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Exports target may be missed
The Hindu

Mumbai, 20 February 2013: India is likely miss the exports target of $350 billion it had set for 2012-13, according to Union Minister for Commerce, Industry & Textiles Anand Sharma.

"Exports will instead be around $300 billion for the fiscal year ending March 2013. The year 2012 was full of turmoil owing to the euro crisis. This impacted Indian exports adversely," he said on the sidelines of a conference organised by the Confederation of Indian Industry (CII),

Responding to a query as to the biggest challenge in India, the minister said, "the real challenge for India and the biggest opportunity are one and that is of job creation and skills training. It has to be not just a wish but a national concern, a national effort and a national priority."

Mr. Sharma said the share of manufacturing in India's gross domestic product (GDP), currently at 16 per cent, should go up to 25-26 per cent in a decade to create a minimum of 100 million skilled jobs. The national manufacturing policy announced earlier is a key instrument to achieve this, he said.

"With a large number of poor people, we can ill afford an economic downturn," he said, adding that it was necessary to go back to a higher growth rate of around 9 per cent per annum. "High growth is not an option but an imperative. The issue has a social dimension and if we do not create jobs, the social cost will be unbearable."

Mr. Sharma also pointed out that the trade deficit with China was a matter of concern. "We are seeking more access for our industries, particularly in the information technology industry in China and their public healthcare system for our pharmaceutical industry ." He said that with the recent visits of the French President and the British Prime Minister, "the world is looking at us, and we must assume global leadership in the 21 century."

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Economy's structural rigidity, global crisis key factors behind trade gap
Indivjal Dhasmana & Nayanima Basu, Business Standard

New Delhi, 23 February 2013**:** The structural and cyclical problems of India's economy, besides subdued demand overseas, widened the country's trade deficit to a record $153 billion (Rs 8.3 lakh crore) in the first nine months of the current financial year, over 11 per cent higher than $137 billion in the corresponding period last year, official data showed.

The rise in trade deficit was not as high as over 78 per cent in April-December 2011-12, but it represented continuous pressure on India's trade even over a high base.

Exporters' body Federation of Indian Export Organisations (FIEO) expects trade deficit to reach $195-200 billion in 2012-13 against $185 billion in the previous financial year. Already till January, trade deficit has widened to over $167 billion against $155 billion in the year-ago period, data by the Commerce Department revealed.

While oil and gold imports are blamed for high trade deficit, overall merchandise imports marginally went up 0.36 per cent to $365 billion in April-December 2012 against $364 billion in the corresponding period last year. In fact, merchandise exports put pressure on trade deficit much more, as these contracted 6.47 per cent to $211.5 billion against $226 billion due to slackening demand overseas.

Exports saw pressure coming from ores and minerals, whose outbound shipments declined 34 per cent to $3.9 billion against $6 billion over the period due to restrictions on mining. Of these, exports of iron ore came down 63.6 per cent to $1.2 billion during April-December from $3.3 billion a year ago.

High value-added engineering goods, which have the highest 19.33 per cent share in India's exports, contracted 5.7 per cent to $41 billion against $43 billion as global recovery fails to take a solid move towards recovery. Among engineering goods, iron and steel bar rod declined 22 per cent to $827 million from $1.06 billion.

Petroleum products, which till recently had the highest share in India's exports, fell close to five per cent to $40 billion against $42 billion, also due to low demand in the advanced world. Its share in exports stood at 18.86 per cent in the first nine months of the current financial year, second to engineering products.

Gems and jewellery exports declined 11 per cent to $31 billion against $35 billion. It has the third highest share in exports at 14.6 per cent. Recently, a gems and jewellery association blamed the hike in customs duty on gold for strangulating India's gems and jewellery exports.

However, chemicals and related products that had 14.6 per cent share in exports rose 14.6 per cent to $31 billion during April-December, compared with $29 billion in the previous corresponding period.

Even as agriculture and allied products exports rose 30 per cent to $24 billion from $18.65 billion, those of pulses declined 20.21 per cent due to fall in production.

Leather and leather products saw exports contracting 2.43 per cent to $3.54 billion from $3.62 billion. The products constituted the lowest 1.86 per cent of India's exports, but are a crucial item from the point of view of the numbers of labourers employed. Similarly, other labour-intensive products like textiles and handicrafts, too, declined. However, carpets rose 13.48 per cent to $721 billion against $635 billion.

Imports and oil

So far as imports are concerned, oil still constituted India's largest demand from overseas countries. Its imports rose 12.81 per cent to touch $125 billion against $111 billion in the first nine months of the current and the previous financial years, respectively.

"International oil prices were not as elevated as was earlier. Had it been at the level of $147 a barrel, the trade deficit would touch $250 billion in 2012-13," FIEO director general Ajay Sahai said.

Usually, non-oil imports are considered to be good for economic activities, but here their components become all important. Non-oil imports declined 5.1 per cent to $240 billion in the nine months against $253 billion.

Gold, another important item to pressure imports, fell 14.71 per cent along with silver to $39 billion against $46 billion. It constituted close to 11 per cent of India's exports.

While the government has raised customs duty on gold to six per cent from four per cent in December, gold still remained a lucrative option, given high inflation and not-so-robust real estate markets and other financial instruments in terms of appreciation, explained an analyst.

Cement, though constituting a small portion of 0.02 per cent in India's imports, were up 34.43 per cent at

$71 million against $53 million. Imports of cement, however, signify expansion of activities in the economy, particularly infrastructure sector that propels growth.

As sugarcane production is expected to fall this crop year (July 2012 to June 2013), sugar imports rose a 992 per cent to $366 million against $33.56 million. The government has estimated sugarcane production to be 334.54 million tonnes (mt) in 2012-13 crop year against 361 mt in the last season.

India has always been deficient in oilseed and this year's further shortfall led to an increase in imports of these primary products by 128 per cent to $23 million from $10 million and edible oils by 16 per cent to $8.60 billion from $7 billion. Oilseeds production was pegged at 29.47 mt in the current crop year against 29.8 mt in 2011-12 and 32.48 at in 2010-11.

Pulses imports rose 22.75 per cent to $1.73 billion against $1.4 billion. This was even as pulses production was pegged slightly higher at 17.58 mt against 17.09 mt. The Reserve Bank of India has time and again pointed to structural rigidity in this regard. Basically, while production of protein items have been on the rise, the supply is not increasing at the proportional rate.

For the first 10 months of the current financial year, exports declined in eight months. It revived slightly by posting a growth of 0.82 per cent in January 2013 year-on-year. "Except for China, others are not growing at a robust pace," an economist said.

According to the latest world economic update by the International Monetary Fund, emerging and developing economies grew 5.1 per cent in 2012 against 6.3 per cent in 2011. Even developing Asia, where China and India — the two drivers of growth — are included, expanded just 6.6 per cent in 2012 against eight per cent in 2011.

Exports this year would not be able to touch even the last year's figure of $304 billion, forget the target of $360 billion set by the commerce department.

In 2013-14 and 2014-15, pressure on trade deficit would also come from some $85 billion of power equipment, orders for which have been already placed. "The orders are particularly placed with China," Sahai said, adding the actual delivery would be spread in 2014 and 2015.

The rising trade deficit is a matter of concern for India since it is the largest part of the current account deficit (CAD). High CAD requires large capital inflows and at times of global slowdown capital flows usually dry.

India's CAD had reached an all-time high of 4.2 per cent of GDP in 2011-12. For the first half of the current financial year, it had already touched 4.6 per cent of GDP. Sahai projects it to be at 5.1 per cent for the whole of 2012-13. If that happens, CAD would really become a major policy concern.

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Businesses concerned over India's widening trade gap
Channel NewsAsia

Mumbai, 26 February 2013: India is the world's 10th largest economy and the third largest in Asia.
But latest figures from the World Trade Organization (WTO) show that India still has much to do before it can catch up to Asian giants China and Japan.

Businessmen like Adil Mapari are worried, and the latest figures from the WTO are not reassuring. They show India is the world's 19th largest exporter, compared to its 12th position as an importer. Mr Mapari, who is a partner at Gammars International, said: "Though the exports in consumer goods have picked up in the past one year, they still lag behind in other sectors. Even when I talk about consumer goods, the exports have only picked up marginally as compared to what we had seen in 2007-08.

"The demand from Western countries is also deteriorating and we have to drastically reduce the costs of our products to keep up with our competitors." Experts said narrowing the import and export gap will be crucial to ensuring India can compete with its larger Asian neighbours, China and Japan. Rupin Shah, senior analyst for institutional research at BP Wealth, said: "There is a wide gap between India's import and exports. So the government has taken steps to curtail the wide gap...because it impacts the current account deficit, slows down industrial growth and also impacts forex reserves negatively.

"So the steps taken by the government of India (include the) deregulation of petrol, partial deregulation of diesel and increased duty on (imports of) gold. So we expect India's trade deficit to narrow down in the future." India's economic woes are more of a political problem than an economic one. Unless there is a drastic change in the way politics is played in the country, there is not much scope of an economic upturn. Policies will continue to sway according to political expediency.

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Can cos innovate to beat export slump
Times of India

New Delhi, 28 February 2013: Government on Wednesday blamed slow global recovery for its bleak outlook on exports, but expressed hope that companies would learn to sidestep problems through innovative management practices.

While plugging for a diversified export basket and a strategy to tap new markets outside the ones traders have traditionally focused on, the Economic Survey said in the absence of improved demand, especially from the US and European Union, it would be tough to boost exports. A revival of industrial growth, along with steps such as greater corporate productivity and better logistics infrastructure would be of some assistance though, it added.

There are at least two reasons for the decline in export growth: (i) external factors or partner country incomes,(ii) changes in exchange rate.GDP growth of partner countries has also slowed down significantly (from more than 6% y-o-y in the first quarter of 2010 to less than 1% in the third quarter of 2012).This would exert a negative effect on India's export growth. On the other hand, the real effective exchange rate for India has depreciated, suggesting a positive effect on exports, it said.

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Diversification of products a must
Nayanima Basu, Business Standard

New Delhi, 28 February 2013**:** Even as export growth has surpassed the pre-crisis level in 2010-2011, the adverse impact of the global recession seems to be showing only now, with exports falling drastically in 2012-2013. According to the Economic Survey 2012-2013 presented by Finance Minister P Chidambaram in Parliament today, growth in exports can only be achieved with greater diversification of products.

For the first 10 months of the current financial year (FY13), exports declined in eight months. It revived slightly by posting growth of 0.8 per cent in January 2013 year-on-year. The trade deficit reached a peak of $184.6 billion in 2011-12 from $118.6 billion in 2010-11, with the highest growth of 55.6 per cent since 1950-51. The trade deficit of $167.2 billion for 2012-13 (April-January) was 7.9 per cent higher than the $154.9 billion in 2011-12 (April-January).

“India has been fairly successful in diversifying its export markets from developed countries like the US and Europe to Asia and Africa, which has helped to a great extent in weathering the global crisis of 2008 and the recent global slowdown. However, in terms of product diversification, a lot more needs to be done as can be seen from the following,” the Survey noted.

According to the Survey, the recent global slowdown has thrown up new challenges for India with its export growth being continuously negative since May 2012, compared to high growth rates of even above 50 per cent in some months of the previous year.

It also suggested that more focus needs to be given in export of products such as electronic, electrical, engineering, textiles, iron and steel and ores, among others. The Survey also noted that India should focus on gaining its market share in the exports of some traditional items such as textiles and leather.

The Survey has strongly recommended to increase India’s bargaining capabilities while negotiating a trade deal with its partner countries, keeping in mind the geopolitical considerations. It has said that India should “bargain more”, especially in those free trade agreements where there are livelihood concerns. “India also has to follow a strategic regional trading policy focusing on the potential technology-intensive items in the more important RTAs (regional trade agreements),” it said.

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Export needs less red-tape, tariffs need overhaul
Hindustan Times

New Delhi, 27 February 2013: The survey has called for a proper tax and tariff structure for exports and infrastructure projects, and the setting up of innovative finance models.

India's export growth, which was continuously negative since May 2012, turned positive with a growth of 0.82% in January.

The survey says many micro, port-specific and sector-specific issues related to infrastructure, trade facilitation, tax and tariffs and credit need attention. "Addressing these issues… can exponentially promote India's export growth," it said.

It drew attention to the fact that finished jewellery imported from Thailand is cheaper than raw gold available in India, and called for a review of the inverted duty structure under the India-Thailand FTA.

The survey said a proposal is being put in place for providing 100% government funding to road developers to rescue the highways sector, where there is a severe equity crunch. It also suggested easing exit norms for developers: "In current market conditions, these firms are unable to raise new equity.

Exit route needs to be eased so that promoters can sell equity positions after construction, passing on all benefits and responsibilities to entities that step in."

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‘Trade laggard’ India too breathes fire
Times Of India

New Delhi, 28 February 2013: India's growth performance has been similar to that of fast growing Asian economies at similar stages after takeoff to rapid growth but not as spectacular as China's.

The economic survey, which has done a comparative study of growth and trade between India and other Asian economies, said that India has grown at about China's pace despite being seen as a trade laggard.

The chapter on "Seizing the Demographic Dividend" cited three hypothetical scenarios to drive home the point about creating quality jobs outside of agriculture to reap the benefits of demographic dividend and improve livelihoods in China.

The survey analyzed various economic outcomes for some key Asian countries around their dates of initial "takeoff" into periods of high growth. The year of "takeoff" for Asian countries were set at 1979, 1973 and 1967 for China, Indonesia and South Korea, respectively, and for India it was 1991, when major economic reforms were unveiled.

It said that better human capital accounts for only a small part of the growth in labour productivity for the fast growing Asian economies. The two biggest contributors are the growth in capital deployed per worker and growth in total factor productivity (TFP). TFP measures how productive the job is capturing aspects like the technology used, the efficiency with which the work is carried out, organizational capabilities and trust.

The study showed that Indonesia and South Korea relied much more on capital deepening. India did not have as much growth in capital per worker as these countries but had stronger growth in TFP. China grew because of more capital deployed as well as strong increases in TFP.

The survey said that underpinnings for continued strong Chinese growth in the years beyond the second decade after takeoff are a robust investment rate as well as substantial increases in the intrinsic productivity of jobs.

"If India were to follow a similar path, it would need to increase savings and investment, both of which will follow from the demographic transformation. But it will also have to increase the intrinsic productivity of jobs, that is total factor productivity (TFP)," the survey said.

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Emerging markets to transform trade flows
Claire Jones, Financial Times

27 February 2013: Exports between leading emerging markets will drive global growth in the coming decades, transforming international trade flows, according to a report published on Wednesday.

The report, compiled by HSBC and Oxford Economics, predicts that intra-emerging market trade is set to grow rapidly in the years to 2030 as these economies grow wealthier and domestic demand rises.

“Emerging markets are developing at a phenomenal pace and are set to reshape world trade patterns over the next 20 years,” said James Emmett, of HSBC.

Export growth would be strongest in India, Vietnam and China, all of which are expected to post double-digit annual growth over the next seven years.

Exports from advanced economies would grow at a more subdued pace. Most industrialised nations tend to sell the bulk of their goods and services to other advanced economies, in which demand is set to be weak in the coming years as these nations struggle to recover from the global financial crisis.

Technological innovation in emerging markets would also lead to greater competition in certain industries. Trade in leading industrialising economies such as China would increasingly be driven by growth in sectors such as industrial machinery and information technology, in which advanced economies have traditionally dominated.

"Some of the faster growing emerging markets show a shift from basic commodities trading in sectors such as cereals or sugar to become a refiner or producer of branded goods based on those raw materials," Mr Emmett said. "In many of the developed markets there is a shift towards increasingly specialised products such as chemicals and pharmaceuticals products as companies seek opportunities for higher returns."

Facing competition from lower-cost producers in the emerging markets, exporters from the advanced economies would need to increasingly focus on high-technology sectors, where they can still command a competitive advantage.

The US would continue to see strong export growth in industries such as machinery, motor vehicles, aircraft and aerospace equipment and computers, where technological innovation plays a significant role. German and French manufacturers working in these sectors would also perform well, the report predicted. Rapid industrialisation and higher wages in emerging markets would also present opportunities for advanced economies to export more to the leading industrialised nations.

As the likes of China shifted towards higher value-added sectors, this would also present an opportunity for countries where wages are lower, such as Vietnam and Bangladesh.

Canada, Mexico and China would remain the biggest export partners of the US.

China would remain Brazil's top export destination, while the country's fastest growing export partners would be India and Vietnam, the report said.

India, which is not as trade-oriented as many other emerging economies, would see a sharp rise in trade within Asia. Trade linkages with China were set to grow in importance.

India would also become one of Argentina's top five export partners by 2030. Trade linkages between the South American economy and other countries across the Asia-Pacific region, such as South Korea, Vietnam, China and Malaysia, would also strengthen.

Emerging economies such as Poland and Turkey would benefit from their proximity to Europe, the Middle East and Asia.

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Govt decries CECA violation by Singapore
Nayanima Basu, Business Standard

New Delhi, 17 February 2013: Those of you planning to make it big in Singapore might be in for a setback. Singapore recently made certain changes to its Employment Pass Framework law to reduce inflow of foreign workers significantly to create more job opportunities for local professionals. The move is expected to impact even those Indians working there at present across various sectors.

The amendments, made on a proposal by its Ministry of Manpower, has armed the Singapore government to bring down the foreign share of the total workforce to around one-third while encouraging employers to invest in productivity in return for incentives in the form of tax breaks.

The move came as a recent Singapore's policy paper predicted that its population would grow by 30 per cent to 6.9 million by 2030, with immigrants making up nearly half that figure. The paper led to demonstrations in Singapore yesterday, a rare happening in the country, in protest against rise in immigrants.

The step has irked India as the new law does not give India a preferential treatment incorporated in the Comprehensive Economic Partnership Agreement (CECA) between the two countries, operational since 2005. This stance by the Singapore Government is expected to affect Indians working as middle-level managers, executives and technicians.

Speculations are rife that India might take up the issue with World Trade Organization's (WTO) dispute settlement body. However, according to Singapore such a decision was imperative in the interest of the natives as the share of the foreign workforce is rising very rapidly.

"The one-third is a long term target and we have not imposed quotas as such for any country. Of course, the end result is still a reduction of the current foreign workforce numbers. But in doing so, I do not think we have contravened our commitments in the WTO or the CECA. Moreover, this is not specifically targeted to any one country. We remain very open to foreign talent," a senior Singapore government official told Business Standard.

According to the Singapore government, the demand of Employment Passes (EP) has surged since its economic recovery in 2010, necessitating such a step.

There are three types of professional passes under EP – Q1, P2 and P1, depending on the kinds of jobs. As per the new law, the qualifying salary thresholds for Q1 and P2 Passes have been raised from $2,800 to $3,000, $4,000 to $4,500 respectively, while for P1 it remains unchanged at $8,000. The educational qualifications requirements have also been tightened under the Q1 Pass category. Foreign professionals who are already working at present would have to earn even higher salaries to retain their work permits.

The Singapore government is taking these measures--raising the salary ceilings of employment passes or increasing the work permit levy-- to increase cost for companies to bring in foreign talents. Additionally, it will offer incentives to those companies in the form of tax breaks for using high-end technology to do the same job instead of being dependant on labour.

Both India and Singapore are currently reviewing the CECA , the talks for which started in 2010. But it has been stuck ever since over various issues, and now this law is all set to create further hurdles.

According to Indian officials involved in the negotiations, this is a violation of the services trade agreement under CECA. This will also adversely affect Indians who are working there as it might lead to job losses, especially for the middle level workers.

India has submitted a request to Singapore for addressing the matter but has not received a formal communication yet.

Currently, there are about 2,00,000 non-resident Indians in Singapore working in ITES, financial services and scientific research sectors among others, according to one estimate.

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Mauritius offers zero customs duty regime for Indian companies setting up shop in the island nation
The Economic Times

New Delhi, 16 February 2013: Mauritius has offered a zero customs duty regime for Indian firms to gain easier access to European Union and Africa. Mauritian minister for trade and industry Sayyad Abd-Al-Cader Sayed Hossen discussed the country's free port policy with commerce and industry minister Anand Sharma on Friday.

The minister’s visit comes ahead of the India-Mauritius joint working group meeting later this month to review the bilateral tax treaty. Mauritius has agreed to incorporate a limitation of benefit clause in the tax treaty to assuage India's concerns on the abuse of tax treaty by investors from third countries without making substantial investment in the island nation by operating through post box companies.

Mauritius enjoys duty-free access for its goods in European Union and Africa through its trade agreements. Indian companies setting up shop in the island nation will not only enjoy duty-free regime in Mauritius but also gain preferential access in these markets. The special arrangement of Mauritius with Common market for Eastern and Southern Africa (COMESA) and the Duty Free Quota Free (DFQF) regime with EU will come into effect in this policy.

The Mauritius Freeport is a dutyfree logistics, distribution and marketing hub for the Eastern and Southern African region. Logistics and warehousing facilities are readily available for the transshipment, consolidation, storage and minor processing of goods. Sharma said that both the countries should look at the possibility of establishing Integrated Textile Park in Mauritius and asked the officials to give a concept paper on this within two weeks. Sharma said India and Mauritius have initiated steps towards setting up Mauritius-India Joint Business Council and a Joint Working Group (JWG) on trade and investment.

"The Joint Business Council will be a robust institutional mechanism for giving a boost to trade and investment ties by identifying the priority sectors and sectors of engagement," Sharma said in a statement.

"The JWG would further work out the modalities for broadening and deepening the economic engagement between the two countries," Sharma added. In 2011-12, the bilateral trade between India and Mauritius grew by 68%.

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Garment exporters see hope in European Union pact
The Times of India

New Delhi, 25 February 2013: With little respite from the slowdown, the garments industry is hoping that the free trade agreement with the European Union will reverse the falling trend. Garments, which are among the most prominent items in India's export basket, have been severely hit by the slowdown in the US and the EU. According to the latest data, India's exports to EU fell 21% to $5.1 billion in 2012. Similarly, in case of the US, it was down over 8% to $3.1 billion in 2012.

While a majority of India Inc may be opposing the proposed free trade agreement with the EU, the garment industry is hoping to use the pact to boost shipments to the 27-member trading bloc. After all, discussions point to EU agreeing to allow duty concessions for garments imported from India. This will help Indian exporters to grab a share of the pie that they have had to hand over to rivals such as Bangladesh and Sri Lanka.

"The whole industry knows that you (government) are working very hard for immediate finalization of FTA between India and EU. The industry is waiting this to happen so that new opportunities may be captured by us among the most prominent items in India's export basket," Apparel Export Promotion Council chairman A Sakthivel said.

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Cameron urges India to remove barriers
George Parker in Mumbai and Helen Warrell in London, Financial Times

18 February 2013: David Cameron has urged India to dismantle trade barriers in banking and insurance in exchange for Britain making it easier for business leaders and students to come to the UK.

Speaking in Mumbai on Monday at the start of a three-day visit to India, Mr Cameron announced plans for a one-day visa service for Indian business people who needed to come to Britain at short notice.

Mr Cameron hopes the initiative will reassure investors that the UK is not becoming more hostile to Indian migrants, in spite of the prime minister's much tougher rhetoric on immigration before he left Britain.

Addressing workers at Hindustan Unilever, he also repeated his assurance that there was "no limit" on the number of Indian students who could study in Britain, provided they had a basic English qualification and the offer of a place.

Mr Cameron presented these assurances as evidence that Britain was lowering barriers to trade – although his comments on student visas was a restatement of existing policy – and he urged India to follow suit in areas including financial services and retail.

The prime minister proclaimed Britain's 21 per cent rate of corporation tax as an attraction for Indian inward investors, adding that the rate was so low that there was no excuse for companies to avoid tax aggressively.

"There are some forms of tax avoidance that have been so aggressive there are moral questions," he said.

Mr Cameron said he wanted Britain to be India's "partner of choice" and is being accompanied by a delegation of 100 business leaders, academics and parliamentarians – the largest such overseas trade mission.

The prime minister also hopes British architects and contractors will play a leading role in developing a corridor of business and housing between Mumbai and Bangalore, two of India's main economic powerhouses.

Before he left Britain, Mr Cameron was warned against giving two different messages on immigration ahead of his visit.

John Cridland, head of the CBI employers' organisation, said there was "a real risk" of mixed messages arising if Mr Cameron and fellow ministers did not make it clear that Indian students are welcome and make a valuable contribution.

Last week Mr Cameron upped his rhetoric on immigration at the Eastleigh by-election, saying that the UK could not be seen as a "soft touch" and vowing to restrict access to healthcare, housing, benefits and legal aid for migrants.

Mr Cridland, who is part of the business delegation, acknowledged Mr Cameron's dilemma in trying to find language to satisfy his Indian hosts, British business leaders and voters in Eastleigh.

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France asks India to further liberalise services, auto sector
PTI

New Delhi, 14 February 2013: France today asked India to further open its market for foreign companies in sectors like services and automobile under the India-EU free trade agreement.

"We are negotiating an FTA but we are still facing problems...from our side we still have few questions on liberalisation of services sector on Indian part...some difficulties in automobile sector," French Minister for Foreign Trade Nicole Bricq said.

India and the 27-nation bloc European Union are negotiating the Bilateral Trade and Investment Agreement (BTIA) since June 2007 and have missed several deadlines to conclude the talks due to differences among the two sides on the level of opening up of the markets.

"...if we can rebalance our trade exchanges, it will be favourable (for the free trade agreement)," she said. However, Bricq said that both the sides have increased the meeting at all levels including at the technical level to fast-track the talks.

A ministerial level talk is expected on the pact by end of this month, she added.

Speaking at the occasion, Commerce and Industry Minister Anand Sharma expressed hope that the negotiations would be finalised by this summer.

On visa issue, Bricq said that France is working to further liberalise visa regime for both businessmen and young research students. "...there are some issues on visa. I have discussed the issue with my home minister. We are working towards making it more liberal," she said adding there is also a need to remove all trade and non-trade barriers to boot two-way commerce.

The visiting French President Francois Hollande said that huge opportunities are present in both the countries to strengthen economic relationship between the countries.

"There is no sector that cannot be covered by both the countries. We have many areas where great deal of potential is there for cooperation like in energy, transport, audio-visual and retail," Hollande said.
Inviting investments from India, the President said that France would further open its market. "Our companies have technology advantage and we are ready to share that advantage with you...there is a need to establish personal links so that our companies can find room for expansion," he added.
Trade between India and France was valued at USD 8.89 billion in 2011-12.

The French President said that small, medium and large companies should have access in each others market. "It is not easy to set up companies. But let us try to remove obstacles to enhance trade and investments," Hollande said.

The French Foreign Trade Minister said that there is a need to increase meetings between business community of both the countries as it would help MSMEs to consider India as a possible market for investment.

Bricq said that in the next G-20 meeting, which is expected in September in Russia, both the nations would oppose protectionist measures. Welcoming recent policy announcements by India, she said now French companies would explore business opportunities in retail.

France can also help India in urban development issues like water and waste management and creating other infrastructure."We have excellent companies involved in this field," she added.

Further Sharma said that both the countries can increase cooperation in areas like energy, urbanisation, infrastructure, pharmaceuticals, food processing and life sciences.

He said that with the government liberalising FDI policy in civil aviation and retail and "now the French companies have freedom to come and work with Indian partners in multi-brand retail sector".

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Look beyond IT services
T S Vishwanath, Business Standard

14 February 2013: Services negotiations form a significant pillar in India’s negotiations at the World Trade Organisation (WTO), or with important trade partners, while negotiating a comprehensive free trade agreement.

This sector is an important component of India’s economy because services account for about 60 per cent of the gross domestic product, 40 per cent of exports, 35 per cent of employment, 20 per cent of imports and 25 per cent of total trade. However, the main demand for India in trade negotiations has remained in Mode 4 — that is, movement of professionals to provide services, especially in the information technology (IT) services segment.

However, with India’s decision to not join plurilateral negotiations at the WTO on services, many analysts in India and outside are questioning the importance of services in India’s trade strategy. Twenty one members of the WTO, called the “real friends of services”, are negotiating to deepen the services commitment for each other through negative and positive lists approach. A negative list will mean that areas not on the list would be open for liberalisation, while a positive list will only list sectors that can be opened up for liberalisation. These 21 countries hope to carry negotiations over the next few months to finalise an agreement.

While India certainly has good reasons for not joining the WTO plurilateral negotiations, a recent Indian Council for Research on International Economic Relations (ICRIER)-Asian Development Bank study on "Integrating South and East Asia: The Case of Liberalising Services between India and Thailand" provides some interesting insights on India's services competitiveness. The preliminary findings of the study done by Arpita Mukherjee and Tanu Goyal, which was presented at a Confederation of Indian Industry meeting recently, showed that India's main area of interest within the services sector remains with the IT sector. Beyond this sector, New Delhi's interests in the services arena remain limited at present.

It showed that 40 per cent of the Indian companies were present in Thailand on a project basis. Of these, 83 per cent provided computer and related services. Interestingly, 48 per cent companies get projects through agents, 14 per cent through competitive bidding, 10 per cent through joint venture partners and the remaining through their networks.

The study seeks to build a services value chain, which will work on the complementarities between India and her important trade partners in Southeast Asia, such as Thailand. The findings of the study point to the fact that South Asia has an advantage in knowledge-based services, while East Asia in infrastructure and travel services. Further, efficient trade and production networks require services market integration, which includes physical connectivity, people-to-people connectivity and institutional connectivity, making the services element in a free trade agreement critical to building synergies between the two partners.

Interestingly, growth in South Asia's share in world's services trade increased from one per cent in 1990 to four per cent in 2010. For East Asia, the share in world services export increased from eight per cent in 1990 to 12.8 percent in 2010, and share in world services import increased from 7.7 per cent in 1990 to 11.7 per cent in 2010.

With services becoming an important component in the economy, India will need to look at developing competitiveness beyond the existing strength in the IT sector, and move to demands other than Mode 4. It will need to have an aggressive position in investment in the services sector. With manufacturing accounting for a large portion of the exports from India, there is also a need to build strength in services that complement the manufacturing sector.

With India looking to grow at seven to eight per cent a year, it will be important to build strength in the services sector, such as infrastructural services, which will complement the manufacturing services.

To make the free trade negotiations more meaningful, India needs to build strength in areas such as tourism or medical services, where it can look at building services value chain across Asia, as suggested in the preliminary findings of the ICRIER study.

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Services sector needs to maintain competitive streak
Business Line (The Hindu)

New Delhi, 27 February 2013: The tempo of services-led growth of the Indian economy can be maintained only if the Government adopts a targeted approach to big ticket services, such as medical tourism, shipping and logistics, among others.

This apart, removing restrictions on foreign investment in legal and accountancy services could result in growth, the Economic Survey 2012-13 said. “Removing or easing domestic regulations can lead to dynamic gains for the Indian economy,” it said.

The Survey also recommended that foreign direct investment limits in the insurance sector and public sector banks needed to be reviewed and increased to improve the growth prospects of these sectors.

Raising Insurance FDI Cap

“By raising (FDI) cap to 49 per cent in the insurance sector, there is scope for substantial growth in the coming years. Competition and adoption of best practices could strengthen this sector, reduce the premium and expand the services to the vast untapped rural India,” it said.

On legal services, the Survey said, “Foreign service providers can neither be appointed as partners nor sign legal documents and represent clients. The Bar Council is opposed to entry of foreign lawyers/law firms in any manner.”

Indian advocates are not permitted to enter into profit-sharing arrangements with persons other than Indian advocates, it added.

The Survey expressed concern that education services, which was under the concurrent list, was bogged down by multiple controls and regulations by Central, State Governments and statutory bodies.
It said growth in India’s services exports would continue to take a hit as the global economic situation remains “less conducive”.

Services exports at $142.3 billion showed a lower growth of 14.2 per cent in 2011-12 against 29.8 per cent in the preceding year.

The services sector includes trade, hotels, transport, storage, communication, financing, insurance, realty and business services.

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No need to hike import duty: Steel Min
PTI

New Delhi, 21 February 2013: The Steel Ministry has shot down domestic manufacturers' plea for hiking import duty on the alloy, saying there is no need to initiate such an action right now as imports have not reached an alarming level.

"Where is the need to slap import duty further on imports of steel? The imports have not gone up significantly. The fear of the steel makers is unfounded," a steel ministry official said.

According to a recent sectoral report by India Ratings and Research, steel imports grew by 24.8 per cent during the January-November period of 2012 to 7 million tonne over the same period of the previous year.

The official said that given the small volume of imports, which is not more than 6-7 million tonne, any move to make them costlier might prove wrong to others who depend on steel because of limited or zero availability in the country.

"We have not requested the Finance Ministry to raise import duty on steel in our Budget proposals for the next fiscal," he said.

In the Budget 2012-13, the government enhanced basic customs duty on non-alloy, flat-rolled steel from five per cent earlier to 7.5 per cent.

Domestic steel makers have been clamouring for a rise in import duty to rein in 'dumping' of the alloy - which has gone up by at least 40 per cent in the first six months of current fiscal.

"In order to protect interests of the domestic industry, Budget needs to revisit last year's hike in excise duty and take steps to discourage dumping of products," Tata Steel's Managing Director H M Nerurkar said in his Budget wish-list.

Jindal Steel and Power's MD & CEO Ravi Uppal asked the government to take steps for discouraging dumping into India as this would destroy the potential of the domestic steel industry.

"No dumping of steel should be allowed in India. The main challenge is China. They produce 750 million tonne steel, and can easily dump it in India. If that happens, then the baby (Indian steel industry) will die in its cradle," he said.

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Govt may impose anti-dumping duty on gypsum plaster boards
PTI

New Delhi, 25 February 2013: India may impose anti-dumping duty of up to USD 73.8 per cubic metre on imports of gypsum plaster boards, except certain varieties like fire boards, from China, Indonesia, Thailand and UAE to protect domestic players.

The gypsum plaster boards are mainly used in interior construction in suspended ceiling and partition applications.

In its final findings, the Directorate General of Anti-dumping and Allied Duties (DGAD) has recommended imposition of the duty on 'Plain Gypsum Plaster Boards' originating in or exported from China, Indonesia, Thailand and UAE, the Commerce Ministry said in a notification.

The DGAD's recommendation comes on the basis of its findings that increased imports have caused "material injury" to the domestic industry, it said.

Mumbai-based Saint-Gobain Gyproc India Ltd had filed a petition for imposing anti-dumping duty on behalf of the domestic industry.

The directorate has recommended different set of duties that ranged between USD 12.3 per cubic meter and USD 73.8 per cubic meter, the notification said.

The DGAD, which is under the Commerce Ministry, in its recommendations said that the boards have been exported to India below its normal value from these nations."...the Authority is of the view that imposition of definitive Anti-dumping duty is required to offset dumping and injury," it added. The restrictive duty is recommended by the Commerce Ministry, while the Finance Ministry imposes the same.

However, it said that fire heat boards, impact boards, gypsum ceiling boards with moisture barrier, heat boards, anti-mold boards, thermal boards, gypsum ceiling boards with aluminium edges sealed in white film and ceiling tiles may escape the restrictive duty.

The country has already imposed anti-dumping duty on imports of fabric, yarn, nylon tyre cord and several chemicals.

Unlike safeguard duties, which are levied in a uniform way, anti-dumping duties vary from product to product and from country to country. Countries initiate anti-dumping probes to check if domestic industry has been hurt because of a surge in below-cost imports. As a counter-measure, they impose duties under the multilateral WTO regime.

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Decks cleared for 20% export duty on sugar
Business Line (The Hindu)

New Delhi, 28 February 2013: The Finance Minister P. Chidambaram has made a provision for imposing export duty of up to 20 per cent on raw sugar, white or refined sugar in the Union Budget. Currently, there is no duty applicable on sugar exports.

In case of imports, the Government already has a provision to increase the customs duty to up to 60 per cent to control its inflow into the country. However, the current import duty stands at 10 per cent. “The industry thinks it is a positive move towards decontrol of sugar exports and imports. We think there would no longer be a ban on exports, but the Government would regulate the exports and imports of sugar through changes in tariff. This is broadly in line with the recommendations of the Rangarajan Committee on sugar decontrol,” said Abinash Verma, Director-General of the Indian Sugar Mills Association (ISMA). The industry, faced with cheaper imports mainly from Brazil and Pakistan, has been demanding an increase in customs duty to up to 60 per cent on sugar imports. According to trade sources, about 2.2 lakh tonnes of sugar imported from Brazil has found its way into the eastern parts of the country. Also, about 10-15,000 tonnes have entered the market in Punjab from Punjab (Pakistan) through the Wagah Border. The imported sugar is cheaper by 10-15 per cent compared with domestic ex-factory prices, sources said.

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No curb on cotton exports for now, govt to keep watch
Banikinkar Pattanayak, Financial Express

New Delhi, 22 February 2013: The government is in no hurry to ban cotton exports in the year through September despite a recent spike in the registration of deals, as domestic prices are still much lower than the record levels hit in 2011, official sources said on Thursday. This could be the first year since 2009-10 when cotton exports are unlikely to witness curbs.

In fact, a late evening statement by the commerce ministry said: “The committee (of secretaries) noted that the situation with respect to cotton availability, prices and export is satisfactory and decided that the current dispensation (free trade of cotton) may continue. The committee has decided to keep a watch on the situation and meet as and when the situation warrants.”

A panel of secretaries, comprising the top bureaucrats of the departments of textiles, commerce and agriculture, reviewed cotton supplies following a massive pick-up in export registration of late, as demand from China returned just as fears about a smaller global harvest loomed. The panel met weeks after the state-run Cotton Advisory Board (CAB) had pegged exportable surplus of cotton for the marketing year through September at 8 million bales. One bale equals 170 kg.

“There is no reason to ban cotton exports as of now. Prices are still at resonable levels and way below the elevated levels witnessed in the past two year,” a senior government official told FE, corroborating the commerce ministry’s statement. “There is a slight pick-up in garment exports of late as orders from Europe have started coming in good deal. So I think textile companies shouldn't have any problems in the days to come to manage with the current price level of cotton,” said another official.

A ministerial panel had decided in November that the exportable surplus of seven million bales would be adhered to in the registration of shipment contracts during 2012-13. The panel comprised agriculture minister Sharad Pawar, fm P Chidambaram and textiles and commerce minister Anand Sharma.
India's cotton export registration has reached around 6.5 million bales this year after remaining subdued until December.

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Barcodes to track vegetable, fruit exports
Sandip Das & Kirtika Suneja, Financial Express

New Delhi, 18 February 2013: With most of the developed world following stringent quality standards while importing food products, the commerce ministry is mulling a system to monitor the exports of all fruits and vegetables. The ministry plans to put in place an end-to-end system called HortiNet for monitoring these exports by barcoding them.

The system is a web-based architecture that seeks to integrate all stakeholders, namely the farmers, state government horticulture departments, testing laboratories and exporters. “All stakeholders will upload information on HortiNet and farmers who want to export their produce, can register on it. The exported cartons will have barcodes and numbers that will allow traceability back to the farmers,” said a commerce ministry official.

Besides, the proposed system will subsume the existing systems like GrapeNet, AnarNet, TraceNet and PeanutNet, which the Agricultural and Processed Food Products Exports Development Authority (Apeda) had earlier set up.

These are internet-based residue traceability software systems used for monitoring the fresh produce exported from India to the European Union and other countries.

They help in monitoring pesticide residue, achieve product standardisation and facilitate tracing back from retail shelves to the farm of the Indian growers, through the various stages of sampling, testing, certification and packing.

While TraceNet is used for facilitating process certification for export of organic products, HortiNet will be the overarching system, comprising information on all fruits and vegetables which the country exports. Currently, India exports almost R3,000 crore of vegetables and R4,000 crore worth of fruits. “Apeda wanted the exporters to control farming to meet standards and a protocol was required for that. The system will be up and running in a few months,” the official told FE.

As per the official, the system will register all food items and linking food product information to its barcode and the programme is fully electronic — starting with registration of food items to their export.

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Balancing trade and farming
T S Vishwanath, Business Standard

27 February 2013: India's proposal on food stockpiling as part of the G33 coalition on agriculture, which includes China as well as other developing countries, is gaining momentum with the chair of agriculture negotiations at the World Trade Organisation (WTO), New Zealand Ambassador John Adank, stating that it needs to be discussed in a time-bound fashion.

The member countries of WTO are in the process of identifying some key issues for the Bali Ministerial meeting that is due end of this year. While several developed country members have been keen on moving forward on the issue of trade facilitation as part of an early harvest for the Doha Round, several developing countries, including India, have been pointing out that there is a need for some balance in the outcome at the Bali Ministerial.

The issue of widening the scope of government support to small farmers was tabled by the G33 to ensure that as the Doha Round moves forward, concerns of the developing countries on the issue of livelihood for small and marginal farmers are kept on the table for negotiations.

The G33 proposal, which has been tabled, urges the member countries to support more flexible rules for farm subsidies in WTO's "green box" - those that are exempt from any ceiling or reduction commitments on the grounds that they cause not more than minimal trade distortion.

A news report by Geneva-based Bridges said the G33 proposal calls for new rules on public stockholding for food security purposes and on domestic food aid. The proposal said if a developing country government purchases food for its stocks at administered prices in order to support "low income, resource-poor producers", it should not count this towards the aggregate measure of support (AMS) it provides. AMS is capped for each country under WTO's rules. One important area of discussion at Geneva has been on how to bring down AMS for countries, especially in the developed world.

Also, the G33 proposal said if developing country governments acquire food for domestic food aid at subsidised prices, they should not count these towards their AMS ceiling, so long as the food was "procured generally" from "low income" or "resource-poor" producers in developing countries. However, the proposal is not clear on the definition of a "resource-poor" producer.

Besides, the group proposed that several kinds of developing country farm programmes should be exempt from any ceiling on subsidies by grouping them with other "green box" programmes at WTO. Policies and services related to farmer settlement, land reform programmes, rural development, and rural livelihood security in developing countries should be among them, the Bridges report said quoting the proposal. This proposal is important for countries like India, since it will be difficult to move away from the concept of stockpiling of food grains in the near future. Not only is this issue politically sensitive, but it is also an important component of food security - which is critical for any developing country.

While the concern for arriving at a solution on trade facilitation is genuine, it will be important for the developed world to consider this proposal from the G33 to bring about a balance for the Bali Ministerial. The coming months are expected to witness some intense debate on this issue in Geneva with countries sharing their thoughts.

Senior commerce ministry officials had highlighted the importance of this proposal to WTO Director-General Pascal Lamy when he was in New Delhi recently. However, Lamy would be stepping down from his post before the Bali Ministerial, and his successor will have to work closely with the member countries to ensure that the agenda for the outcome at the Indonesian seaside resort remains balanced.

The next four or five months will be crucial at Geneva with countries jostling to get their issues on the table. But given the fact that Bali presents a good platform to move the WTO agenda forward, countries must remain practical in their expectations from the meeting.

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India needs to act fast on local content for Solar Mission
Richa Mishra & Amiti Sen, Business Line (The Hindu)

21 February 2013: The Ministries of Commerce and Industry and New and Renewable Energy are looking for an early solution that would enable use of more domestic products under the second phase of the Jawaharlal Nehru National Solar Mission without attracting more trouble at the World Trade Organisation.

Official sources told Business Line that MNRE was looking into the concerns expressed by the Commerce & Industry Ministry regarding mandating local sourcing of more products such as thin films and solar cells. The clock is ticking as the second phase of the Solar Mission is to take off from April.

"We have 30 days to respond and another 60 days to hold consultations. We would like to address the concerns raised by the Commerce Ministry," the official said.

India has already been dragged by the US to the WTO over phase I of the Mission that mandates local sourcing of the solar modules.

A cautious Commerce Ministry had expressed reservations on the draft circulated by MNRE proposing to expand local sourcing to more products under the second phase. In fact, the Commerce Ministry is peeved with the MNRE for not consulting it during phase I.

India and the US are already in consultations at the WTO over the ongoing dispute.

In fact, officials of the two Ministries have been holding meetings daily, over stance that will reflect the Government's position, official sources said.

Besides, at the WTO, it is the Commerce Ministry which will take the lead.

MNRE has defended the local content on the grounds that this was Government procurement which is allowed as India is not governed by the Government Procurement Act of the WTO.

But, the Commerce Ministry is apprehensive of questions being raised since the power ultimately will be sold to private consumers and is not limited to Government use. WTO requirement allows domestic sourcing strictly for Government use.

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India and the WTO procurement deal
Archana Jatkar & Vinitha Johnson, Business Line (The Hindu)

21 February 2013: In 2010, India attained an 'observer status' in the WTO Government Procurement Agreement (GPA). Its accession to full member status in GPA hangs in the balance. It gathered momentum with the slowdown in world trade and increase in current account deficits of several major economies.

The potential size of the market for government procurement is estimated at $1.6 trillion and the need for principles of good governance is felt all the more in these difficult economic times, making active participation of developing countries in the WTO GPA a much-sought-after initiative.

The literature on government procurement suggests two key objectives for countries anticipating accession to the WTO GPA: a) to enhance export markets as provided by GPA member countries, and b) to embrace reforms to internal market and administration so as to benefit from good governance aspects of the WTO GPA.

While a country can employ a combination of objectives, its strategy of accession to the Agreement would need to be considered on its own merits, based on an assessment of potential benefits and costs.

In the WTO GPA, commitments are made in the form of 'government entities' apart from committing certain sectors of goods, services and concession contracts. These commitments are further qualified by thresholds (value of the government purchase) above which the agreement begins to apply, and exclusions and exceptions are determined.

Market Access

Despite the touting of good governance principles of transparency and integrity, these reasons appear to pale in comparison with tangible economic reasons of "market access".

The GPA members present huge figures as indicative of potential market access opportunities. In practice, a large number of contracts granted by the Government are below the threshold value, which is out of the purview of the commitments under the WTO GPA. Further, countries maintain significant 'exceptions' and 'exclusions' for social purposes or for procurement pertaining to certain utilities, or exclude procurement by their sub-central entities.

For instance, in case of Chinese Taipei, data reveals that more than 95 per cent of total procurement contracts above threshold are awarded to domestic firms while in the EU, less than 5 per cent of the size of its total government procurement market — that is, out of €292 billion only €13 billion contracts in value terms was awarded to other GPA countries.

Furthermore, owing to the absence of the principle of non-discrimination, WTO GPA members prohibit the access of certain markets to certain other member countries unless comparable market access is dealt out.

In WTO GPA negotiations, once the size of one's government procurement market and resultant "negotiating capital" is calculated, a complex game of layering one's demands with respect to different negotiating countries comes into play. Several newer challenges are experienced, such as certain countries refusing to commit their sub-central government entities or procurement pertaining to the provision of certain utilities to the disciplines of the WTO GPA.

Countries may also offer certain restricted markets to selective countries in return for increased market access distinct from the market access available to other member countries of the WTO GPA.

India's Situation

Where does all this leave India? India may desist from joining the WTO GPA indefinitely. However, such a decision to 'abstain' from joining this agreement will not be passive anymore and will have to be taken after defending and foraging for market access opportunities elsewhere.

The following are some specific factors that India should consider while deciding its possible accession to the WTO GPA:

India remains outside an elite club which is currently formulating modalities and disciplines for participation in government procurement.

Potential Areas

The members of the club will evolve newer channels of inducing increased participation and impel exclusion of countries through increased application of "Buy Local" laws which may exempt WTO GPA countries in certain countries.

If India considers joining the agreement at a later point of time, it may encounter harsher demands from the then existing members.

The WTO GPA contains certain flexibilities for developing country members — it allows them to phase-in entry of certain entities and social exceptions can be maintained when concomitant market access opportunities are pledged.

Keeping these factors in mind, a CUTS study on government procurement has done some quantitative analyses of market access opportunities for India in GPA and non-GPA countries. It argues that other than construction services, pharmaceuticals and computer and related services offer biggest opportunities for the Indian firms.

Most of the opportunities in these sectors are expected to emerge from the EU, Japan and the US, who are members of the WTO GPA.

By calculating market access opportunities in government expenditure, our study reveals that there is a sizeable market in many major economies who are currently not members of the WTO GPA but expected to be — for instance, $1.7-trillion market in China, $ 960-billion market in Brazil.

Among those who are members of the WTO GPA, government expenditure accounts for as much as 56.2 per cent of gross domestic product in France, a market worth $1.56 trillion and as much as 42.4 per cent in the US amounting to a market of $ 6.37 trillion. These countries present opportunities for Indian suppliers to develop their competitiveness and contest for procurement contracts internationally in sectors such as information technology, pharmaceuticals, minerals, machinery and electrical equipment.

Thus, membership to the WTO GPA may not be entirely bad news for India but it is important to bear in mind that potential benefits of joining this agreement will be determined by various factors, such as India's ability to compete with other member countries, willingness of other countries to make their procurement market available to Indian firms.

Hence, it is advisable to enter this negotiation armed with pertinent information seeking to optimise value for both parties. In this regard, inputs from stakeholders in different government departments, industries, public sector undertakings are crucial, keeping in mind the value that our commitment can generate and what we expect from other GPA members.

(The authors are lawyer and policy analyst, respectively, with CUTS.)

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