau, Business Line

New Delhi, 12 August 2014: Commerce Secretary Rajiv Kher has said India should focus on increasing its trade with Latin America, Africa, the BRICS nations and certain countries in the Asean bloc to counter the challenge posed by the proposed Trans-Pacific Partnership Agreement (TPP).

The TPP is a trade and economic agreement being worked out by 12 members, including developed members such as the US, the EU, Japan, Australia and New Zealand, and developing countries such as Mexico, Malaysia, Vietnam and Brunei.

"The TPP is extremely important and there will be preference erosion for us in markets such as the US and EU once it is implemented. But we cannot ignore the rest of the world and should focus on increasing our trade with other partners," Kher said at a conference organised by CII.

The Commerce Secretary said India had not explored to the fullest potential trade prospects with BRICS nations, especially Russia and China.

He said Latin America, too, had huge potential as India's exports to the region were just 3.3 per cent of total exports. "Although Brazil and Argentina have turned protectionist, there are so many other countries in the region that can be tapped," he said.

Similarly, Africa, which accounts for about 10 per cent of India's exports, holds a lot of unrealised promise.

Kher said India was not invited to join the TPP by any country nor did it know what was happening in the negotiations. But it was important for India to do the preparatory work and become more competitive.

Kher said India should focus on improving support infrastructure such as digitisation, logistics, trade facilitation and cutting down procedures, to build on its inherent strengths.

It can also gain competitiveness through an integration process with its neighbours and extended neighbours.

"For instance, India can tie up with countries such as Cambodia, Laos and Vietnam that have institutional arrangements with bigger markets where we have not been able to make in-roads," he said.

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**India keen to take ties with ASEAN to 'new heights'**
Economics Times

New Delhi, 9 August 2014: Giving a fresh impetus to its ties with ASEAN, India today said it would soon draft a five-year action plan starting 2016 for enhancing connectivity and cooperation in diverse areas and hoped the long-delayed free trade pact on services and investment will be signed later this month.

In her address at the 12th India-ASEAN meeting here, External Affairs Minister Sushma Swaraj said India wanted to take collaboration with the grouping to "new heights".

She said better communication links and enhanced trade and investment can bring about a "seamless integration" of the economies in the 10-member grouping.

Swaraj also spoke about the South China Sea issue and noted that India supports freedom of navigation and access to resources in accordance with principles of international law, including the 1982 UN Convention on the Law of the Sea.

She said India expects to see progress with respect to implementation of "guidelines to the 2002 Declaration on the Conduct of Parties in the South China Sea and the adoption of a Code of Conduct on the basis of consensus".

Fresh standoff started recently when China deployed a deep sea oil rig into waters close to the Paracel Islands, which, Vietnam, says belong to it.

India's ONGC Videsh (OVL) has operations in oil blocks in hydrocarbon-rich South China Sea. China has been objecting to India's oil exploration projects in the disputed waters.

In her address, the External Affairs Minister particularly emphasised on improving connectivity between India and ASEAN countries.

"To my mind, connectivity and trade and investment can bring about a seamless integration of our economic space and enable us to optimise our human and resource potential. I hope that our Economic and Trade Ministers will be able to sign the FTA on Services and Investment when they meet later this month and also agree on the modalities for setting up a dedicated ASEAN India Trade and Investment Centre," Swaraj told the meeting, her first engagement at a multilateral fora as External Affairs Minister.

The India-ASEAN Trade in Goods Agreement was signed in August 2009 and it came into force on January 1, 2010. The FTA on services and investment is likely to be signed during meeting of Economic and Trade Ministers here later this month.

Swaraj also conveyed that the new government in India would like to stand with the grouping and take the relationship forward so that people's aspirations for growth and development could be fulfilled

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**Indo-Pak trade has increased despite border tensions: Study**
Economic Times

Islamabad, 13 August 2014: Trade between India and Pakistan has been continuously rising despite recurring border tensions but is yet to tap its estimated potential of $12 billion, according to a study compiled by the SAARC Chamber of Commerce and Industry.

According to the SAARC Chamber's research report, the two nations have been trade partners since the beginning but the trade potential has remained under-utilised due to conflicts.

The study shows that bilateral trade was just $132 million till 1995 but increased in the coming years after India granted the Most Favoured Nation (MFN) status to Pakistan in 1996, immediately taking bilateral trade to $180.

Pakistan responded by increasing the tradable items list to 600 but has refused to give MFN to India due to political and economic reasons.

At present, of the total 7,200 tariff lines, 1,209 items are on the negative list. Their trade volume stands at an improved $2.4 billion, which is just a fraction of the informal trade between the two countries.

"They indulge in informal trade to the tune of $13 billion per annum through avenues like cross-border smuggling and personal baggage," the study said.

"Their formal trade potential is estimated at $12 billion," it said.

Pakistan will greatly benefit through increased trade activities between the two countries as its gross domestic product (GDP) will grow by a further 2 per cent in the next three years and exports to India will rise to Rs 250 billion in a short time, an increase of 733 per cent from the current level of Rs 30 billion, the study is quoted by the Express Tribune as saying.

Apart from these, Pakistan could save Rs 100 billion in import of goods from India, which are currently sourced from other countries, mainly due to the low transport costs, the study said.

Cheap raw material imports from India could also help in boosting exports of finished goods to Rs 200 billion, it said.

The study show that bilateral trade will generate 500,000 new jobs in different sectors in three years.

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**Pakistan seeks tariff protection to break MFN deadlock**
Times Of India

New Delhi, 9 August 2014: As India awaits MFN status — or what Pakistan euphemistically calls non-discriminatory market access (NDMA) — from Islamabad, Pakistan on Friday said the Indian government needs to address its concerns related to "market access, tariff and non-tariff barriers".

India has in the past, towards the end of UPA-II, accused Pakistan of raising the issue of non-tariff barriers to deny it NDMA.

Pakistan high commissioner to India Abdul Basit said Pakistan wants a level-playing field for promoting and further strengthening trade ties with India. "There is need to address concerns relating to market access, tariff and non-tariff barriers," he said.

"At the same time, innovative proposals and ideas may also be explored which can help create economic inter-dependence between the two countries. Mutual economic dependence will boost confidence amongst the business communities and make economic cooperation sustainable," he added, while addressing the fourth meeting of the Pakistan-India Joint Business Forum (PIJBF).

India and Pakistan are looking to take fresh guard in relations when the foreign secretaries meet in Islamabad on August 25. Pakistan is likely to push for a full scale resumption of the dialogue process which has effectively remained stalled since January 2013 when an Indian soldier was beheaded at LoC.

Talking about the meeting, the high commissioner said Pakistan was looking forward to a meaningful and result-oriented dialogue process. He said PM Narendra Modi and his counterpart Nawaz Sharif had both agreed in their meeting here that the 2 countries needed to move from confrontation to cooperation.

After the IPJBF meeting, Pakistani industry expressed hope that Islamabad would soon grant the MFN status as the formalities on the matter have already been completed.

"All the home work has been completed and formalities have been done so I think it is only the matter of time when the two governments meet and right forum is there. So I do not think that is an issue," Pakistan Co-chair for IPJBF Syed Yawar Ali told reporters.

India granted the MFN status to Pakistan in 1996 but Pakistan is yet to reciprocate to that. Grant of status to India would help in further boosting traded.

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**Will a PTA really give the boost needed for India-Nepal hydropower trade?**
Avinash Celestine, Economic Times

New Delhi, 10 August 2014: Prime minister Narendra Modi's much-acclaimed Nepal trip failed on one count — the two countries couldn't sign a much-awaited power trade agreement (PTA). Last-minute delays, and controversies, attributed to a Nepalese draft that arrived just two days before the trip and to questions raised by parties and civil society in Nepal, meant the deal could not go through.

The PTA is seen by the Nepalese government as a critical part of any plan to expand the trading of hydropower between Nepal are also eagerly awaiting the agreement. But will the PTA really give the boost needed for India-Nepal energy trade?

Despite being touted as having massive hydropower potential (to the tune of around 40,000 MW), Nepal ironically is a net importer of power from India. Indeed the country itself has been able to develop only around 680 MW of that potential. "What we have today is a power exchange rather than power trade," points out Siddha Raj Pant, chief operating officer of Feedback Infrastructure Services Nepal.

If and when hydropower projects in Nepal are completed, the country is likely to turn into a power surplus supplier, with the bulk of power being exported to India. Indeed, ventures such as GMR's 900 MW Upper Karnali project and Satluj Jala Vidyut Nigam Ltd's (SJVNL's) Arun-III project (also 900 MW) are both being developed as explicitly export-oriented projects — hence the importance of the PTA. "Investors need some policy certainty on electricity trade over the life of the project as investors are taking a long term commitment," points out Raghuveer Sharma, chief investment officer at the

International Finance Corporation, a co-developer with GMR in its two Nepal projects. Says an executive with an Indian company working in the power sector in Nepal: "Without the PTA, the concern in Nepal was that at some point in the future the Indian government may suddenly curb power imports into the country.

"The PTA is intended to define the framework under which power will be exported to India," adds Sandip Shah, a former president of the Independent Power Producers Association, Nepal. "Projects in Nepal should have equal and non-discriminatory access to the Indian power market on par with producers in India."

*A Bigger Neighbour*

The signing of the PTA is widely seen as the key step to kickstart trade in hydropower between the two countries. Following the signing of the PTA, the government of Nepal will sign individual 'power development agreements' (PDAs) with each developer. The PDAs will demarcate obligations and rights of the government and the developer. One of the first such development agreements to be signed after the PTA will be the one for GMR's Upper Karnali project. Currently a clutch of Indian developers has rights to develop hydropower projects in Nepal. These include two projects by GMR, SJVNL's Arun-III project, four projects by Bhilwara Energy, four projects by KSK Energy and two projects by Lanco among others.

According to data compiled by Central Electricity Authority (CEA), an apex policy planning body for the power sector in India, a total of 26 projects developed by Indian companies or joint ventures currently have 'survey' licences for 6,449 MW hydropower capacity in Nepal. Apart from local opposition to these projects there is a bigger question: will the Indian power market find it worth its while to buy power from Nepalbased projects even after the PTA is signed?

The problem is differing norms that apply to power projects in India vis-a-vis those in Nepal. In India, hydro projects are expected to supply 12% of their power free to the state in which they fall. In addition 1% of free power is set aside for development of the local area of the project.

In Nepal, Indian developers have promised different amounts of free power under different projects. Over and above this, companies have promised a free equity component to the Nepal government, and will pay royalties to the government on the revenue they earn. GMR's Upper Karnali project, for instance, promises to supply 12% free power to the Nepal government. In addition, it will give a 27% equity stake free to the government there. SJVNL's Arun-III project has promised a whopping 22% of free power to the Nepal government.

Beyond this, power companies must pay 7.5% royalty to the Nepal government for the first 15 years of the project, and 12% after that. Ravinder, a former member of the CEA and also working on a study of a Saarc-level power grid, points out : "While there is no issue if Nepal-based projects sell power in the Indian short-term market since tariffs there are market determined, there is a question over how Indian regulators will treat issues of royalty, free power etc promised to the Nepal government . It's likely they will disregard these norms when determining tariffs for supply in India." If this does not happen, Indian buyers will likely protest that they are being forced to pay higher tariffs to compensate Indian projects in Nepal and for promises made to the Nepalese government. The Indian company executive working in Nepal argues: "The problem is that many Indian developers have created problems for themselves in Nepal by bidding aggressively on many projects."

"There should be a uniform policy of free power so that developers do not undercut each other by bidding aggressively for such projects," says Ashok Khurana, director general of Independent Power Producers' Association of India.

Ravinder believes that norms for free power and royalties should be built into any PTA that is signed between the two countries and they should be in line with Indian norms since the main customer is India. But this raises the tricky issue of conflict with Nepal's own internal policies on the sector. In a country where anti-Indian feeling can run high, it's anyone's guess whether such proposals, if they are ever made, will be accepted.

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**Textile policy to focus on new export markets**
Amiti Sen, Busniess Line

New Delhi, 4 August 2014: With an aim to grab one-fifth of the global textile business and increase exports to $300 billion in the next decade, the Government proposes to rejig labour laws, make special efforts to attract foreign investment and enter new markets with high export potential, such as Japan, China, Brazil and Russia.

The proposals are part of the vision strategy framed by the expert committee on textiles, and will be used as inputs for the National Textile Policy.

“The draft of the National Textile Policy will be placed before the Cabinet for approval after weaving in relevant comments from other Ministries and interest groups,” a Government official said.

Labour laws for the high employment generating sector will also be re-visited to make them both investor and labour friendly. The textiles sector is the second largest employment generating sector in the country after agriculture, providing direct employment to about 35 million people.

“There are a large number of workers in the unorganised sector who do not get benefits such as relief in case there are accidents. We are also discussing labour law flexibility with the Labour Ministry, but cannot elaborate on it now,” Textiles Minister Santosh Gangwar told *BusinessLine*.

The textile sector has been demanding less restrictive rules on working ‘over-time’, relaxed norms for application of the Industrial Disputes Act, and permission for export-oriented units to employ workers on contract without any restrictions.

*Tailormade SEZs*

The strategy paper also proposes making special efforts to attract Foreign Direct Investment (FDI) into the sector with special attention to high priority sub-segments of fabrics, processing, garments, technical textile and textile machinery manufacturing. “Individual countries and firms should be targeted for attracting FDI. Tailormade SEZs and textile parks may be created with requisite facilities to suit requirements of international investors,” it said.

Market diversification is a primary area where the Ministry intends to focus. With the EU and US constituting 50 per cent of the total textile and apparel exports from India in 2012, the expert committee said that a higher share in global trade (currently, it is at 5 per cent) can be attained only if Indian exporters also start looking beyond traditional products and markets.

“Specific strategies for achieving significant market penetration with a market share and product-mix target need to be evolved for individual countries such as Japan, China, Brazil, Russia,” it said.

“We intend to keep exporting to the EU and the US, as these are our key markets. But, we shouldn’t be putting all our eggs in one basket as we will suffer more when those economies get hit. That is why there is a pressing need to diversify,” a Government official said.

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**Textile, garment May exports rise on robust apparel show**
Financial Express

New Delhi, 14 August 2014: India’s overall textile and garment exports rose 20% in May on the back of a stellar performance by the apparel segment following a demand revival in the US market as well as a weak rupee.

The overall textile and garment exports, including fibre shipments, hit $3.06 billion in May, compared with $2.55 billion a year earlier, provisional data showed. Consequently, the exports in the first two months of FY15 climbed 18% to $5.99 billion against $5.07 billion a year earlier. Garments made up for 47% of such exports.

Export of textile products grew at a much slower pace than that of garments, the data showed. While apparel shipments gained 24.9% in May, textile exports grew just 8.6%.

“Textile exports have been affected by slower purchases by China, as it accounts for 40% of Indian cotton yarn exports,” said DK Nair, secretary-general, Confederation of the Indian Textile Industry (CITI). However, the festive season demand will boost domestic consumption of textile items and a weak rupee would help exports, he said, adding if China improves its appetite in the coming months it would further brighten export prospects. The rupee has depreciated 3.4% against the dollar since June this year.

In FY14, the rupee depreciation and steady orders from the US drove up overall textile and clothing exports to $39 billion, compared with $34 billion a year earlier. However, the exports were still lower than the target of $43 billion for 2013-14 as demand recovery in the European market was slow due to a financial crisis. Textile exports are dependent on Chinese demand while the growth in garment exports hinge on the US and the EU markets.

Having slid by nearly 6% in FY13 and witnessing drop in 10 of the 12 months, garment exports started picking up from March last year as the domestic currency continued a downward journey and demand from the US started picking up due to an economic recovery. Soaring costs in China and problems in compliance of global safety norms at Bangladeshi mills also helped India’s export growth, industry executives said.

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**Soyameal exports crash in July on poor supply**
Financial Express

New Delhi,  7 August 2014: The country's soyameal exports crashed to just 6,682 tonne in July, compared with 1,07,037 tonne a year before, as poor raw material supplies not just drove down production but also hurt competitiveness in the overseas market.

The outbound shipments tumbled to to just 2.05 million tonne until July since the marketing year started in October, 34% lower than 3.11 million tonne a year earlier, according to data by the Soyabean Processors Association (SOPA).

Exports so far this fiscal dropped at an even sharper pace to 98,000 tonne, as against 5,18,000 tonne in the same period last fiscal. These data do not include supplies to Nepal, Pakistan and Bangladesh by rail or road.

Exports of soyameal, widely used as animal feed, have declined sharply in the past six months as poor availability of soyabean coupled with high rates led to a disparity with international prices, said Rajesh Agrawal, co-ordinator with SOPA.

Senior trade executives said soyabean production dropped 18.5% in the last the crop year through June to 11.95 million tonne, which drove up prices. Farmers, too, held back stocks anticipating even higher prices, compounding concerns of soyameal exporters facing stiff competition in a market already awash with South American supplies. Poor monsoon in the largest soyabean-producing state of Madhya Pradesh up to mid-July further worsened the matter.

Consequently, exports could drop even below 2.5 million tonne in the current marketing year through September, compared with 3.47 million tonne of soyameal in 2012-13, they added.

The freight-on-board price of India's soyameal is already higher by roughly $30 than South America's, a trader said.

Overall oilmeal exports drop

Exports of oilmeal, including soyameal, castorseed meal and rapeseed meal, also dropped by 37% to 1,15,000 tonne last month, mainly due to a sharp fall in soyameal shipments, according to Mumbai-based Solvent Extractors Association (SEA).

Apart from soyameal, castor seed meal shipments also dropped to 20,722 tonne last month, compared with 25,171 tonne a year before.

However, rapeseed meal exports more than doubled to 87,637 tonne in July as against 40,902 tonne a year before.

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**Sugar export subsidy raised to Rs 3,371 per tonne**
Economic Times

New Delhi, 11 August 2014: The raw sugar export subsidy for August-September has been increased to Rs 3,371 per tonne, up from Rs 3,300 in June-July, after the industry lobbied for its continuation.

The move comes amid criticism of the government shoring up overseas sales in violation of trade guidelines and this is being done despite companies not having paid farmers their dues as the government had asked.

The central government hereby declares that the incentive towards marketing and promotion services of raw sugar production for the period beginning from August 1 and ending on September 30 shall be at the rate of Rs 3,371 per tonne," said a notification issued by the Department of Food and Public Distribution under the food ministry on Friday evening.

In February, the Cabinet Committee on Economic Affairs had approved a subsidy on the export of raw sugar for shipments of up to 4 million tonnes of raw sugar to bail out the cash-strapped industry. The subsidy was fixed at Rs 3,300 a tonne for February-March.

In April-May, the sugar directorate had lowered it to Rs 2,277 a tonne and then increased it to Rs 3,300 for June-July. "The sector welcomes the move of increasing the raw sugar export subsidy which is a result of the Indian rupee's depreciation," said Abinash Verma, director general, Indian Sugar Mills Association.

Verma said that the industry is waiting for clarity on the continuation of the export incentive scheme into the next sugar season as had been announced by the government. "This will enable industry to enter into forward contracts," he said.

The government is likely to take a call in September on whether to renew the raw sugar export subsidy for the 2014-15 (October-September) season. However, Delhi-based independent trade analyst Tejinder Narang said the NDA government had inherited a wrongheaded policy from the previous government and it should be ended. "Why is the government doing marketing for sugar companies after decontrol while the subsidy itself is incompatible with WTO guidelines?" he said.

Apart from this, food minister Ram Vilas Paswan had said in June that the government would continue the export subsidy apart from other measures only after sugar mills give a written undertaking that they would pay arrears to farmers.

About 25,000 tonnes of raw sugar could be exported in August-September, according to the sugar directorate. Till date more than 6.20 lakh tonnes of raw sugar have been exported with the subsidy, said government officials.

Subsidy claims for more than 2.50 lakh tonnes have been filed, they said. Paswan told the Lok Sabha on August 8 that, as of July 31, sugar mills owed Rs 9,252 crore, or 16.2 per cent of the total Rs 57,104 crore payable in the current sugar season. Private and cooperative sugar mills in Uttar Pradesh owe Rs 5,741 crore, 29.61 per cent of which is the money due for cane, he said.

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**Gold import curbs may stay for some more time: FinMin**
Business Line

New Delhi, 4 August 2014: The Finance Ministry today said it cannot lower its guard on the external front and ease the gold import curbs as developments in Iraq and other countries can have adverse implications on the country's Current Account Deficit (CAD) situation.

"CAD problem has been contained but we have to be very cautious. International developments around Iraq and international currency volatility are there, we have to see forex inflows stabilise. Then only one can look at (easing of gold import curbs)," Revenue Secretary, Shaktikanta Das, told PTI in an interview.

*Geo-political crisis*

Ongoing geo-political conflicts in the Gulf and other West Asian countries, Das said can push up oil prices inflating the import bill, adding to pressure on the CAD.

"One has to wait before we make any changes. Things can go out of control, so one has to be cautious. Gold import curbs are in place. Situation is so fluid and volatile... CAD is still a concern. We are out of the problem, but we would like to wait and watch," he said.

*Current account deficit*

CAD, which is the excess of foreign exchange outflows over inflows, touched a historic high of $88 billion or 4.7 per cent of GDP in 2012-13, mainly due to rising imports of gold and petroleum products.

In order to check the rising CAD, the Government had raised the import duty on the yellow metal to 10 per cent, while the RBI imposed curbs on import of gold and also laid down various pre-conditions for inward shipments of the precious metal.

It came down to $32.4 billion or 1.7 per cent of GDP in 2013-14.

The Finance Minister, Arun Jaitley, in the Budget has refrained from lowering duties on gold despite demands from jewellery industry.

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**India Gold Imports Seen Dropping as Rajan Protects Rupee**
Financial Express

Mumbai, 14 August 2014: Gold imports by India, the world's biggest consumer after China, will probably decline for a third year as the government keeps curbs on shipments to prevent the current-account deficit from widening and to support the rupee.

Foreign purchases may drop 15 percent to 700 metric tons in 2014, according to the median of estimates from nine analysts and jewelers including Gitanjali Gems Ltd. (GITG) and Rajesh Exports Ltd. (RJEX) compiled by Bloomberg. Imports fell 44 percent to 350 tons in the first half, government and World Gold Council data show.

Weakening demand from China and India, which account for half of global consumption, may limit increases in bullion prices which advanced 8.8 percent this year on increasing tensions in Ukraine and the Middle East. Usage in China dropped 19 percent in the first half as investors bought fewer bars and coins. Indian Finance Minister Arun Jaitley retained import curbs in his annual budget last month.

"I don't see the measures going away immediately," said Devendra Pant, chief economist at India Ratings & Research, the local unit of Fitch Ratings. "If we allow gold imports to grow, that will have an impact on our current account," he said by phone from New Delhi.

Gold for immediate delivery traded at $1,307.68 an ounce at 5:39 p.m. in Mumbai today. Futures on the Multi Commodity Exchange of India, which have risen 0.7 percent this year, dropped 0.4 percent to 28,610 rupees per 10 grams.

India increased the gold import duty three times last year to 10 percent as it sought to narrow the record current-account deficit and stem a decline in the currency. Importers also have to supply 20 percent of their cargo to jewelers for re-export.

*Gitanjali Gems*

“We can see a pick-up in imports only next year as things are slowly opening up,” said Mehul Choksi, chairman of Gitanjali Gems, the biggest listed gold and diamond jewelry retailer by revenue. “The government has taken some measures such as allowing star trading houses to import, but the measures are still evolving, so it will take some time for the momentum to increase,” he said by phone from Mumbai.

Inbound shipments surged 65 percent in value to $3.12 billion in June from a year earlier after the central bank allowed more banks and traders to buy gold overseas. Rising imports could pressure the current-account deficit and prompt a strategy change from easing to more curbs, UBS AG said July 17.

“June imports were very high so the decision on easing the restrictions took a back seat,” said Bachhraj Bamalwa, a director with the All India Gems & Jewellery Trade Federation. Purchases in the second half may be 250 tons to 300 tons, he said by phone from Kolkata.

*Festival Season*

The controls helped narrow the deficit to $32.4 billion in the year ended March 31 from a record $87.8 billion a year earlier, the central bank estimates. That was the lowest shortfall since 2008-2009, according to central bank data.

Supply is probably sufficient to meet demand during the festival season with more agencies allowed to ship gold, said Rajesh Mehta, chairman of Rajesh Exports. The government may not alter the rules anytime soon, he said by phone from Bengaluru.

“More evidence will be required, this could mean a few more months of gold import data, particularly around this peak seasonal period, before the government feels comfortable enough to make an assessment of where gold market policy should be headed,” UBS AG analysts Edel Tully and Joni Teves said in a report today.

*Premiums*

The central bank is monitoring imports and isn’t worried by the surge in June, Governor Raghuram Rajan said Aug. 5. “I don’t think it’s the government’s intent to sit on the special measures forever. As the economy improves, as exports improve, it will create room for unwinding these measures,” he said.

Premiums or the fees that jewelers pay to buy gold from importing banks and agencies have plunged to $8 an ounce over the cash price in London from as high as $160 in December, according to Bamalwa. “Once demand picks up during the festival season, we can see them rising by maybe $10-$20,” he said.

Gold is bought during festivals in India and for weddings as part of the bridal trousseau. The festival season runs from late August to October and is followed by the wedding season.

“The government will be happy with annual imports of 700 tons to 750 tons,” said Prithviraj Kothari, vice president of the Indian Bullion and Jewellers Association Ltd. “India’s economy is in much better shape now compared to last year so we can expect the government to ease the restrictions in couple of months,” he said by phone from Mumbai.

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**Low prices, erratic monsoon boost cotton imports**
Financial Express

New Delhi, 7 August 2014: A sharp drop in cotton prices overseas and a weak monsoon have raised India's imports in recent weeks, which could lift shipments more than 25 percent above the official forecast for this season ending September and help support cotton futures.

Cotton sowing in India, the world's second-largest producer and exporter of the fibre, has been delayed this year due to erratic monsoon rains, raising concerns about production.

Mills in the coastal textile hubs of southern India buy cotton from Africa due to lower freight costs and are bringing in shiploads now as benchmark prices fell to a five-year low on Aug. 1 because of the prospect of ample global supply.

Worldwide inventories could swell to a record of nearly 106 million 480-lb bales by the end of the U.S. crop year ending July 2015, helped by a surge in output in the United States, according to the U.S. Department of Agriculture.

This is also depressing spot prices in some countries, with rates in Tanzania as much as 10 percent lower than the 86 cent per pound quoted in India.

"Imports of cotton mainly from West Africa have increased because their prices are much cheaper than India's and the quality is also good," said M.B. Lal, managing director of Shail Exports and former chairman of the Cotton Corp of India.

The pick-up in shipments could take India's total imports for the season ending Sept. 30 to more than 1 million bales, traders said, above the forecast of 800,000 bales from the state-run Cotton Advisory Board on July 2.

However, imports will still be below last season's 1.4 million as China is buying less yarn that uses cotton. India's cotton output in 2013/14 is estimated to be 39 million bales.

"Imports in this season are going to be more than 1 million bales. West Africa and Tanzania are the most preferred destinations because availability is sufficient and quality is good," said S. Dinakaran, joint managing director at Sambandam Spinning Mills in the southern state of Tamil Nadu.

A delay in the arrival of the new crop next season due to delayed sowing could also force Indian buyers to sign extended import contracts.

"Imports may rise (further) if new season supplies get delayed or prices increase in the absence of supply," said Arun Kumar Dalal, a trader in the main cotton growing state of Gujarat.

More than half of India's farmland relies on rainfall, with a heavy dependence on the June-September monsoon season.

This year's monsoon had one of its slowest starts in a century but a late revival shrank the shortfall in rain to about 10 percent below average in July, a sharp improvement from the 43 percent deficit in the first month of the season.

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**Trade pacts leave India net loser in non-tyre products**
Vinson Kurian, Business Line

Thiruvananthapuram, 14 August 2014: India's trade agreements with Asian countries have led to ballooning of trade deficit with these countries in non-tyre rubber products.

Trade deficit with ASEAN, Korea and Japan has gone up 165 per cent between 2009 and 2011, according to a study of the Ministry of Commerce data.

*COMMERCE DATA*

The study was conducted by Tata Strategic Management Group on behalf of the All-India Rubber Industries Association (AIRIA).

India had signed three major trade agreements with these partner-countries as a result of which the trade deficit in non-tyre rubber products rose from Rs. 651 crore to Rs. 1,725 crore.

They include free trade and comprehensive economic partnership agreements.

"Trade agreements have been a losing proposition for India as far as non-tyre rubber products are concerned," said Niraj Thakkar, President, AIRIA.

*NEED FOR RELOOK*

Trade deficit in segments such as rubber products where India is self-sufficient in meeting the demand needs to be contained, he added.

"The new study supports our case for a relook at the trade agreements as the non-tyre rubber industry has been adversely affected", Thakkar added.

Small and medium rubber units have been at the receiving end of a barrage of cheap import of finished rubber goods leading to high trade deficit.

Rubber industry is dominated by around 6,000 micro, small and medium-sized manufacturing units in different clusters across the country.

The Government must either include non-tyre rubber goods in the Negative List or provide trade protection in terms of a safeguard duty.

*LEVEL PLAY*

Safeguard duty on finished rubber products will provide a level-playing field to the domestic manufacturers, particularly small and medium ones.

Stiff import duties on raw materials have eroded the competitiveness of the industry, Thakkar said.

The association recalled that natural rubber, the key raw material for rubber industry, is in the Negative List in many such trade agreements.

Capexil data shows that the import duty on raw materials is highest in India when compared to neighbouring rubber product manufacturing countries. India is deficit in both natural rubber and synthetic rubbers.

*INVERTED DUTY*

On the other hand, the import duty on finished rubber goods is lowest in India when compared to other rubber consuming nations facilitating import of goods to India.

As a result, overall import of rubber products in India has gone up 100 per cent from Rs. 3810 crore to Rs. 7608 crore in three years from 2009-10 to 2012-13.

The finished products can be easily imported as the import duty on rubber products is between 0- to 10 per cent while the duty on raw materials is between five- to 70 per cent.

"Not only is import duty on raw materials higher, but it is levied also on raw materials which are not produced in the country.

"If the idea is domestic value addition, this anomaly of inverted duty needs to be corrected", added Thakkar.

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**Palm Imports by India Climb to Seven-Month High as Prices Slump**
Financial Express

Mumbai, 14 August 2014: Palm oil imports by India, the world's biggest buyer, jumped to the highest level since December as tumbling prices prompted traders and refiners to replenish inventories.

Overseas purchases of crude and refined palm oils rose 14 percent to 648,503 metric tons in July from a year earlier, the Solvent Extractors' Association of India said in an e-mailed statement today. That's more than the median estimate of 612,000 tons in a Bloomberg survey. Crude soybean oil imports jumped 30 percent to a record 306,068 tons, and sunflower oil shipments surged 80 percent to 111,936 tons, the association said.

Futures in Kuala Lumpur tumbled from an 18-month high in March into a bear market last month on forecasts for record U.S. production of soybeans, which can be crushed to make an alternative oil. Rising demand from India may trim supplies in Indonesia and Malaysia, the world's biggest producers, and help prices recover from near one-year low. Oilseed area in India is poised to drop to the lowest level in 12 years after a weak start to the monsoon spurred farmers to switch to cotton.

“Palm oil prices have corrected and that has motivated people to import more,” said Faiyaz Hudani, associate vice president at Kotak Commodity Services Ltd. in Mumbai. “The new crop is expected to be lower and late, and we are getting cheap oil from the international markets, so imports will continue to be higher.”

Futures tumbled to 2,162 ringgit ($677) a ton on Bursa Malaysia Derivatives yesterday, the lowest level since July 2013, and were at 2,178 ringgit by 3:06 p.m. in Mumbai. Soybean oil’s premium over palm, the world’s most-used cooking oil, narrowed to average about $93 a ton this year from $244 a ton in 2013, according to data compiled by Bloomberg.

*Oilseed Crop*

Oilseed area in India is poised to slump as much as 24 percent to 15 million hectares this year after a weak start to the monsoon, Agriculture Commissioner J.S. Sandhu said July 31. The monsoon was 43 percent below a 50-year average in June, delaying seeding of crops from soybeans to cotton and rice. The deficit narrowed to 18 percent as of yesterday, the India Meteorological Department said.

Cooking oil stockpiles at ports and scheduled shipments rose to 1.59 million tons on Aug. 1 from 1.49 million tons a month earlier, the association said. Total imports, including for industrial use, jumped 25 percent in July to 1.11 million tons, it said. Purchases rose 2 percent to 8.19 million tons in the nine months through July from a year earlier, it said.

“At the start of the season people were expecting imports to be same as last year or even lesser,” Hudani said by phone. Imports may reach a record as “demand is increasing year-on-year, and yields and refining capacities are not increasing the way it should to take care of that incremental demand.”

India imports more than 50 percent of its demand, shipping palm oil from Indonesia and Malaysia, and soybean oil from the U.S., Brazil and Argentina.

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**India preparing arguments against USA's WTO solar case: Government**
Economic Times

New Delhi, 13 August 2014: India is preparing arguments in consultation with stakeholders to present its case in the WTO against a complaint filed by the US over the use of domestic content under the national solar mission, Parliament was informed today.

The US has dragged India into the WTO on the issue of the domestic content requirement condition on procurement of solar cells and modules under the Jawaharlal Nehru National Solar Mission (JNNSM) Programme.

On the request of the US, the WTO's Dispute Settlement Body is in the process of composition of a panel in consultation with both the parties.

"In the meantime, India is preparing its arguments and defence in consultation with the legal experts as well as the stakeholders concerned," Commerce and Industry Minister Nirmala Sitharaman said in a written reply to the Rajya Sabha.

Besides this case, India and the US are also contesting two other disputes in the World Trade Organization (WTO).

One dispute re relates to India's banning import of agricultural products, in particular the poultry and poultry products from a country infected with the Avian Influenza viral strains

The other one was related to Countervailing Duty imposed by the US on certain hot rolled carbon steel flat products originating from India.

Replying to another question on India and Canada, Sitharaman said that both the countries negotiating Bilateral Investment Promotion and Protection Agreement (BIPA).

"The negotiations are presently in abeyance in view of review of the model text of BIPA," the minister said.

India has so far signed BIPAs with 82 countries. Of these, 72 including those with Russia, Germany, the UK and the Netherlands have already come into force and the remaining are in the process of being enforced

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**India appeals against some portions of WTO ruling on steel dispute**
Business Line

New Delhi, August 12: India has filed an appeal against certain portions of a recent ruling passed by the World Trade Organisation in a case related to imposition of penal duties by the US on steel exports by Indian companies.

While the dispute panel's report favoured India in its observation that the US' determination of countervailing duties (CVD) – a levy to neutralise Government subsidies – on high grade iron ore breached WTO rules, it rejected a number of objections raised by New Delhi on specific technical issues related to how penal duties are to be calculated and how a public body is to be defined.

In its notice of appeal against the panel ruling, India has asked for re-consideration of the panel's decision to reject the challenges it had posed to the US method of calculating countervailing duties.

"There are a few areas which we want the WTO Appellate Body to consider like how a public body is defined. That is an important area. Besides, there are several smaller issues of interpretation," Rajeev Kher, Commerce Secretary, said in an interaction with the media on Tuesday.

Indian steel companies such as Tata and Essar have been hit hard by CVD ranging from 18 per cent to 500 per cent imposed by the US on carbon steel from India for more than a decade. This has reduced Indian steel exports to the US to almost zero.

CVD has been imposed by the US on the ground that iron ore sourced by Indian steelmakers from public sector NMDC is supplied at subsidised rate because it is government-owned. In a case filed before the WTO in 2012, India rejected the claim and argued that NMDC always sells at the prevailing market prices which are determined by their exports to Japan and South Korea.

The WTO also ruled in India's favour in the way it decided to define a 'public body'. However, according to a statement on the web-site of the US Trade Representative, the WTO rejected a number of Indian challenges which included challenges to over 300 instances of the use of 'facts available' and challenges to the US' benchmark calculations and inclusion of new subsidy programmes in countervailing duty review proceedings.

The USTR had earlier said that it too would consider the option of challenging the panel report where it was observed that the US was in breach of WTO rules.

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**No anti-dumping duty on India's steel-threaded rod**
Press Trust of India, Financial Express

New Delhi, 7 August 2014: An independent US quasi-judicial federal agency has ruled out against imposing any anti-dumping duty against certain categories of steel threaded rod from India.

The ruling by United States International Trade Commission (USITC) came on Wednesday, a month after the US department of commerce determined that Indian steel threaded rod was being dumped in the country and sought imposition of anti-dumping duty against it.

"The USITC on Thursday determined that a US industry is neither materially injured nor threatened with material injury by reason of imports of certain steel threaded rod from India that the US department of commerce has determined are subsidised and sold in the United States at less than fair value," a media statement said.

The USITC chairman Meredith M Broadbent, vice-chairman Dean A Pinkert and commissioners Irving A Williamson, David Johanson and F Scott Kieff voted in the negative.

Commissioner Rhonda K Schmidtlein did not participate in these investigations. "As a result of the USITC's negative determinations, no anti-dumping and countervailing duty orders will be issued," the statement said.

In 2013, imports of steel threaded rod from India were valued at an estimated $19 million. In July, the department of commerce determined that imports of steel threaded rod from India had been sold in the US at dumping margins ranging from 16.74% to 119.87 %.

It also determined that imports of steel threaded rod from India have received counter-vailable subsidies ranging from 8.61% to 39.46%. In the anti-dumping investigation, mandatory respondents Mangal Steel Enterprises and Babu Exports received final dumping margins of 16.74% and 119. 87%, respectively

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**India gets back its bargaining chip by delaying trade facilitation**
Amiti Sen, Business line

New Delhi, 1 August 2014: India has wrested back its bargaining chip at the World Trade Organisation (WTO) to work out a satisfactory permanent solution to its food security concerns, by not agreeing to a trade facilitation agreement (TFA) pushed by developed countries, say experts.

Developed countries, including the US, blamed India for going back on its commitment made in Bali of supporting a protocol for trade facilitation by July 31. They alleged that it is a huge setback for the entire Doha Round (launched in 2001).

But, timelines have not always been sacrosanct at the WTO. “The Doha Development Agenda was mandated by 2005. We are almost a decade behind. The US agreed to remove cotton subsidies by 2006, which has not happened. In Hong Kong, the EU agreed to remove export subsidies by 2013, which is again pending,” argues Abhijit Das from the Centre for WTO Studies.

*Tough stand*

“India took the tough stand of not supporting the TFA at the WTO as there were enough signs after the Bali Ministerial Meeting in December to show that developed countries were not interested in making any progress in the talks on a permanent solution,” Biswajit Dhar, Professor of Economics, Jawaharlal Nehru University (JNU) said.

So, what exactly happened in Bali that has created so much heartburn amongst members in the aftermath?

In the run-up to Bali, developed countries had tried to hard-sell a TFA, which fixes obligations on member-countries to upgrade their Customs infrastructure and streamline and fast-track clearance processes, as something that would benefit all.

Since it was clear that developed countries (which already have good infrastructure in place) would gain most from the TFA, developing countries such as India decided to get something in return. They demanded that the WTO correct a historical wrong in the area of agriculture subsidies simultaneously with the TFA.

*Favouring the developed*

The WTO’s rules on agriculture are framed in a way that allow countries such as the US to get away with agriculture subsidies of over $120 billion (in the form of food stamps, etc) as they are bracketed under non-trade-distorting, while India’s food procurement subsidies, which may be lower than $20 billion, stand the risk of being challenged.

India and the G-33 had demanded that the rules be changed so that food procurement subsidies are not subjected to caps. Alternatively, they want the reference for calculating the subsidy to be changed as it is fixed at prices prevailing way back in 1986-88.

In Bali, the developed countries managed to get all members, including India, to agree to finalising a protocol on trade facilitation by July 31, 2014, in return for a promise that a permanent solution would be in place by 2017. The ‘Peace Clause’ given to developing countries as an interim protection against action if subsidies breached limits, proved to be insufficient because of various conditions attached and the late realisation that it would not be applicable after 2017.

“The success or failure of the talks once they resume in September will depend on the sensitivity that the developed countries show towards meeting India’s legitimate concerns,” Das said.

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**India's tough stand on WTO gets support from UN body IFAD**
Press Trust of India, Fiancnicial Chronicle

New Delhi, 5 August 2014: Supporting India's tough stand at WTO on the food security issue, UN body for development of agriculture IFAD today said ensuring food for its people is more important than creating jobs in certain other nations.

"Creating jobs for some other country, while people are still hungry, doesn't make sense... If I was in the position of feeding my own family or creating jobs for someone else, what would I do? What would you do?," International Fund for Agriculture Development President Kanayo Nwanze told *PTI*.

"The bottom line is that every government has the responsibility to ensure that it can feed its own people," he said while replying to a question whether he supports India's tough stand in the World Trade Organization.

Echoing similar sentiments, IFAD's Country Director for India Nigel Brett said India has a big task to feed its people. "You have a population of 1.2 billion people. You have a mammoth task in your hand of feeding people...In this case government has to do everything what it can do to feed its population in the interest..."

India decided last week not to ratify WTO's Trade Facilitation Agreement (TFA), which is dear to the developed world, without any concrete movement in finding a permanent solution to its public food stock-holding issue for food security purposes.

It has asked WTO to amend the norms for calculating agri subsidies in order to procure foodgrains from farmers at minimum support price and sell that to poor at cheaper rates.

The current WTO norms limit the value of food subsidies at 10% of the total value of foodgrain production. However, the support is calculated at the prices that are over two decades old.

India is asking for a change in the base year (1986-88) for calculating the food subsidies. It wants the change to a more current base year on account of various factors such as inflation and currency movements.

There are apprehensions that once India completely implements its food security programme, it could breach the 10% cap. Breach of the cap may lead to imposition of hefty penalties, if a member country drags India to the WTO.

Nwanze is on a 5-day official visit to India to meet various various ministers including Finance Minister Arun Jaitley and Rural Development Minister Nitin Gadkari, to discuss about how rural transformation and gender empowerment and how they are vital for reducing poverty.

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**Nirmala Sitharaman: Will protect farmers' interests against all odds**
Business Line

New Delhi, 6 August , 2014:  India is committed to protecting the interests of its farmers against all odds and stood firm on its demands despite immense pressure in the recent WTO General Council meeting to wrap up trade facilitation agreement, Nirmala Sitharaman, Commerce Minister, has said.

Making a suo-motu statement in Parliament on India's stand in the WTO, Nirmala Sitharaman expressed confidence that India will be able to persuade the WTO membership to appreciate the sensitivities of India and other developing countries and see their way to taking this issue of food insecurity forward in a positive spirit.

"This would be a major contribution by the institution towards meeting the global challenge of food insecurity and would convey a strong message that the WTO is genuinely committed to the cause of development," she said.

Seeing the resistance to taking forward the other decisions, the apprehension of developing countries was that once the process of bringing the trade facilitation agreement into force was completed, other issues would be ignored including the important issue of a permanent solution on subsidies on account of public stockholding for food security purposes, she said.

India, therefore, took the stand that till there is an assurance of commitment to find a permanent solution on public stockholding and on all other Bali deliverables, including those for the least developed countries, it would be difficult to join the consensus on the protocol of amendment for the trade facilitation agreement.

Without a permanent solution, public stockholding programmes in India and other developing countries will be hampered by the present ceiling on domestic support which is pegged at 10 per cent of the value of production.

This is wrongly considered as trade-distorting subsidy to farmers under existing WTO rules, she said. "The problem is a very real one. Developing countries are finding themselves hamstrung by the existing rules in running their food stockholding and domestic food aid programmes.

"It is important for developing countries to be able to guarantee some minimum returns to their poor farmers so that they are able to produce enough for themselves and for domestic food security," she said.

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**India not isolated at WTO, asserts government**
KR Sudhaman, Financial Chroincle

New Delhi, 7 August 2014: The NDA government on Wednesday demolished Congress-led opposition charge that India had been isolated at WTO on food security, public procurement and said several developing countries appreciated the “principled stand” on the issue though it might have cost “a little pain.”

“We have not been isolated,” commerce and industry minister Nirmala Sitharaman asserted adding apart from open support from Bolivia, Venezuela and Cuba, other countries who were sympathetic to the Indian cause are Zambia, Jordan, Ghana, Malawi, Egypt, Sri Lanka, Bangladesh, Nepal and Saudi Arabia.

These countries along with China, which also had minimum protection price (MPP), favoured food security as they too provided production subsidies to farmers in their respective countries like India, Sitharaman told the Rajya Sabha. Members in upper house sought clarifications on a statement made by her on the stand off at WTO due to tough stand taken by India. This kind of subsidy is there in Indonesia as well, she said.

India would work towards hastening the WTO talks to find a permanent solution to this vexed issue hopefully by September so that this “Damocles Sword” does not hang over India and other developing countries until 2017, the deadline set at the Bali ministerial declaration, she said.

Assuring members that India will never compromise its sovereign right to decide on minimum support price to protect the interest of the poor farmers, Sitharaman explained how the calculation of this production subsidy was faulty at the WTO.

The first injustice in the calculation is taking 1986-88 price as base price. Because it has not been indexed, the subsidy on wheat per kg works out to around Rs 9.56 as against the actual subsidy of only Rs 4.46 per kg. This is a serious distortion, she said, adding it is precisely for this reason that G-33 countries had asked for dynamic pricing by taking average of previous three years price to determine the subsidy amount every year.

The Uruguay round of multilateral trade negotiations, which began in 1986 and concluded in 1994, resulted in setting up of WTO from January 1 1995, which had taken the base price of 1986-88. "How can that base price be valid 30 years later," she asked.

Taking an aggressive posture, Sitharaman said India will not only work for finding permanent solution to the issue of food security and public stock holding but phased reduction of billions of dollars subsidy provided by US, European Union and other industrialised nations to its agriculture and farmers that distorted the global food prices.

These subsidies are called non-price and non-tariff barriers and hence considered not as trade distorting subsidies. She said these issues need to addressed and government is making efforts to ensure that reduction and disciplining of farm subsidies are on par with the Doha development round. "We will ensure that other trade constraints are also going to be equally addressed. This is not forgotten," Nirmala Sitaraman said.

Dismissing criticism that India has been "humiliated" because of not meeting the July 31 deadline for concluding trade facilitation agreement which may translate to an additional $1 trillion trade, Sitharaman said many developing countries were appreciative of India for standing firm on the food security issue as it was a livelihood concern for nearly one billion poor in the world.

" I must tell you there was no loss of face," she said, adding India has not back-tracked from its commitment to standardising global customs rules called trade facilitation agreement but has used it as a bargaining chip to work out a single undertaking on the three issues — namely trade facilitation, public stock holding and some implementations issues pertaining to least developed countries.

India had to take drastic step as there was very little progress on public stock holding and LDC issues since Bali declaration in last December. The progress was rapid only on TFA as it was of interest to industrialised nations, which adopted dilatory tactics to stall negotiations on other two issues.

India was therefore getting "worried" that none of the western countries would come to talk about permanent solution on public stock holding if it had ratified the Trade Facilitation Agreement (TFA).

She said India was "wary" as developed countries are looking at plurilateral agreement and moving away from the central philosophy of WTO, which is multilateral.

"Therefore, we want to ensure if we do not sign TFA, they (western countries) will understand the issue of public stockholding has to be addressed," Sitaraman said.

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**India working for permanent solution at WTO, says Minister**
Business Line

New Delhi, 6 August 2014: Justifying the country's position at the WTO talks, Commerce Minister Nirmala Sitharaman said India had not made any change in the position it had taken during the negotiations before the Bali Ministerial Declaration. She told the Rajya Sabha that the Government had adopted a course correction but India is "honouring, reinforcing and taking forward what was agreed in Bali."

*No compromises*

Answering questions and concerns raised by members of the Upper House, Sitharaman said their apprehensions may be a result of reports in the Western media. She said India was trying to convince the WTO for a permanent solution and hoped some result will be evident by September. She said India will resist the attempts of the developed countries to move away from the central philosophy of WTO, which is multilateral.

The Minister assured the House that the Government will not make any compromises on the issue of minimum support price and food security. "This whole debate is about India making sure that our MSP is decided by us. This whole debate is about how agriculture in this country will be run by our own policies… We don't allow our farmers' prices or agricultural production to be determined by somebody else outside; it is our right and we will decide and that is why the fight is going on," she said.

*Food grains base price*

She said the country has also raised apprehensions about the decision to fix the base price of food grains at the rate of 1986-88. She said one of the alternative suggestions that the country has given is to make sure that base year is shifted to a dynamic three years' average, which is nearest to the current year.

"So, if you are talking about 2014, you would talk about the previous three years' dynamic average and that will move by one year when you are talking about 2015," she added.

Earlier, initiating the debate, former Commerce Minister Anand Sharma said the real issue is not of food security but of procurement at administered prices.

*Uruguay Round*

"It flows out of the Uruguay Round of 1994 which allows the developing countries to procure food grains, but if it is on administered prices and is not on market prices, the *de minimis* of ten per cent, that is, the value of the production of the product," he said.

CPI (M) leader Sitaram Yechury said the country should have the right to make the food security universal. "Now, even according to the interim conditions put by the WTO your food security is capped *ipso facto* at 67 per cent. You can't go beyond that even today. Are we willy-nilly accepting that our food security, whatever we give the right, is capped at 67 per cent," he asked.

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**World Trade Organisation bigwigs blocking bid for a balanced deal**
Biswajit Dhar, Economic Times

New Delhi, 2 August 2014: Just when it had appeared that the World Trade Organization (WTO) was getting rid of a label put by its former Director General that the organization is incapable of taking decisions, this old failing has come back to haunt it once again. The decisions taken at the conclusion of the Ninth Ministerial Conference in Bali to put in place a work programme for the organization came unstuck as the WTO was unable to make progress in a manner that would have satisfied a majority of the member countries. After the "Bali Package" was delivered, the WTO Director General Roberto Azevedo had declared that "people all around the world will benefit from the package", which, according to him, included "the businesses community; the unemployed and the underemployed; the poor; those who rely on food security schemes; developing country farmers; developing country cotton growers; and the least-developed economies as a whole".

Azevedo's assessment had a strong basis: the "Bali Package" was not only about trade facilitation, which, according to its strong votary, the International Chamber of Commerce would add $ 1 trillion to global trade. The "Bali Package" also made promises to the cotton producers, including four of the poorest countries, and the least developed countries (LDCs), the two groups that were unable to secure any benefits from trade liberalisation. While the cotton producers lost their export market as the United States dumped subsidised cotton in the global markets, the LDCs found to their dismay that the web of high tariffs and other non-tariff barriers were preventing them from securing additional market access.

Then there was the issue that the G-33 (a group of 46 developing countries, including India) had raised regarding the problem they were up against while meeting the food security needs of their populations through public stockholding because of a provision included in the Agreement on Agriculture (AoA). This provision stated that when the developing country governments were procuring foodstuffs to meet the food security needs, the difference between the price at which the foodstuffs were acquired and their average international prices during 1986-88 (called the "external reference prices" in the AoA) was to be included in their subsidies' bill.

Architects of the AoA, who had negotiated the key elements of the agreement in the late-1980s, used the logic that the acquisition prices should be compared with a "competitive price", the closest approximation of which was the international price. It's a no-brainer that after more than quarter of a century, these external reference prices (ERP) cannot be taken as the "competitive prices" and that the 1986-88 base period needs to be revised. This revision becomes imperative in light of the fact that the AoA does not allow developing countries to subsidise their agriculproture in excess of 10% of the value of agricultural production. And, if they are found to be in violation of this commitment, they can be dragged to the Dispute Settlement Body of the WTO. This, in other words, implies that if India is to implement the Food Security Act without the AoA stipulations coming in the way, there must be a change in the ERP for the calculating agricultural subsidy. This was one of the key issues included in the so-called "permanent solution" on public stockholding for food security purposes which the G-33 countries has been seeking in the post-Bali deliberations.
Contrary to the spirit of the "Bali Package", the deliberations over the past few months have focused solely on the trade facilitation issue, ignoring the other elements almost entirely. It was clear that the demandeurs of trade facilitation agreement (TFA) wanted to get this agreement through without allowing the other potential beneficiaries of the "Bali Package" that the Director General had identified to get any benefits. This feature of the post-Bali deliberations is not a new development: the history of the GATT/WTO is littered with innumerable instances where the dominant interests have secured disproportionate gains from the trade negotiations, often at the expense of the lesser players in the global trading system. It is hardly surprising therefore that India's attempt to secure a more balanced outcome by ensuring that all the key decisions of the Bali-package are negotiated on parallel tracks is bandied as an

"obstruction" by the dominant trading interests for they have been unable to formalise only the TFA, which was their sole objective.

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**Narendra Modi to take up WTO issues with Barack Obama**
Dilasha Seth, Economic Times

New Delhi, 4 August 2014: Prime Minister NarendraModi's upcoming visit to the US could be significant as India hopes to take trade talks forward when the World Trade Organization (WTO) meets in September after the summer break, signalling its commitment to the multilateral trading system.

India will try to engage with other countries during the August break to get stronger backing for its proposal of finding a permanent solution to the issue of public stockholding for food security by December 31.

"We are fully committed to the Bali accord and will resume talks in September. Prime Minister will also take up the matter with US President Barack Obama during his visit next month. It is very important to convince the US to get the public procurement matter on the negotiating table," a government official said.

Trade talks collapsed in Geneva last week after India insisted that the entire Bali package, including the food security issue important to developing and poor countries, should be sealed at one go.

A protocol on trade facilitation — measures to reform customs procedures and cut red tape to speed up global trade — was to have been signed by July 31, as agreed in Bali. Apprehensive that the developed world would lose interest in the issue of food security once the trade facilitation agreement was signed, India didn't sign the deal, saying the entire Bali package could be delivered by December 31.

WTO's agreement on agriculture limits farm support at 10 per cent of the value of production based on 1986-88 international prices. India wants the subsidy to be calculated on a more recent base year or indexed to inflation.

US Secretary of State John Kerry, who visited India last week, is understood to have told Modi that failure to sign the agreement "sent a confusing signal and undermined the very image the new government was trying to send about India." Modi told Kerry he was more concerned about the small Indian farmer, even though he believed the trade facilitation agreement was good for India.

It may be a challenge to convince all 160 members to get back to the negotiation table in September. "PM's visit will be crucial from many perspectives, including taking forward the Bali deal and also pushing WTO to the successful resolution of outstanding issues of the Doha round," said Abhijit Das, a trade policy expert with the Centre for WTO Studies at the Indian Institute of Foreign Trade.

He said it will be important for India to get on board other countries that have similar problems related to food security. "A broad-based coalition would need to be formed to take the food security agenda forward," he said. While it will be the responsibility of the entire WTO membership to take forward the Bali deal, India's role will be crucial in trying to broaden the base of countries, added Das.

India was left isolated in Geneva, with even BRIC countries not supporting its bid for a permanent solution on food security simultaneously with the trade facilitation agreement. Only Bolivia, Venezuela and Cuba backed India, while China remained silent all through and Brazil and Russia fought for trade facilitation. New Delhi did not get support from all 46 members of the G-33 grouping.

Indian commerce department officials maintain they are prepared to engage from Day 1 of September even though WTO Director-General Roberto Azevedo had warned of 'significant consequences' if no deal was reached on trade facilitation.

"The fact that India has gone back on an agreement and there is great annoyance and disappointment among major countries, it may not be easy to get countries together on India's demands," said Anwarul Hoda, a former deputy director general of the WTO who is now Chair Professor at the Indian Council for Research on International Economic Relations.

He said finding a final solution would mean changing the WTO agreement and procedures, which requires parliamentary approval in many countries. It may not be easy to get a solution the way India wants, he said. In its last proposal on July 31, India wanted a peace clause, which provides interim protection against actionable subsidies, to exist until a permanent solution was found, as against the four years interpreted by most member countries.

"The Modi-Obama meeting will play a very important role in getting various members together to revive talks. If the US agrees, it will not be difficult to get others on board," said Pradeep S Mehta, secretary general of Consumer Unity & Trust Society (CUTS International).

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