INDIA'S TRADE NEWS AND VIEWS

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Incoming WTO Chief Azevedo to Set Plans For Stepping Up Bali Ministerial Preparations
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World services exports grew by 4% in the first quarter of 2013, as Europe's exports continued to recover
UNCTAD Web Release

23 July 2013: According to preliminary estimates by the WTO and UNCTAD, in the first quarter of 2013, world exports of services grew by 4%, as compared with the same quarter of the year before. The estimates keep pointing to a recovery of global services exchanges.

The drop of international trade in services in the middle of 2012 was primarily caused by weaker exports of European economies, which are now regaining strength (3% growth). Preliminary figures (balance-of-payments basis, current prices), indicate that the global increase in services trade observed thus far this year was also sustained by Asia and Oceania (5%) and Northern America (4%).

On the annual level, in 2012, world total services trade expanded by 2%, despite the dwindling of the European services exports, which cover some 45% of the global market. Developing countries, which now account for 30% of the world exports, showed a steady progress (8% rise). LDCs recorded a 4% increase in services exports last year. The figure may appear modest compared to their' performance in 2011 with 19% rise, or the growth rates observed for the LDCs before the global financial crisis, which stood at some 25%, revealing the potential of services sector for improving economic situation of these countries.

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Export sops hiked to 3% from 2%
Business Standard

New Delhi, 1 August 2013: Concerned over export contraction in May and June, the government on Wednesday announced a hike in interest subsidy to engineering goods, textiles and related segments to three per cent from the current two per cent, taking a hit of Rs 450 crore in remaining seven months of the financial year.

The higher interest benefits would be available from Thursday. This means when exporters borrow from banks, the government will pay them subsidy equivalent to three per cent of the interest payment, effectively reducing their interest burden.

The government will also clear claims of exporters on interest subvention for 2012-13, which will dent the government kitty by another Rs 1,550 crore. Announcing this, Commerce and Industry Minister Anand Sharma promised more export sops to reverse fall in outbound shipments, which are targeted to touch $325 billion (Rs 19.71 lakh crore today) in 2013-14, compared with around $300 billion last financial year.

The minister has convened a board of trade meeting on August 27, which may witness some export incentive measures being announced, including expanding interest subvention to other sectors as well as increasing the corpus of the market access initiative (MAI), market development assistance and central assistance to states for developing export infrastructure and other allied activities (ASIDE) schemes.

Interest subsidy is given to certain engineering goods, textiles, handicraft, carpets, toys, sports goods, processed agricultural products and readymade garments. "The move will help in reducing the cost of credit and adding to competitiveness of exports," said M Rafeeque Ahmed, president, Federation of Indian Export Organisations.

Sharma said the directorate general of foreign trade was identifying sectors which could be given interest subvention. The commerce department did not specify how much the exchequer would be hit by giving increased interest subvention.

The minister also announced that pending claims of exporters on interest subvention were being expeditiously cleared.

"The government is making available the required resources to clear all claims of the exporters...And the provisions are being made to ensure that claims of the all the exporters are settled forthwith", he said.

Pulled down by subdued demand overseas, India's exports declined 1.41% at $72.45 billion in the first quarter of 2012-13 against $73.49 billion in the previous year. Sharma stuck to the target of $325 billion dollars for the current year, which represents 8.12% growth over the previous year. India's exports declined 1.76% to $300.5 billion in 2012-13 against $305.96 billion a year ago.

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Small exporters seek sops for labour-intensive sectors
Business Line (The Hindu)

New Delhi, 18 July 2013: Small exporters in India have sought Prime Minister Manmohan Singh's intervention in stabilising the falling rupee and incentivising labour-intensive sectors to stimulate manufacturing and job creation.

In a letter to the Prime Minister, the Delhi Exporters Association (DEA) said the 33 per cent fall in rupee value over the past two years had hurt the country's image globally.

The exporters claimed that a volatile rupee was hampering pricing decisions and had created uncertainty. To help compete with other countries, including China, mass manufactured goods like textiles, apparels, toys, handicraft, electronics and leather should be encouraged through incentives, the communication said.

At a press conference here on Thursday, DEA President Tilak Raj Manaktala said the association had sought a meeting with the Prime Minister to discuss how exports from the small sector could be given a boost.

DEA, in its letter, also highlighted the need to bring down transaction costs for exporters, which was one of the highest in the region. It said steps should also be taken to bring down the high cost of bank finance. Small exporters also made a case for being included in the Board of Trade – a body chaired by the Commerce Minister that includes industry representatives from large companies and serves as an interface between the Government and industry.

"We wonder why there are no small-scale representatives in the Board of Trade. The body must meet monthly, to be meaningful, and not just a few times a year," the DEA said.

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Exporters mispricing goods to stash away dollars overseas
Deepshikha Sikarwar, Economic Times

New Delhi, 29 July 2013: The country's intelligence agencies have sounded an alarm over traders massively mispricing goods to stash away dollars overseas to benefit from the depreciating rupee.

This could be worsening the current account deficit by depressing inflows of dollars. "There is a fresh concern on mispricing of goods to park funds abroad," said a government official, adding the menace had stopped in the last couple of years because of the crackdown on black money.

Customs authorities, directorate of revenue intelligence and enforcement directorate are keeping a close watch.

"There are cases of exporters under invoicing to park dollars overseas while importers are over-invoicing goods to send dollars out," said another official with an agency looking into the issue.

Data does suggest something amiss as India's exports growth has suddenly turned negative in the new financial year, coinciding with the massive slide in the rupee against the dollar.

India's exports dropped 1.4% in the April-June quarter while its non-oil imports rose 5.8% in the same period, yielding a trade deficit of $ 50.2 billion, which is 19 % more than last year. Exports were down 4.6% in June. The rupee has slid nearly 10% against the dollar over this period, and the decline was arrested only after the RBI applied massive liquidity squeeze that risks undermining the economic recovery.

Globally, trade mispricing is the most commonly used method of moving illicit flows, as it is difficult to verify each transaction and its value.

A study by enforcement directorate for the Asia Pacific Group last year had highlighted how international trade denominated in terms of international currencies increases vulnerabilities of exchange rate market. It showed how letters of credit were frequently amended or extended for carrying out mispricing.

The usual practice is that exporters would declare a lower export value than the worth of goods shipped. The party receiving the goods will park the balance amount in a foreign bank for a commission. Similarly, importers would overprice the goods purchased and the extra amount remitted would be parked in a foreign bank.

Global Financial Integrity had earlier highlighted that India was among the top ten nations in terms of illicit outflows with $123 billion in outflows in the ten years to 2010.

The concern over such a practice is not restricted just to India. Apprehensive of mispricing China, in May, increased scrutiny on exporters over trade payments after its currency depreciated against dollar.
Trade, however, strongly refutes such a possibility.

"Most of the shipments are under some export neutralisation or promotional scheme and subject to customs scrutiny over valuation thus ruling out the possibility of overinvoicing or underinvoicing," said M Rafeeque Ahmed, President, FIEO.

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Doors open, but FDI inflow may be a slow train coming
Hindustan Times

New Delhi, 18 July 2013: The intended effects of stemming the rupee's slide and spurring income growth through the government's latest reforms initiative to raise foreign direct investment (FDI) caps in a range of sectors and simpler entry norms in others may take some time to kick in.

The fresh policy pronouncements, however, are likely to soothe frayed nerves of investors who fear that the government is more likely to be focussed on political risk management rather than economic revival. "The initiatives taken yesterday were very important policy initiatives in a broad direction," Planning Commission deputy chairman Montek Singh Ahluwalia told.

"But it would be wrong to regard them as a design to create a greater inflow in the short-term. This is really a continuation of the policy that India is open to FDI."

The measures are likely to boost investor sentiments in the immediate term.

“Even though in some of the sectors, allowing FDI under the automatic route will not have any impact on the inflow of FDI, but it will definitely have a positive impact on the sentiments of foreign investors,” said Dev Raj Singh, ED, tax and regulatory services, EY, a global professional services organisation. Business leaders welcomed the FDI policy overhaul, but cautioned that more needs to be done.

“Recent amendments to policies are somewhat responsible for the slump in FDI inflows. A stable policy regime is essential to attract continuous investment flows,” CII said.

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Duty structure in capital goods sector under review
Economic Times

New Delhi, 24 July 2013: The government is planning to review the inverted duty structures in the capital goods sector to increase their local manufacturing and reduce imports.

The Department of Heavy Industry will indicate those tariff lines in the capital goods sector which have substantive domestic manufacturing capacity, but have suffered due to inverted duty structures or other trade related measures.

The issue was discussed at the first meeting of the manufacturing industry promotion board (MIPB) on Tuesday. The board also deliberated on ways to strengthen the public sector industries in the capital goods sector and reviewed the progress of national manufacturing and investment zones (NIMZs). The meeting was chaired by commerce and industry minister Anand Sharma.

Inverted duty structure refers to situation where final product attracts less duty than inputs that go into manufacture of that product. This discourages local manufacturing and value addition.

The board also asked the state governments to give a status report on the development of NIMZ every month.

The department of revenue has also been asked to include the tax exemptions to the capital goods sector under the national manufacturing policy in the Direct Taxes Code (DTC).

After the meeting, Sharma said, "We had a review of the stages at which various NIMZs are. Issues which concern the states, industry, investors and the different departments were reviewed. Secretaries of economic affairs, surface transport, science and technology were present. We will have a review after three months."

Department and National Manufacturing Competiveness Council (NMCC) has been asked to outline measures to strengthen the public sector industries in the capital goods sector in the short and medium term and send their recommendations, which will be discussed in the next MIPB meeting.

The meeting was attended by secretaries of department of industrial policy and promotion (DIPP), Department of Economic Affairs, MSME, Science and Technology, and senior officials from Environment, Heavy Industry and States of Andhra Pradesh, Karnataka and Maharashtra.

Manufacturing growth fell to 1% in 2012-13 and has failed to see any pick up even in the current fiscal. The overall GDP growth sunk to a decade low of 5% last fiscal.

In the first week of July, the prime minister convened a high level meeting to discuss on boosting manufacturing in the country. It discussed on a spectrum of issues like building an indigenous mid size civilian aircraft, boosting steel production and textile exports besides the launch of pilot project on electric and hybrid for Delhi.

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India imposes new gold import curbs to ease deficit
AFP

Mumbai, 23 July 2013: India, the world's biggest gold-buying nation, has slapped fresh curbs on imports of the precious metal in a bid to curb a record current account deficit.

The Reserve Bank of India (RBI) announced late Monday at least one-fifth of every shipment of gold imported must be set aside for jewellery and other sales overseas.

Some 16 percent of India's total merchandise exports are made up of jewellery and gems.

Authorised gold importers such as banks and gold trading agencies must ensure at least 20 percent of every lot of imported gold "is exclusively made available for the purpose of export", the bank said.

Gold and oil imports are the biggest contributors to India's current account deficit, the broadest measure of trade, that hit a record 4.8 percent of gross domestic product in the financial year ending March as imports outpaced exports.

The bank's move comes after India twice hiked the import duty on bullion earlier this year to discourage gold buying.

Gold is hugely popular in India, especially during religious festivals and wedding seasons, but Finance Minister P. Chidambaram last month implored Indians to "resist the temptation to buy gold" with the rupee's value also slumping.

"India does not produce an ounce of gold. You pay in rupees, but the government has to spend dollars to buy gold," Chidambaram said.

Many Indians -- especially in rural areas where there are few banks -- also buy gold in the form of jewellery, bars and coins as a hedge against inflation which has been stubbornly high.

Ratings agencies have threatened to downgrade India's sovereign investment rating to junk status unless the government improves the nation's finances, including its current account deficit.

The restrictions on gold have led to an upsurge in smuggling with Nepal police on Wednesday seizing 35 kilograms (77 pounds) of the commodity bound for India.

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Curbs on non-essential imports will have limited impact
Kirtika Suneja & Banikinkar Pattanayak, Financial Express

New Delhi, 24 July 2013: The government's plan to curb the trade deficit by putting a lid on some to-be-identified “non-essential imports” would serve little purpose other than making the policy intent clear, analysts said. The most prominent among non-essential imports, that of gold with a 17% share in the country's total imports, has anyway been restricted with taxes and central bank regulations and there's little room here for further curbs. Importers of electronic goods, the third largest item in India's import list and which could be considered “non-essential” in some cases, are enjoying the benefit of zero import duty under the information technology agreements with several countries that cannot be revoked unilaterally. The scope for clamping down on imports is seen more in consumer goods, which include luxury items like imported cars, watches, alcohol, etc. Sources say the government's ability to make any meaningful difference in the trade deficit and, thereby, the current account deficit, by suppressing demand for these items would be limited. This is because in the overall trade value, these items don't account for a very significant share, besides the demand being largely price-inelastic.

“Gold is the prime candidate to be labelled a non-essential commodity, along with finished diamond products that are not for re-exports. But the government has already put some restrictions on its imports. However, most of our imports continue to be of essential commodities, such as crude and edible oils, coal, fertilisers, etc, and apart from precious metals, non-essential commodities constitute a negligible portion of overall imports,” said KT Chacko, former director general of foreign trade.

Chacko added that barring gold, which the government has already targetted, the plan to curb imports of other non-essential items may have some value for public consumption in the sense that the government will be seen as doing something to trim the trade deficit, but the tangible results of any such move may not be much to take note of.

Analysts said since gold imports have already dropped significantly to 31.5 tonne in June from 162 tonne in May and 142.5 tonne in April, the scope for curbing the purchases further has been significantly squeezed. Moreover, gold demand in the country has remained subdued due to government crackdown and absence of festivals and imports are expected to be around 70 tonne in the next two months, said Ashok Minawala, board member of the All India Gems and Jewellery Trade Federation.

“Other consumer durables which attract a duty of 7.5-10% may see a sharp fall if the duties are raised to anywhere between 25-40%,” said an expert adding that close to $35 billion of consumer electronics are imported into the country.

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Biden for liberalized trade regime, sets $500bn trade target with India
PTI

Mumbai, 24 July 2013: US Vice-President Joe Biden on Wednesday said New Delhi should take fresh initiatives to help remove trade barriers and inconsistencies in tax regime and this could propel annual bilateral trade to $500 billion.

He said the target was achievable if both countries made the "right choices".

Biden, however, welcomed relaxation in FDI norms in certain sectors including telecom, defence and insurance and hailed India as a "rising power".

While not setting a deadline for this massive rise in bilateral trade, which is currently driven by software services, Biden, the first US Vice-President to visit India in three decades, noted that the two-way trade grew five-fold in the last 13 years to touch $100 billion.

"Our bilateral trade has increased five-fold to touch $100 billion in the past 13 years. We see tremendous opportunity and there is no reason if our countries make the right choices trade cannot grow five fold or even more," he said delivering a lecture on "US-India Partnership" at the Bombay Stock Exchange.

Welcoming the recent relaxation in the FDI regime by the government, Biden, however, called for more such measures, saying "we still have a lot of work to do on a wide range of issues, including caps on FDI, inconsistent tax system, barriers to market access, civil nuclear cooperation, bilateral investment treaty and policies protecting innovations."

"A lot more is needed to be done to remove trade barriers" because India has "risen exponentially" over the past decade primarily due to the "bold steps" it took in 1991 towards liberalization.

The US Vice-President also said those economic reforms have helped boost the country's overall exports from USD 20 billion then to over $300 billion in FY13.

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The call of Africa
T S Vishwanath, Business Standard

18 July 2013: India Inc is discovering the potential of the African continent. Companies across sectors are looking to set shop on the continent and tap the enormous potential of a growing market for goods and services. The Indian hunger for a piece of the African pie is in line with the global trend, with several companies from across countries looking to enter Africa.

The realisation of a large market is not one sided. African companies, too, are looking to tap the large middle-class market for goods and services in India. This growing interest in bilateral trade and investment has meant that companies and governments are realising the barriers to the markets and are voicing their views at different platforms.

The World Trade Organization (WTO)'s "Fourth Global Aid For Trade Review" at Geneva last week was one such platform where there was deep interest among countries in building linkages with Africa and helping the exporters there reach out to global markets.

The Confederation of Indian Industry (CII) released a report at an event in Geneva on the sidelines of the Aid For Trade Review. The CII produced this report titled "India-Africa: South-South, Trade & Investment for Development" in collaboration with the WTO.

Sunil Munjal, Joint managing director of Hero MotoCorp and former president of CII, who released the report at Geneva is one of the recent investors in Africa. Hero recently set up a two-wheeler plant in Kenya and is looking to invest in a few more countries to tap the market completely.

The report, which is based on a survey of companies in India and Africa, brings out some pertinent issues that need to be addressed for taking the relationship forward. An important aspect that has been highlighted in the report is the point on African investment in India. Mauritius, of course, is the largest investor in India, accounting for 40 per cent of African investments in the country since most US companies have chosen that route for investments.

Some of the other large African investors include South Africa and Morocco. The report states that Morocco and South Africa have investments worth $137 million and $112 million, respectively.

Investments from South Africa have been growing at a steady pace with Tiger Brands, Airports Company South Africa & Bidvest, SABMiller, FirstRand Bank, Standard Bank, Old Mutual, Balela Leisure, Anglo-American, Sasol and Nando's Group Holdings, having made investments in the Indian market. Shoprite, the second-largest retailer in South Africa, that withdrew its India operations in 2005, is looking towards the Indian market again after the recent announcement by the Indian government to liberalise the retail sector.

Morocco has also invested in the manufacture of phosphate in India. Zuari Maroc Phosphore holds a 74 per cent stake in the earlier state-run Paradeep Phosphate Ltd.

Interestingly, the thrust on the investment side of the India-Africa relationship has, until now, focused more on enhancing Indian investments towards African destinations rather than vice versa. This may change in the years ahead since outward foreign direct investment (FDI) from African countries has been growing rapidly. Outward FDI flow from African countries has steadily grown from $1.5 billion in 2000 to $7 billion in 2010, before falling to $3.5 billion in 2011.

A substantial portion of the outward FDI is intra-African and emanates from a few countries, including Zambia, Angola, Egypt and South Africa. As African companies diversify further, they too will look towards emerging growth markets like India, the report states.

This approach in the report brings forth the view that has been expressed by the private sector that the need for engagement with Africa has to be investment for trade and not aid for trade alone. There is a growing feeling among industry circles that the best engagement strategy for Africa would be to build linkages for investment between the two sides.

But at the same time there is also a need for addressing some key concerns that have been put forward in the survey. These include access to trade finance; poor business environment; transport and logistics costs, and informal controls.

Africa certainly provides a large opportunity for Indian and global business. The CII has over the years built close linkages with the continent. The results are showing with large and medium Indian corporations building sustainable investment and trade partnerships in various African countries.

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The beachhead in East Asia
Amiti Sen, Business Line (The Hindu)

24 July 2013: The India-South Korea Comprehensive Economic Partnership Agreement (CEPA), now in its third year, was not just the first comprehensive trade deal that India signed with another nation, but an arrangement that firmly put the country on the path of greater integration with East Asia.

“It opened our eyes to how we should negotiate and what we should negotiate. Prior to the partnership, India had very little experience in the area as it had only signed a free trade agreement with Sri Lanka. It paved the way for negotiating and concluding more such agreements in the future,” said Rahul Khullar, who was Commerce Secretary when the deal was signed in August 2009.

Work on the India-South Korea trade pact in the form of a joint working group feasibility report started in 2005, within a year of the United Progressive Alliance Government coming to power. Prime Minister Manmohan Singh’s Look East policy for greater political and economic integration with East Asian countries added urgency to the whole exercise.

Apart from economic interest, increasing the country’s presence in the region was strategically important to counter China’s growing influence. Since South Korea already had substantial commercial interest here with companies such as LG and Samsung doing well, it wanted a bilateral trade and investment pact to be concluded soon.

Winning Deal

Full-fledged negotiations, therefore, were launched as early as 2006 and a team of four officials from the Commerce Department that included Khullar, Joint Secretary Dinesh Sharma and two Under Secretaries left for Seoul to carve a winning deal for India.

The work at hand was not easy as the Comprehensive Economic Partnership Agreement was to be a much broader agreement than a Free Trade Agreement going beyond goods to include services, investments and also non-trade barriers such as technical barriers to trade and sanitary and phytosanitary (SPS) measures. “Imagine our situation when we reached Seoul and found that there were 30 officials waiting to negotiate with our team of four,” recalls Khullar, who is now TRAI chairman. The four officials then decided to form four groups with eight officials each from the other side and divided the issues amongst themselves.

The negotiations gave Indian officials lessons both in aggression as well as restraint. “We realised that agriculture was a very sensitive area for the country as most Korean farmers were old and tariff protection was a sort of social protection there. Similarly, we told them of our sensitive areas. We learnt to respect red lines,” Khullar added.

The pact did not just give a boost to India’s exports to South Korea, but also generated investment-spurred exports. For instance, South Korean auto company Hyundai uses it to import auto parts and assemble them in its Chennai plants for re-export.

Increased Importance

More important, the deal helped India to establish its foothold firmly in East Asia and also the entire Asia-Pacific region.

It prompted Japan, which too was engaged in trade negotiations with India, to seal the deal within months after the South Korean deal was signed. The India-Asean FTA, too, came on the heels of the pact while the one with Malaysia was signed two years later.

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India-Asean FTA falters just before finalization over services pact
Dilasha Seth, Economic Times

New Delhi, 20 July 2013: India may not get its sought-after services pact with Asean this August because of concerns on both the sides as the details of the broad agreement finalised in December last year are worked out. Issues related to movement of professionals under mode 4 and mutual recognition of qualification in medical and education are learnt to be the main roadblocks, a person familiar with the development told ET.

India and the 10-member Asean (Association of Southeast Asian Nations) had in December finalised the much-awaited free trade agreement in services and investments. "The signing looks a bit difficult now. The negotiating team is legally scrutinising the text, where there are minor issues related to one or two services and investment," the person told ET. But a senior official in the Commerce and Industry Ministry played down the issue. "We have had two rounds of legal scrubbing and made some progress, and signing depends upon domestic procedures of all the members. So, after it is concluded and legally scrutinized, each of the member states goes through its domestic procedures and then it will be signed," he said.

The two sides have signed an agreement for trade in goods, which benefited Asean more, giving it access to India’s vast consumer market. India has a bigger stake in the services agreement, as it can help push exports to the region. The comprehensive agreement on services and goods is expected to boost trade to $100 billion by 2015.

India’s exports to Asean declined by 10.2 per cent in 2012-13 to $32 billion, while imports grew by 2.86 per cent to $43.7 billion, leaving a trade gap of about $11 billion. The pact on services will help India gain some ground. Asean’s share in India’s IT export is a mere 5 per cent, as per estimates. Countries like Malaysia and Thailand are not keen on allowing mode 4 of the services pact, which will make entry of Indian professionals easier in their countries.

Under mode 4, Indian professionals will be able to work in the Asean nations. These countries believe that it will affect their workforce with the increased presence of Indian workers, and are opposing the agreement. "These countries apparently want Indian professionals to get an additional qualification from their countries to be eligible under mode 4 movements. It makes sense for India to sign the deal only if we get mutual recognition agreement," said an expert.

For instance, to practice medicine in Thailand, a person needs a licence from the Thai Medical Council, with the council conducting its examination in Thai, which only a few foreign practitioners can clear. While in education, foreign professionals require an invitation from the education institute that will employ them and also should meet the criteria set by the ministry of education. Some Asean countries, it is learnt, have an issue with India providing subsidies in higher education, whereas they give it at full cost price, which would give Indian professionals an edge, he added.

India wants mutual recognition agreement with Asean which will enable qualifications of professional service supplies such as engineering, medical and education among others to be mutually recognised by signatory member countries. If such an agreement is not signed at the Asean level, India would have to sign MRA degrees and licence of equivalence agreements with individual Asean members, making the process more cumbersome.

Another expert who has been part of the negotiation of the goods deal with Asean, attributed the delay more to the Asean side rather than India.

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We don't need CEPA any longer: Basil Rajapaksa
Meera Srinivasan, The Hindu

Colombo, 19 July 2013: Sri Lanka will not need the Comprehensive Economic Partnership Agreement (CEPA) with India any longer, as both countries had moved on, said Economic Development Minister Basil Rajapaksa.

According to him, the Sri Lankan business community felt it did not need CEPA as they had found good markets. In any case, he said, India did not make things easy for Sri Lanka, as, on the one hand, while it seemed like India was opening up its market, there were new barriers [non-tariff], on the other.

Though CEPA has been in the works since 2005, several attempts to arrive at a consensus only proved futile. Negotiations began after a joint study group set up to explore ways of expanding bilateral trade relations and means for greater flow of investment between the two countries made its recommendations in 2003. Even after 13 rounds of negotiations until 2008, both countries could not come to an agreement. And now, the minister said Colombo felt both countries had moved on.

Suggesting that an open market offered the best alternative, Mr. Rajapaksa said: "Those days, it was a restricted economy, so we needed a special bilateral agreement."

Indian businessmen, he said, were making a mark all over the world, and in Sri Lanka, too. "They are taking over fortune 500 companies, and that means Indian businesses are growing so much. They don't need any special protection now." Similarly, Sri Lankan businessmen had also made their way into the Indian market, he said, adding there was a free flow of goods.

Dismissing the need for any broad framework for bilateral trade, Mr. Rajapaksa said Indian businessmen anyway got special concessions and tax incentives from the Board of Investment (BOI), Sri Lanka.

Hinting at CEPA now being perceived as irrelevant, he said, politicians and diplomats were clinging on to CEPA only for the sake of "its image". All the same, trade relations between India and Sri Lanka, the minister said, were "very good" at present, with bilateral trade "rapidly increasing".

He said that from a distance it might seem like the balance was tilted in India's favour, but as Economic Development Minister he did not think it was a negative factor.

"Our biggest trade partner is India, and in South Asia Sri Lanka is the biggest for India. So both ways we have to increase the amount [of trade]."

Apparel, information technology and automobile sectors offered potential for Indian investment, he said. “There is a lot of Indian investment coming into Sri Lanka,” he said, pointing to an Indian CEO forum that had been formed in Sri Lanka.

“I was surprised to see so many members. That means there are big numbers to even form a CEO forum.”

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Tea exporters likely to gain on rupee’s fall
Shobha Roy & Pratim Ranjan Bose, Business Line (The Hindu)

Kolkata, 30 July 2013: Despite tea prices in the international market ruling lower in dollar this year, exporters of Assam tea are likely to end up with a net gain this year, riding on rupee depreciation. The Indian currency has depreciated by 12 per cent since April this year. The gains may reflect in the balance sheet of exporters in the peak seasons of second and third quarter of this fiscal.

“In dollar terms, the international prices may have come down a little bit but, in rupee terms, it is not so,” said Kamal Baheti, Chief Financial Officer of McLeod Russel Ltd. Baheti, however, restricted his argument mostly to quality Assam tea in an interview to *Business Line*.

The world’s largest tea producer is targeting to increase its exports to 27 million kg from 25 million kg last fiscal.

According to him, higher production in Kenya has affected the demand for CTC tea. This apart, Egypt, which is a big tea consumer, has not been active so far this year due to civil disturbances.

Demand for CTC tea is slightly subdued. However, demand for quality tea from Assam has not been impacted. Any exports of quality tea from India should be in line with last year. Exports of orthodox tea will increase because of demand from West Asia and shipments to Iran through resumed rupee trade, Baheti said.

Interestingly, Baheti expects global tea prices to firm up during the residual part of the fiscal to end at the same level as last year, or slightly higher. The move is anticipated to be driven by recovery in Kenyan tea during the later parts of the year.

During the January-May 2013 period, tea production in Kenya was up 52 per cent at 195.1 million kg compared with 128 million kg during the same period last year.

During January-March 2013, exports were higher by 15 million kg. “Though we are yet to see the April-June figures, it is likely that the total exports will be higher during the first half of 2013,” an official with the Indian Tea Association said.

He confirmed that the despite the overall softening of global prices, quality teas are earning handsome returns.

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Ban on onion exports won't impact domestic prices
Sanjeeb Mukherjee, Business Standard

New Delhi, 24 July 2013: A section of the Department of Agriculture feels export curbs on onions would have little impact on the prices of the commodity, as the price of Indian onions is more than prices abroad and exports have shown a slowing trend.

Officials said Indian onions were priced at about $480 a tonne in the international markets, while prices of onions from Pakistan and China stood at $410 a tonne and $300-350 a tonne, respectively.

“Therefore, to expect an export ban on onions to have a major impact on domestic prices is unreasonable, as exports have already slowed because of the price differential,” said a senior official.

In June, India exported about 1,50,512 tonnes of onions, a 23 per cent fall compared to May and a 9.01 per cent fall compared to April. In the April-June period, onion exports stood at 5,11,616 tonnes, worth Rs 776.47 crore, around 1.09 per cent less than in the corresponding period last year. In 2012-13, exports stood at 1.82 million tonnes.

The official said domestic prices of onions were lucrative for traders and farmers. Therefore, the tendency to export was low. A recent report by the Nasik-based National Horticulture Research and Development Foundation (NHRDF) said the current rise in onion prices was primarily due to the slow release of stored onions by farmers, especially in Maharashtra, in anticipation of better prices in the coming days.

It added the situation would ease in the next few weeks, as farmers would be compelled to sell stored onions in the market, as losses would rise because of high humidity conditions in Maharashtra. "The arrival of the new crop from Andhra Pradesh, which will start from August, will also ease the situation," NHRDF said.

"The Ramdan season is underway in most parts of West Asia, a big market for Indian onions. Therefore, overall international demand is slack," said a trader from a leading export house.

According to the Department of Consumer Affairs, in the last month, the average retail price across the country had risen Rs 10-20 a kg. In areas such as Siliguri, Indore, Gwalior, Dehradun and Delhi, prices rose by about Rs 20 a kg in the last month.

Alarmed by the sudden and sharp rise in retail price of onions, the government is believed to have been contemplating a ban on exports as the option of increasing the Minimum Export Price (MEP) is no longer available as the method was scrapped last year.

Few days back a PTI news report quoting an unnamed government official said that the government was keeping a close watch on onion prices and was considering various options including a ban on export to control prices. Total onion production in 2012-13is expected to be 15-16 million tonnes, almost the same as last year.

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Apple growers to hold rallies against govt policies
PTI

Shimla, 28 July 2013: Himachal Kisan Sabha and Himachal Apple Growers' Association will hold rallies at several blocks protesting against alleged anti-growers policies by the state government, pushing the apple-economy into deep crisis.

The rallies which would be held on August 1 in apple growing districts of Shimla, Kinnaur, Kullu and Mandi, would also highlight issues like non-payment of dues to farmers by commission agents, fallout of allowing duty free import of apple under the South Asian Free Trade Agreement (SAFTA) and failure of the government to put in place any regulatory mechanism to save the sinking apple economy.

Addressing a press conference, Rakesh Singha, president of Apple Growers' Association said, state's investment in agriculture has been reduced and the government has no vision and perspective to meet the challenges of the trade.

Once the WTO laws come into operation from 2014, these factors would hit apple growers and production cost, which has increased between 23 an 35 per cent, would further rise and farmers with small land holdings would be worst sufferers, he cautioned.

Singha said a large number of commission agents of the unregulated markets are fleecing small and marginal growers by selling apples of less than 60 mm size at 40 per cent less than the other fruits which is illegal.

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India pips China, others in cost competitiveness in spinning
Financial Express

New Delhi, 26 July 2013: India has pipped China and other major textile suppliers in competitiveness in the capital-intensive spinning segment, a latest study said, further bolstering the notion that enhancing the share of the organised sector in textile manufacturing results in lower costs. However, senior industry executives said systemic obstacles in the form of archic labour laws, frequent power outages and other infrastructural bottlenecks outweigh the inherent cost competitiveness and prevents growth in the country's share in the global trade, senior industry executives said.

Based on an assumption that India's manufacturing cost in the spinning sector was 100 in 2012, China's was high as 138, followed by Indonesia (110), Bangladesh (104) and Pakistan (101), according to the study commissioned by the state-run Textiles Export promotion Council (TEXPROCIL). However, in the weaving and processing sector, the manufacturing cost of China stands at 111, followed by Pakistan (110), Bangladesh (87) and Indonesia (99), compared with India's 100.

This reflects the growing urgency of bringing in more players into the organised sector in the weaving and processing segment through policy intervention, the executives said. Importantly, the share of unorganised manufacturing in the yarn segment, a major beneficiary of the government's technology upgradation fund scheme (TUFS) since the latter's inception, is barely 10%, compared with 80% for garments and roughly 90% for fabrics.

In 2011, 40% of ring spinning machines installed by the textile industry were less than 10 years old, compared with 29% in 2006 and 26% in 2002. Similarly, the industry achieved 100% shuttle-less weaving capacity with less than 10-year-old machines, compared with 75% in 2002.

Moreover, the report says a weak rupee has driven up India's cost competitiveness in the export market in recent years, compared with China. Although the rupee appreciated by 5.5% during 2002-2006, it weakened by 24% between 2006 and 2012 (24 per cent), while Chinese currency appreciated against the dollar by 23.8% in the decade through 2012.

However, the report said India has to go a long way in catching up with China in the textile sector, which captured more than 35% share in global trade in 2011. In absolute terms, while China's textile and garment exports hit $248 billion in 2011, India remains a distant second at $ 29.4 billion.

"Our share in the global trade suffers because of a lack of an effective overall policy framework, which has resulted in periodic restrictions on the shipments of certain raw materials. This has prevented investors to put in their money. Moreover, labour laws and some other infrastructural obstacles are also to be blamed. So while cost competitiveness is there, we need an enabling policy environment along with infrastructural support to gain from the inherent cost competitiveness to realise the potential," said DK Nair, the secretary-general of the Confederation Of Indian Textile Industry.

Industry executives said although the study has factored in the cost of grid power, a lack of adequate availability of electricity, especially in Tamil Nadu and Andhra Pradesh, has forced textile units to seek supplies from alternative sources at a much higher cost. So the cost-competitiveness in power may not accurate, they argued. Moreover, they said although manufacturing costs in China have gone up in recent years, huge subsidies and quality infrastructure there have offset these negatives compared with India. Textile minister KS Rao said on Thursday the government is planning to increase the interest subvention for powerlooms to 6% from the current 5% under the TUFS. He said he would also request Prime Minister Manmohan Singh to be able to use the MGNREGA for the benefit of the textile sector, which will needs a tweaking of the current guidelines.

Thanks to organised manufacturing, spinners have traditionally accounted for around a half of the total committed investments under the TUFS and grabs 50% of the government's subsidy allocation. The government has catalysed investements worth Rs 111,000 crore in the textile sector in the three years through 2011-12 by offering a subsidy of Rs 9,000 crore under TUFS and expects to attract investments worth Rs 151,000 crore during the current Plan period, with a subsidy allocation of Rs 11,952 crore. The government mainly provides interest subsidy against loans to units, capital subsidy and limited cushion against exchange rate fluctuation for investing in new technology.

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Boost for Indian shrimp export from Southeast Asian malady
George Joseph, Business Standard

Kochi, 19 July 2013: The Indian shrimp export sector is likely to gain this year due to widespread damage to shrimp farms in Southeast Asia, due to a disease called Early Mortality Syndrome. Processing units in these countries will have to import to meet commitments with European and US importers.

This shift would be a big relief to the Indian sector, as it faces a serious problem in export to the European Union (EU).

Shrimp shipments from Thailand, the world's second largest exporter, could slump by half this year from the usual 350,000 tonnes because of the disease, said the Thai Shrimp Association. Supply could fall by half from the normal yearly production of 500,000 tonnes.

Thai shrimp exports to the EU in the first five months of this year were 12,548 tonnes, a drop by 38 per cent in volume and 34 per cent in value compared to the same period last year.

Anwar Hashim, a leading shrimp exporter and former president of the Seafood Exporters Association of India, told Business Standard this was a boon to our seafood export sector here. For the past two years, it has been hit by poor offtake and price reduction by EU importers.

Data from the Marine Products Export Development Authority show Southeast Asia was the largest importer of Indian seafood items in 2012-13. The region had imported 340,944 tonnes, valued at Rs 4,357 crore, which was 37 per cent of India's export and 23 per cent of the total earnings from the sector. The rise in export to this region was 24.9 per cent compared to 2011-12. Hashim forecast a sizable increase in exports to Southeast Asia this year, too. Apart from the disease referred to, demand is also rising in a number of countries in the region.

The disease has killed cultivated shrimps in several countries in Asia, where a million people depend on this type of aquaculture for their living, according to a report of the United Nations' Food & Agriculture Organization. Asia produced three million tonnes of shrimp with a value of $13.3 billion in 2011, it said.

The sector shows signs of recovery after hatcheries, farmers and governments worked to stop the disease spreading but it will take time to compensate the shortage in supply. Prominent Thai companies are considering importing of prawns and related products from Ecuador, India and Vietnam to meet local and foreign demand, according to the Thai Frozen Foods Association.

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WTO hearing on India-US poultry import dispute this week
Amiti Sen, Business Line (The Hindu)

New Delhi, 21 July 2013: India and the US are set to lock horns on the validity of import restrictions by New Delhi on poultry and poultry items from areas afflicted by the bird flu virus at the first panel hearing at the World Trade Organisation this week.

Senior officials from the Commerce Department and the Animal Husbandry Department, with a supporting team of top advocates, will give a presentation to the WTO Dispute Settlement Panel explaining why restrictions on poultry from areas afflicted with even mild strains of the avian infulenza virus were necessary to protect the country from the disease.

The decision of the panel will determine if India can continue restricting import of cheap chicken legs from the US – which poses a serious threat to the domestic poultry industry – citing bird flu fears. "Since this is the first panel hearing, we have to argue our case with conviction, as it would contribute hugely to the panels' final verdict," a Commerce Department official told *Business Line.*

The hearing on July 24-25, where both sides will present their case and answer queries, will be followed by a second hearing at the end of the year, after which the panel will give its draft report.

Once the draft report is discussed and argued by both sides, the panel will give its final judgement. The US had disputed India's decision last year for banning import of poultry and poultry products on unscientific grounds.

It had argued that the ban imposed on countries' reporting outbreaks of low pathogenic notifiable avian influenza had no basis in science and was not supported by the World Organisation for Animal Health. While there is no ban on import of chicken or poultry products from the US at the moment, there is a high risk of low-pathogen virus getting detected in one of its remote farms that would trigger the ban once again.

Because of the unpredictability of supply, Indian buyers are not willing to source US chicken despite the fact that it is available at less than half the domestic price.

According to estimates by the US poultry industry, including the National Chicken Council, National Turkey Federation and USA Poultry & Egg Export Council, the potential market in India for US poultry products is over $300 million a year.

India, on the other side, has argued that its restrictions were completely scientific and low pathogen virus also posed a serious risk.

The Animal Husbandry Department has worked on risk assessment studies for individual products to establish how the virus threatens different products at different levels.

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India asks US to tighten patent regime to curb misuse
Amiti Sen, Business Line (The Hindu)

New Delhi, 31 July 2013: Turning the tables on the US that has been criticising India for lax intellectual property rules, New Delhi has asked Washington to tighten its own laws to discourage increasing practices of ‘ever greening’ and ‘trolling’ by US drug companies which lead to wrongful profiteering and patent extension.

Commerce and Industry Minister Anand Sharma, during his recent visit to the US, took up the issue of patents misuse by US companies in his meetings with US Trade Representative Michael Froman and US Commerce Secretary Penny Pritzker.

Trolling is a process through which an individual or a company buys a patent, often from a bankrupt company, and threatens to sue other companies manufacturing a product similar to the patented one without itself manufacturing the product.

Ever-greening, on the other hand, is a process through which patent holders try to extend patents beyond its normal life by making minor changes in the product.

“The Minister stressed on the need for the US Government to strengthen patent laws in his meeting with officials. Even the US courts have given verdicts against the process of trolling,” Commerce Secretary S.R. Rao told *Business Line*.

India also said that it would not make any changes in its intellectual property regime to make it more favourable for patent users as urged by the US because it was in compliance with the global agreement on patents also known as the Trade Related Intellectual Property Rights (TRIPS).

“We said that India is already TRIPS compliant and has no intention of going TRIPS plus,” Rao said. The US industry has been complaining against India’s decision to grant a compulsory licence to Indian company Natco to manufacture an anti-cancer drug produced by patent holder Bayer as it was priced prohibitively high in the country.

The Supreme Court’s decision upholding the Indian Patent Appellate Board’s rejection of a patent application made by Swiss company Novartis on the ground that it was not a substantial improvement over its older drug for which patent protection had run out also came in for heavy criticism from multinational drug companies.

The US Trade Representative, in its special report on countries with low patent protection, has been consistently placing India in the Priority Watch List.

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US to probe India for selling steel pipe at unfairly low price
Lalit K Jha, PTI

Washington, 30 July 2013: The US Department of Commerce has opened a probe into allegations that India and eight other countries are illegally selling steel pipe at an unfairly low prices in America.

"Domestic steel pipe producers are being crippled by an onslaught of foreign competitors illegally dumping imports in the United States," Senator Sherrod Brown said, days after the Commerce Department launched a probe against South Korea, India, Vietnam, the Philippines, Saudi Arabia, Taiwan, Thailand, Turkey, and Ukraine of unfair and illegal trade practices.

Brown and Senator Rob Portman yesterday called on the US International Trade Commission (ITC) to protect domestic producers of Oil Country Tubular Goods (OCTG) from foreign competitors that use unfair and illegal trade practices.

"The International Trade Commission must commit to Ohio's workers and businesses and crack down on countries that sell their products at unfair prices. As our trade deficit widens, levelling the playing field is the only way to protect local jobs, and in the future, create them," Browne said after sending the joint letter to US ITC.

Noting that Ohio-based companies that produce Oil Country Tubular Goods (OCTG) support many good-paying jobs in the state, Portman said if the ITC does not stand up for these American manufactured goods and punish foreign companies who are flooding US our markets with unfairly imported cheap products, businesses and thousands of American workers are at risk.

"American manufactured goods must be allowed to compete with their global competitors on a level playing field," Portman said.

OCTG are used for domestic oil exploration, particularly in the shale industry, and are produced in Ohio by companies including US Steel in Lorain, Wheatland Tube Company in Warren, Vallourec Star in Youngstown, and TMK IPSCO in Brookfield.

Each is among the plaintiffs accusing South Korea, India, Vietnam, the Philippines, Saudi Arabia, Taiwan, Thailand, Turkey, and Ukraine of unfair and illegal trade practices.

The two Senators said OCTG imports from these countries have increased from 840,000 net tons in 2010 to more than 1,770,000 net tons in 2012, with the number continuing to rise.

Despite historically high level of demand for steel pipe, its domestic industry in the United States has deteriorated due to imports, which data shows, have consistently and substantially undersold the market.

This has resulted in petitions that allege dumping margins of at least 30 percent, and in most cases, significantly more, the lawmakers said.

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India not to join US-led electronics trade pact
Jochelle Mendonca & J Srikant, Economic Times

New Delhi/Mumbai, 26 July 2013: India has ruled out joining negotiations to expand a US-backed trade pact that could pave the way for consumer products such as cellphones, tablets and flat-panel TVs to be traded duty-free among member countries.

The refusal by Asia's third-largest economy to budge despite strong lobbying by the US comes amid a visit by Vice-President Joe Biden for strategic trade talks between the countries. India's pushback also comes a week after the US blamed China for the breakdown of talks to expand the 1996 Information Technology Agreement backed by the US and European Union that could cover international trade worth about $800 billion, or Rs 48 lakh crore.

"We are not in favour of joining ITA-II. The first version itself has not been very beneficial to us," said Ajay Kumar, joint secretary in the department of electronics and IT. He added that signing up in 1997 was a "mistake".

Talks among the US, EU and 20 member countries of the World Trade Organisation to expand the list of products that can be traded tariff-free stalled a few weeks ago. The negotiations are expected to restart in September.

US lawmakers and trade lobbies were hoping that Biden would be able to convince India to join the talks in September. India's demand for electronic goods is forecast at $400 billion (Rs 24 lakh crore) by 2020, by when it would be the single-largest item on the import bill. "It is puzzling to hear some in the Indian government express 'buyer's remorse' for joining the initial agreement in 1997. The ITA has played a pivotal role in building India's IT-enabled services industry by providing access to myriad innovative and affordable ICT equipment through tariff elimination," Robert Hoffman, senior vice president for government affairs at the Information Technology Industry Council, told US lawmakers at a recent hearing in the US House of Representatives.

The ITIC, which represents IBM, Microsoft, Google and other tech multinationals, was banking on the bilateral trade talks between US secretary of state John Kerry and Indian foreign minister Salman Khurshid, as well Biden's visit, to smoothen their path.

The government was seen as buckling under pressure from the US when, earlier this month, India said it has suspended implementation of the so-called Preferential Market Access policy, which was perceived as a thorn in the flesh by US technology companies.

The policy would have made it mandatory for government agencies to procure telecom equipment from domestic manufacturers, placing MNCs at a disadvantage unless they had local manufacturing facilities. Industry body US-India Business Council declined to comment on the issue.

According to experts, the main problem with ITA-1, and any possible negotiations to expand the agreement, lies with the fact that the Indian government failed to consult industry when it signed up for the pact.

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Food Security Ordinance may invoke WTO compliance issues
Nayanima Basu, Business Standard

New Delhi, 25 July 2013**:** The recently promulgated National Food Security ordinance, which aims to provide 5 kg food grains per person per month at subsidised prices under the targeted public distribution system, might be in violation of the global trading rules on agriculture under the World Trade Organization (WTO) if an attempt is made to divert subsidized food grains for export purposes.

According to trade economists and experts, even if the ordinance is aimed at giving subsidies to 67% of the people for consumption purposes, it nevertheless tantamounts to subsidies which are otherwise prohibited under the WTO norms, which is commonly known as 'trade distorting subsidies' or 'Amber Box' subsidies in trade parlance.

The situation is much more complex than it appears to be.

On one hand, even if the subsidy given under the food security ordinance is provided to consumers and not farmers, there is no mechanism to monitor such a leakage. On the other hand, India is one of the main countries in the G-33 along with other developing countries which is spearheading the proposal on food security at the WTO that seeks to legalise the so-called prohibited 'Amber Box' subsidies.

Thus it is crucial for India and other developing countries to get the agreement on food security approved at the WTO in order to continue giving such subsidies within their domestic constituencies in future also. Additionally, consensus on the G-33 proposal would not only remove the asymmetry and imbalance in the Agreement on Agriculture in respect of food security and domestic food aid in WTO, but would also provide a positive stroke for removing hunger.

"WTO rules have to respond to the emerging reality that developing countries require flexibility and policy space for addressing the food security needs of their population in a manner that is consistent with their development priorities," said Abhijit Das, head of Centre for WTO Studies, IIFT.

As far as exports of food stocks are concerned, India has never exported rice from its public stockholding. However, in certain exceptional and rare circumstances it had to export wheat.

So the problem is two-fold. There is an inherent asymmetry in WTO's Agreement on Agriculture whereby countries can provide unlimited amount of direct food aid to sections of the population in need. While on one hand, developed countries like the US have resorted to direct food aid to their population and have provided subsidies to the extent of $94 billion during 2011, on the other hand, developing countries, being cash-strapped, are unable to use the provision on direct food aid. Instead, they acquire and hold stocks of food products and subsequently release it at administered prices to the target population in need.

"Smooth implementation of the Food Security Law may be require tweaking of the WTO agricultural subsidy regime. India and several other developing countries have proposed amendments to the subsidy regime, which will ensure that we are above board. Considerable efforts would have to be put in order to ensure that the forthcoming WTO ministerial meeting in Bali is able to seal a deal on this issue," said Biswajit Dhar of New Delhi based think tank RIS.

In the aftermath of the global food crisis, developing countries have become more vulnerable than developed countries because of differences in productivity, scale and financial means to cope with problems besetting agriculture. Agricultural sectors in developed countries are equipped with advanced technologies, large financial resources and support systems to provide secure incomes to their farmers and to manage quick shifts in the market and in environmental conditions.

In contrast, many developing countries like India are not able to provide services, infrastructure and support to their small farmers or to deal effectively with volatility in agricultural markets, due to a lack of institutional and financial means.

The issue of agricultural subsidies has been one of the most contentious issues in the Doha Round of the global trade talks that started in 2001. After protracted negotiations, a draft text of outcomes was released in December, 2008. While this has not been finally approved because the Doha Round itself has been in limbo since then, there is a broad measure of consensus around the proposed outcomes.

"The problem is that because the Doha Round has not been finalised, this remains a draft proposal. In the meantime, our subsidies have been rising and could cross the permissible de-minimis levels. If that happens, it would amount to a violation of our WTO commitments and some country could possibly bring a WTO dispute against us," said a Geneva-based trade economist who refused to be identified. 'De Minimis' level means the threshold beyond which subsidies cannot be given under global trading rules. The economist said the additional requirements of implementing the Food Security ordinance are bound to further raise our subsidy levels. In case the requirements in ordinance force us to procure more from farmers and supply the food-grains at deeper subsidies to the consumers, overall subsidy levels would go up.

The G33 proposal in the WTO therefore seeks a decision on this issue in the Bali Ministerial. The US and others have raised the old bogey of India trying to sabotage progress on issues like Trade Facilitation by raking up the food security issue.

According to Manoj Pant, professor, Centre for International Trade and Development, School of International Studies, JNU, "Subsidies given under the food security ordinance is being given to consumers on which there are no restrictions and not to the farmers."

The December 2008 text on Agriculture states: "acquisition of stocks of foodstuffs by developing country members with the objective of supporting low-income or resource-poor producers shall not be required to be accounted for in the AMS (Aggregate Measurement of Support)."

While the US is completely against such a proposal, the European countries are still ready to discuss the issue and find out an amicable solution to the problem. This is because the US feels, any agreement on this issue will give unprecedented flexibilities to China as it gives much more subsidies compared to India in terms of numbers and their procurement levels are much higher.

An agreement on this proposal is extremely crucial for India as 99% of its farmers fall under the 'low-income or resource-poor' category. Moreover, Indian government is also concerned of the fact that in public procurement it is soon going to overshoot the 'de minimis' level.

The current threshold is 10% of the total value of output in agriculture that can be given as subsidy. The agriculture ministry has already said that it is concerned that the threshold could be breached in near future.

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India pins hope on Bali meet for WTO Doha Round talks to move forward
Sujay Mehdudia, The Hindu

New Delhi, 29 July 2013: Pinning hopes on the Bali Ministerial meet in December for further progress of the WTO Doha round trade negotiations, India on Monday warned that if no progress was made on the G-33 proposal of developing countries like India to deal with food security issues, the Trade Facilitation Agreement (TFA) progress could also stand stalled.

"If talks on the G-33 proposal of developing countries like India, which deals with food security issues, does not move forward at the meeting, the TFA may also not see any progress. India is looking for a possible outcome in Bali meet. Last week's development in Geneva does give us a sense of positivity. We feel that things will move. But we are also circumspect that if the G-33 proposal and some of the developmental elements do not move, then TFA also may not move," additional secretary in the Commerce Ministry, Rajeev Kher said here at a WTO function.

Under the TFA, a proposal of developed countries, WTO members are negotiating ways to facilitate trade, simplify and harmonise customs rules and reduce transactions cost.

Mr. Kher, who is also India's chief negotiator at WTO, said that although India is willing to negotiate on TFA, it has raised a few concerns over the proposed agreement as it would entail huge investments in creating infrastructure at ports and airports. "TFA is a desirable agreement. But the way it is placed on the table, it does not have all the elements the developing countries would want," he added.

He said TFA would put tremendous burden on developing countries like India in terms of requirement of human resource, finances, infrastructure and more in terms of changing laws and procedures and practices. The ninth WTO Ministerial Conference would be held in Bali from December 3 to December 6. The Ministerial Conference is the highest decision-making body of the 158-member multi-lateral Organisation, which meets at least once every two years.

The G-33 proposal, mooted by developing countries like India and China, is for food security and flexibility in their public stock holding operations for public distribution system.

Mr. Kher said that the WTO's pre-dominance in trade discourse must be upheld. "We have shown tremendous flexibility and we are dropping brackets on resolving contentious matters very significantly and on the other hand there is a very little movement in the G-33 proposal on food security and that is where the problem is," he said.

He said that the proposal was open-ended and that India was ready to negotiate flexibilities and other alternatives. He also expressed concern that if the Bali meet would not deliver anything, there may not be any Doha Round in the future as new agendas have already been emerging.

Rich nations, including the U.S., want India and other emerging economies to be part of the four major sectoral pacts — TFA, information technology, environmental goods and international services agreement. “India has said that it will not accept any agreement on IT and environmental goods as it would adversely impact the domestic industry,” he added.

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Leaving struggling WTO, Lamy tells member states to try harder
Tom Miles, Reuters

Geneva, 24 July 2013: Pascal Lamy signed off as head of the World Trade Organization on Wednesday with criticism of the way the 159 member countries try - and usually fail - to agree new trade deals.

"You must look beyond your interests and also care about this institution, both as owners but also as stakeholders that you are," he told trade ambassadors in his farewell speech.

The WTO is in crisis because it has failed to agree on how to open global trade. Talks launched in Doha in 2001 dragged on for a decade before the WTO settled on a much less ambitious programme, which it is now struggling to finalise in time for a ministerial meeting in Bali in December.

"I do believe critics have a point when they suggest that the manner in which we conduct multilateral negotiations could be improved," said Lamy, who will be succeeded by Brazil's Roberto Azevedo on September 1.

Lamy has presided over an 11 nation expansion of the WTO but China's economic rise and a global economic crisis made it harder for governments to challenge vested interests and make the concessions necessary for trade reform.

The 66-year-old former European Union trade commissioner said the WTO should follow the process used by other international organisations and let WTO staff draft trade agreements, with member states setting the initial objectives and signing off on any final decision.

"Much time could be saved," he said.

Critics of the WTO were wrong to say it was becoming irrelevant, but right to question its credibility if it could not deliver on trade reform, he said. There was "no escape" from trying to achieve the original Doha goals.

Trade experts say the lack of a WTO deal is undermining the body's role as arbiter of trade, partly because governments are forging bilateral and regional deals instead, such as an U.S.-EU pact and the U.S.-led Trans-Pacific Partnership.

As the trade rule book gets outdated, governments are also increasingly using loopholes to protect their economies, defeating the purpose of the WTO.

Lamy is often rumoured to be in line for a job in the French government of Francois Hollande. He gave no hint of his future plans, saying only: "It is time for me to embark towards another life cycle".

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Incoming WTO Chief Azevedo to Set Plans For Stepping Up Bali Ministerial Preparations
Daniel Pruzin, BNA Reporter

Geneva, 26 July 2013: Incoming World Trade Organization Director-General Roberto Azevedo will address members of the organization Sept. 9 when delegations will be informed about plans to step up preparatory work for the WTO's critical December ministerial conference in Bali, Indonesia.

In a note sent to delegations July 25, Shahid Bashir, Pakistan's WTO ambassador and chairman of the trade body's General Council, said that a special meeting of the council will be convened on Sept. 9 where the new WTO chief is expected to make a statement on his plans for the organization.

"At the end of the meeting, I intend to announce, in cooperation with the new Director-General, the intensification of our work in preparation for Bali, starting with a focus on the shape of MC9, including its outcome document," Bashir added.

WTO members "probably managed to do just enough over the past seven months to give us one final shot at a meaningful package."

Bali 'Early Harvest' Deemed Urgent

Azevedo faces the immediate challenge of helping to secure a deal in Bali on an "early harvest" package of agreements covering trade facilitation and several issues related to agriculture and concerns of least-developed countries. A deal on the package is considered a prerequisite for salvaging the stalled Doha Round of trade talks, now in their 12th year.

Lamy told the General Council July 22 that WTO members were "on track" to secure a Bali package deal, declaring that the "road to Bali is much clearer than two months ago."

Delegations took a more cautious tone. Deputy U.S. Trade Representative Michael Punke said WTO members "probably managed to do just enough over the past seven months to give us one final shot at a meaningful package" in the fall, while China's WTO ambassador Yi Xiaozhun said "we have to soberly admit that the current pace of work remains too slow to guarantee a harvest" in Bali.

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