INDIA'S TRADE NEWS AND VIEWS

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The Centre for WTO Studies was set up by the Department of Commerce, Government of India in 1999. The intent was to create an independent think tank with interest in trade in general and the WTO in particular. The Centre has been a part of the Indian Institute of Foreign Trade since November 2002. The Centre provides research and analytical support, and allied inputs to the Government for WTO and other trade negotiations. The Centre also has its own body of publications, and conducts outreach and capacity building programmes by organizing seminars, workshops, and subject specific meetings to disseminate its work, create awareness on recent trade topics and build consensus between stakeholders and policy makers.

CAD moderates to 3.6% of GDP in Q4 FY13
The Financial Express

Mumbai/New Delhi, 28 June 2013: Helped by a lower merchandise trade deficit and somewhat strong showing in software exports, India's current account deficit (CAD) moderated to $18.1 billion or 3.6% of the gross domestic product (GDP) in fourth quarter of 2012-13. Despite the record CAD of 6.7% of GDP in the previous quarter, the full-year deficit could therefore be contained at $87.8 billion or 4.8% of GDP, a bit lower than official and independent forecasts, although still a record high. With net capital flows of $89.2 billion, $3.8 billion was added to the country's forex reserves in the year after financing the CAD.

But a surge in gold imports in April and May and a flattening out of export growth (April-May growth was just 0.2%) could precipitate a higher CAD in the current quarter, analysts said. They also saw a plateauing of the growth witnessed in recent years of net invisibles — private remittances — which could put pressure on the current account for a few quarters to come even as threat of capital outflows persisted. Net portfolio capital outflows, including equity and debt flows, have been over $6.5 billion since May 22. The country might also have to face dollar outflows through repayment of its debt. Economists warned that the short-term debt stock of the country is rising and rolling over these debt is becoming more difficult as yields across global markets have been on the rise. One positive for India on the capital flows front, however, is that due to the lower-than-expected US growth data for March quarter, the Federal Reserve could now delay its pullback on bond purchases.

RBI's decision to release the better-than expected Q4 balance of payments data a day earlier than scheduled, and that too before the close of market hours, was obviously aimed at calming the exchange rate market following the rupee's fall to a fresh all-time low of 60.71/$ on Wednesday. The moderation in the CAD helped the rupee gain to 60.28/$.

Surplus in the capital account stood at $89.2 billion in 2012-13, the highest since 2007-08 when it hit a record $108 billion and much higher than $67.8 billion in 2011-12. Of the two non-debt creating inflows — FDI and portfolio equity— the former was lower in 2012-13 (net inflow of $19.8 billion) compared with the previous year ($22.1 billion) while the latter was somewhat robust at $23.3 billion. Net portfolio investment in equities had steadily increased in the year from a deficit in Q1 (negative $1.65 billion) to $9.6 billion in Q4. Net portfolio capital flows (including both equity and debt flows) in the year were higher than the Prime Minister's economic advisory council projection of $23.7 billion at $26.9 billion, and significantly above $17.2 billion in the previous year. Flows had increased marginally to $11.3 billion in January-March from $9.8 billion in the previous quarter.

Net invisibles, which includes net services exports, remittances and net investment income (which has conventionally been negative given that inbound investments surpass outflows), saw a decline to $107.5 billion in 2012-13 from $111.6 billion in 2011-12.

A 6% growth in exports and a muted growth in imports along with a $2-billion dip in gold imports to $15.8 billion helped narrow down the trade deficit to $45.6 billion in January-March. The country's exports of services remained steady at $16.96 billion while private transfers saw a marginal improvement to $15.3 billion from $15.1 billion in the previous quarter. "While it is comforting that that CAD has moderated to 3.6% of GDP in Q4 FY13 from 4.4% in Q4 FY12 and a much higher 6.7% in Q3 FY13, this moderation was due to a narrowing of trade deficit. Trade deficit has deteriorated during April-May 2013 sharply and if the decline in net invisibles in Q4 FY13 also continues, current account will remain high in Q1 FY14," said Mathew Joseph of FORE School of Economics, Delhi.

A key worry is the onerous repayment obligations with regard to trade credit. "In our view, financing the current account deficit this year will be the key challenge, as not only are there risks from lower portfolio inflows, but debt inflows such as short-term trade credit also suggest caution," said Sonal Varma, India economist at Nomura Securities.

During 2013-14, around $70 billion worth of short-term debt is due for repayment. Out of this, $21 billion is forex loans of companies and $49 billion is volatile non-resident deposits. Further, trade credit worth $86.79 billion is also due during 2013-14. Typically, a large part of the trade credit is rolled over.

Abheek Barua, chief economist at HDFC Bank, said that the notion that trade credit can be easily and is usually rolled over is now getting challenged. “I don’t think that we can assume trade credit would get rolled over. Short-term debt stock is indeed a worry,” he said. The RBI will need to keep aside 60% of its forex reserves to repay the short-term debt of the country. Forex reserves were about $290 billion last week.

In the first three months of 2013-14, the country has seen foreign fund inflows of a measly $145 million and consequently the rupee has plummeted to an all-time low. “As global liquidity tightens, large quantum of capital inflows needed to finance the CAD puts the external sector at risk and exposes the rupee to larger volatility,” said Crisil in a note.

The fall in January-March CAD could well be a brief respite until debt repayments make the path for the rupee difficult. Crisil said “The dip in CAD in Q4FY13, we believe, is temporary and CAD will rise to settle at 4.5% of GDP for FY14. Financing CAD is a bigger challenge this year. For one, global liquidity will be stretched if the US recovery continues and as Federal Reserve starts winding up its bond purchase program in 2013-end. And second, with much weaker growth prospects vis-à-vis other emerging markets, India’s attractiveness as an investment destination is waning.”

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India’s balance of payment gains may not last
Ravi Krishnan, Mint

27 June 2013: The improvement in the balance of payments seen in the March quarter is likely to be short-lived. Yes, the current account deficit narrowed in the three months ended March to 3.6% of gross domestic product, but data for the current quarter suggest that the trend might not continue.

The prime reason for the seeming improvement in March was the decline in the trade deficit. Merchandise exports grew 5.9% over a year ago and imports fell 1%, owing to a decline in non-oil, non-gold imports.

That category continues to fall, but high gold imports pushed up the trade deficit for April and May. Yes, gold imports might very well come down from June onwards because of new central bank strictures, but will exports hold up?

Exports, where growth was already weak, declined 1% in May. While a falling rupee is expected to boost exports in theory, note that the local currency is not the only one to fall. A second point here is that the fall in non-oil, non-gold imports is a reflection of the weakness in the Indian economy. Lower growth expectations will further crimp foreign portfolio flows, adding pressure on the current account deficit. The sheen of the trade deficit improvement was taken off by a 7.7% decline in invisibles income from a year ago. Software exports remained almost flat while private remittances fell by 6.3%.

Like in the past three quarters, capital flows were sufficient to finance the current account deficit, but there are clear signs of a slowdown and questions about the quality of this money. The $20.5 billion surplus in the capital account, although greater than a year ago, is the smallest in three quarters.
True, there was an improvement in foreign direct investment, but there was a decline in portfolio flows (primarily the debt component), non-resident deposits and more net repayment of loans by banks. Loans jumped by almost 3.5 times, driven not only by increasing external commercial borrowings but also a

spike in short-term trade credit. Overall loans totalled $9.2 billion, almost half the capital inflows for the quarter.

That, plus a larger outflow of investment income in the current account (up almost 18%) indicates the dangers of an increasing external debt pile, of which a quarter is short-term debt. That is all the more worrying in the current risk-off environment where rolling over of such debt might prove difficult and add to pressures on capital flows. In any case, with the US Federal Reserve indicating that it will turn off the tap soon, foreign portfolio inflows have slowed to a trickle in the current quarter.

Thus, even in the event of the current account deficit moderating a bit, the bigger challenge this financial year lies in its funding. That is the reason why the rupee remains weak.

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Exports from SEZ up by 31% to Rs 4.76 lakh cr in 2012-13
PTI

New Delhi, 28 June 2013: Exports from special economic zones (SEZs) grew by about 31% year-on-year to Rs 4.76 lakh crore during 2012-13. Shipments from these zones stood at Rs 3.65 lakh crore in 2011-12.

Out of 389 SEZs notified, 170 are operational, Export Promotion Council for EOUs and SEZs (EPCES) said in a statement. It said that these exports are helping in reduction of the widening current account deficit (CAD).

CAD, which is the difference between the outflow and inflow of foreign currency, touched a record high of 4.8% of GDP in 2012-13 on rising gold and oil imports.

During 2012-13, SEZs have attracted a total of Rs 2.36 lakh crore investment and provided direct employment opportunities to over 11 lakh people, it added.

However, it said inconsistent tax policy, especially with the introduction of minimum alternate tax (MAT) and dividend distribution tax (DDT), has discouraged investors. "If the income tax benefit is not given to SEZ developers and units, the growth of sector will remain a dream not fulfilled," it said.

The council hoped that the Finance Ministry will revisit the tax provisions related to SEZ on the back of declining Gross Domestic Product (GDP) growth and escalating CAD.

Further, it said in order to gather more investment in the zones, EPCES would organize road-shows in countries like the US, Dubai, Indonesia and Africa in the coming months.

"The objective of the road-Shows is to convey positive signals to the international investment community. During these shows, EPCES will organise conferences and buyer-seller meets," it said.

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FDI flows likely to remain subdued but India may see rise
Remya Nair, Mint

New Delhi, 26 June 2013: Foreign direct investment (FDI) flows globally are likely to remain subdued in the current year due to sluggish economic activity though India could see an uptick, according to a report by the United Nations Conference on Trade and Development (UNCTAD) released on Tuesday.

India may see 15% growth in FDI this year as changing government policies draw investors to the service and manufacturing sectors, said Nagesh Kumar, chief economist at the United Nations Economic and Social Commission for Asia and the Pacific, while releasing the *World Investment Report* for 2013. FDI in India declined 29% to $25.5 billion in 2012—it contracted 18% globally to $1.35 trillion—due to policy uncertainties and fragile economic conditions.

The report ranked India as the third most attractive destination for foreign investment behind China and the US, based on a survey of 500 global companies.

India has taken a number of steps recently to encourage foreign investment. These include opening up of multi-brand retail and removing bottlenecks hampering investment in various sectors such as aviation and infrastructure.

Another significant initiative in this respect may emerge from recommendations on FDI made by a panel headed by economic affairs secretary Arvind Mayaram.

Finance minister P. Chidambaram said higher FDI limits based on the recommendations—which cover key sectors such as defence, telecom, insurance and retail—are likely to be in place by the third week of July, once ministers have approved them.

The government's attempts to improve investor sentiment amid global economic gloom may be effective. "There is a lot of money waiting to come to India. Most of the big investors have made allocations for India but were waiting for announcement of some reform measures before putting in the money," said Mahendra Swarup, president of Indian Private Equity and Venture Capital Association. "With some of the policy reform measures announced by the government, there is some momentum."

He doesn't see polls as having much of an impact on FDI. "The upcoming general elections (scheduled to be held in 2014) are unlikely to make much of a difference given that change in governments does not see a drastic change in policies. Also, most of the foreign investors have a long-term outlook for India," he added.

The report also highlighted a shift in the investment patterns of long-term investors, with developing economies led by Asia attracting the bulk of these and exceeding flows to developed economies for the first time by $142 billion in 2012. Developing economies cornered 52% of the global FDI flows in 2012 as against 44.5% in 2011.

The report also raised concerns about the increasing use of offshore financial centres and special purpose entities as a tax evasion measure. It advocated coordinated international efforts and clear definitions of what can be considered benign use of such arrangements.

Last year also saw the most additions to investor-state dispute settlement cases. Fifty-eight new cases were added in 2012 taking the total known disputes to 514, prompting many countries to debate the advantages and disadvantages of the system.

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Sharma to take up exporters' suggestions with PM
PTI

New Delhi, 2 July 2013: Commerce and Industry Minister Anand Sharma will take up with the Prime Minister the suggestions of exporters such as providing differential rate of credit for them to boost outward shipments.

The indication for the same was given by Sharma during his meeting with members of Export Promotion Councils and industry chambers yesterday.

"Sharma assured a concerted effort to help exporters and inform them about his meeting with the Finance Minister and forthcoming meeting with the Prime Minister in which he will take up the suggestions received during this consultation," an official statement today said.

He said the differential rate of credit should be provided to exporters as interest subsidy still falls well short of global lending rates. "...it is crucial as Indian exporters in any eventuality have to deal with high transaction costs on account of infrastructure bottlenecks. He indicated that he will take it up when the meeting with Prime Ministers happens," it said.

India's exports entered the negative zone after a gap of four months, recording a contraction of 1.1 per cent in May and leading to a trade deficit of USD 20.1 billion, highest in the last seven months.

Further, acknowledging the importance of high-tech products, Sharma said the ministry would encourage export of the items. "The list is under preparation. Emphasis on value-added products will be given," said the statement quoting Sharma.

The minister has asked the export bodies to focus on SMEs which account for sizeable chunk of exports. He also sought suggestions from the industry and councils to clear bottlenecks for exporters. Sharma said the rising trade deficit has a cascading impact on current account deficit (CAD).

He also said that efforts will be made to bring down transaction cost through Electronic Data Exchange. "24x7 custom clearance at ports will be pursued in a mission mode and senior Ministry officials will visit the major ports to expedite it at the earliest," Sharma added.

In 2012-13, exports stood at US 300.2 billion, while imports touched USD 491.9 billion, leaving a deficit of USD 191 billion.

"Sharma cited weakening global demands along with developments like mining restrictions in Goa and Karnataka, and unprecedented rise in gold import as the major contributors," the statement added.

During the meeting, exporters demanded expansion of incentive schemes.

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Short-term joy for exporters, long-term pain for importers
Business Line (The Hindu)

New Delhi, 20 June 2013: The falling rupee is good news for exporters in the short run as they get more for every dollar earned despite some hedging by large businesses. However, the high volatility in the currency is affecting business decision making, say exporters. “The situation is so volatile that exporters have not been able to finalise their future orders,” says Ajay Sahai, Director-General of the Federation of Indian Export Organisations (FIEO).

Some exporters also complain about buyers asking for discounts every time the rupee falls. “Importers have been asking for discounts. Volatility coupled with speculation will impact business sentiment,” says Apparel Export Promotion Council Chairman A. Sakthivel.

The Commerce Ministry, however, has no plans to play an active role in nudging the Reserve Bank of India to intervene. “As far as we are concerned, our exporters are largely benefiting from the devaluation,” an official from the ministry told *Business Line*.

Small exporters reap the maximum benefits when the rupee falls. However, they are the ones who are hit hardest when the currency rises.

Speaking to reporters earlier this week, Commerce Secretary S.R. Rao said: “Most contracts for exports and imports take place over a three-six month period. The fluctuating rupee is not good (for) business.” Exporters agree but don’t seem to mind as long as the general direction of the rupee movement is southwards.

The rupee has made imports dearer and is adding to the strain in the current account.

Although the rise in prices of imported inputs is more than compensated by gains made in exporting the final product, the country’s trade account takes a hit every time the rupee depreciates as the rising cost of crude imports widens the deficit.

“Every Re 1 depreciation increases the crude cost by Rs 400 crore per month and by Rs 5,000 crore annually,” says P.K. Goyal, Director (Finance), Indian Oil.

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Pakistan to follow investor-friendly policy towards India: Nawaz
Sujay Mehdudia, The Hindu

New Delhi, 1 July 2013: Asserting that his government was committed to following investor-friendly policies towards India, Pakistan Prime Minister, Nawaz Sharif has asked the Water and Power Minister, Khawaja Muhammad Asif to undertake a visit to India and explore the potential areas of joint economic cooperation between the two nations.

An assurance to this effect was given by the Prime Minister to the India-Pakistan Joint Business Council delegation that met him on June 29 after their first ever meeting in Islamabad. Mr. Sharif told the delegation that he had been pursuing a policy of friendship and cooperation with India during its previous stints in power and the same policy of amity would be followed to promote peace and prosperity in the region. He said it has always been his endeavour to bring the people of the two South Asian countries closer to each other, so that they could benefit from each other’s experiences. “It is reassuring that both sides are sitting together and talking to each other,’’ the Pakistan Prime Minister told the delegation. Mr. Sharif said, to take this dialogue and cooperation forward, Mr. Asif would be soon visiting India and explore potential areas of cooperation between the two nations. “Pakistan is faced with acute power shortage and any assistance in the power sector would help us in addressing the issue,’’ he told the Indian delegation headed by S.K. Munjal of the Hero Group and Vikramjit Singh Sahney of Sun Group. Both sides discussed opportunities for cooperation in the field of medical science, higher education and technical/vocational training.

Both sides also decided to draw up a roadmap to address the various issues and concerns including hurdles and work out the best possible solutions to give a fillip to trade and business on both sides of the borders. In fact, it is learnt that the Indian delegation reassured the Pakistan establishment, that opening up of the borders including land route for trade would not lead to flooding of markets with Indian goods as India was willing to lower the tariff lines for Pakistan goods within four months of an agreement and could wait for the same from Pakistan side for five years.

The issue of grant of Most Favoured Nation (MFN) also came up for discussion where the Indian side was of the view that MFN was a commitment made by Pakistan and it should now fast track this process. Pakistan had committed to provide MFN status to India by December 2012 but due to internal pressure and elections in Pakistan, the issue was put in the backburner. Both sides decided to set up various task forces to work out critical issues and trade matters and then put the same before the two governments for quick resolution and implementation.

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GDP to go up by 1.5% if trade with India normalized: Experts
The Pak Banker

Islamabad, 2 July 2013: The Gross Domestic Product (GDP) of Pakistan could be at least 1.5% higher than the expected growth by 2014-15 if trade with India is fully normalized, trade experts said here Tuesday.

They were speaking at seminar titled "Pakistan-India Trade Normalization" organized by the Ministry of Commerce. This was a first one of a series of seminars to engage stakeholders in dialogue on the way forward for trade normalization with India.

The normalization of trade with neighboring country could create approximately 169,000 jobs besides saving Rs.70 billion annually on purchase of goods.

Addressing the participants, Secretary Commerce, Qasim Niaz said that regional trade was very important to spur development and growth.

He said that there are several examples of successful regional trade that led to development in European countries, South America and East Asia, so promotion of regional trade in South Asia would bring good fruits also.

He said that efforts were made in past to rationalize trade, however these could not materialize the full trade potential between two major economies of Asia, however added that paradigm shift was made in April 2011 by moving from positive to negative list of trade.

He expressed the hope that experts of the seminar would come up with concrete recommendations for the development of trade between both the countries.

Speaking on the occasion, Pakistan's former Ambassador to the World Trade Organization (WTO) and renowned economist Dr. Manzoor Ahmed identified five essential steps to normalize trade with India.

He said that granting Most Favoured Nation (MFN) status to India or eliminating negative list, opening new land routes, developing infrastructure and border stations, enhancing trade facilitation and building capacity of National Tariff Commissions were the major steps to normalize trade between the two countries.

With the help of trade data of last three years, he explained how the process of normalization of trade had greatly benefitted the economy of Pakistan.

He said that Pakistan's exports through Wagah had gone up from almost zero in 2009-10 to Rs.15.9 billion in 2012-13.

Similarly, the revenue collected has increased from just Rs.3 million in 2007-08 to almost Rs.3 billion.

He said that these are exceptional growths that Pakistan has not achieved with any other country adding if it wants to achieve higher growth, the trade normalization with India would be the best route.

During the seminar, the organizers disseminated a set of research conducted by the Institute of Public Policy (IPP) of the Beconhouse National University on the dynamics and impact of liberalization trade between Pakistan and India.

The research was led by renowned economist Dr. Hafiz Pasha.

According to the research, conservative estimates indicate that the opening of trade with India will predominantly benefit Pakistan and could increase GDP by at least 1.5% in 2014-15 over the growth estimates.

It also indicates that normalized trade with India could create approximately 169,000 jobs over a three-year period and the estimated gain for consumers in terms of lower cost of goods purchased could be at least Rs.70 billion) per year.

According to the research, benefits would accrue as Pakistan is able to substitute more costly imports from current import destinations with less costly imports from India.

Cheaper imports of intermediary goods that are used by Pakistan's local production sectors will not only help in reducing inflationary pressure in the country, but will also help make Pakistani exports more competitive globally and thus contribute to an increase in Pakistan's exports overall.

Joint Secretary Ministry of Commerce, Robina Ather and Former President Rawalpindi Chamber of Commerce (RCCI), Kashif Shabbir also addressed the gathering and highlighted the importance of liberalizing trade with India.

They described Non-Tariff Barriers (NTBs) as impediment in bilateral trade between both the countries and said that there is need to work for alleviating these barriers to take benefit of bilateral trade.

They were of the view that only regional trade can guarantee future development as only those countries of the world made progress which engaged themselves in regional trade.

On the occasion, the participants concluded that both the countries should implement customs agreement to simplify customs procedures and furthermore both the countries should establish bank branches to facilitate traders.

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Adressing mutual concerns can ensure ‘win-win’ on trade: Kerry
The Indian Express

New Delhi, 25 June 2013: The United States on Monday asked India to remove trade barriers to deepen economic cooperation between the two nations, while India raised concerns over visa problems faced by its information technology companies.

India assured the visiting US Secretary of State John Kerry that it would look into the issue of "trade barriers", and that both the sides would need to take into account each-other's concerns to reach a "win-win situation" on trade ties.

Kerry is visiting New Delhi to continue the Strategic Dialogue process between the US and India.
"We have issues on trade barriers front and we have been reassured that the Indian government will look into it," Kerry said at his joint press conference with Minister of External Affairs Salman Khurshid.

Khurshid said: "We have brought to the Secretary's notice (visa issue) and he has promised he will do whatever he can. Both sides have to factor in concerns of both sides to create a win-win situation in trade ties."

Prior to his visit, US companies and lawmakers had urged Kerry to talk tough on policies regarding India's rejection of patent suits against domestic pharma companies manufacturing generic drugs that are sold at substantially lower prices than what multinational companies charge.

Since 2008, India and the US have been engaged in bilateral investment treaty negotiations and the last round was held in June 2012. And the US Secretary of State has once again reiterated their desire to push for the treaty.

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India pushes back against US industry's charges
Indira Kannan, Business Standard

21 June 2013: Just ahead of the next round of the strategic dialogue with the United States, the Indian government is pushing back against allegations from American industry groups that it engages in discriminatory trade practices and does not respect global intellectual property (IP) standards.

The Indian embassy in Washington, DC, said in a statement on Wednesday that India was fully committed to protecting intellectual property. "India has a complete eco-system supporting a well-settled, stable and robust intellectual property regime. Its three main pillars are comprehensive laws, detailed rules to back them up, and strong enforcement mechanisms, including for dispute resolution," the embassy said.

American industry groups representing several major sectors of the US economy, including biotech, pharma, technology products and motion pictures, launched the Alliance for Fair Trade with India (AFTI) on June 18, calling on US President Barack Obama to engage the Indian government in talks to end what they described as India's unfair trade practices against US manufactured exports and innovative products. They have urged US Secretary of State John Kerry to bring up their complaint at the Strategic Dialogue in New Delhi next week.

The AFTI is co-chaired by the National Association of Manufacturers and the US Chamber of Commerce's Global Intellectual Property Center (GIPC). In a January 2013 report comparing IP systems worldwide, GIPC alleged India consistently ranked last, behind Brazil, China and Russia, in promotion and enforcement of patents, copyrights and trademarks. "From unprecedented patent revocations and denials to insufficient copyright enforcement, India has established itself as an outlier in the global economy," said Mark Elliott, GIPC's executive vice-president.

On Wednesday, the Indian embassy in Washington described the Indian Patents Act as one of the most comprehensive acts and asserted it was rigorously enforced. It noted that American nationals and corporations had received the highest share of all patents granted in India. "India granted 4,064 patents for pharmaceutical inventions during the period from January 1, 2005, to December 31, 2011, and more than 85 per cent were owned by foreign companies in India. This trend shows that the provisions of the Indian Patents Act related to pharmaceutical products are fair and unbiased," the embassy said.

The Indian Supreme Court's ruling against Swiss drugmaker Novartis in denying patent protection to its anti-cancer drug Glivec earlier this year had been sharply criticised by the American pharmaceutical industry. AFTI has also alleged that "administrative and court rulings in India have repeatedly ignored internationally recognised rights, imposing restrictions on medical devices and denying or revoking patents for nearly a dozen lifesaving medications".

The Indian government defended its provisions for compulsory licensing of pharmaceutical products, saying they were in accordance with the global TRIPS agreement. An Indian embassy official pointed out that more than 35 compulsory licences had been issued by 15 countries, whereas India has issued only one.

AFTI says immediate action is needed to fix the growing bilateral trade relationship, which crossed $60 billion last year. Industry groups also complained to Obama that the Indian government had recently demanded 100 per cent of its market for certain infotech and clean energy equipment had to be met by local production.

A bipartisan group of members from the US House of Representatives has also written to President Obama on this issue. In a letter dated June 18, 169 lawmakers from the Democratic and Republican parties singled out problems related to what they called the increasingly challenging IP climate in India. Warning that India was a "thought leader among emerging countries" and that others were already emulating India's IP policies, the lawmakers said, "The US government must send a strong signal to the Indian government that these actions are inconsistent with India's international obligations." Signatories to the letter include members of the India Caucus in the House of Representatives.

Meanwhile, on Wednesday, the US Senate confirmed Michael Froman, a senior economic advisor to President Obama, as the next US Trade Representative, succeeding Ron Kirk.

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New U.S. trade chief focused on India, striking deals
Doug Palmer, Reuters

Washington, 21 June 2013 - New U.S. Trade Representative Michael Froman on Friday said he expected growing trade problems with India to be a major early focus of his tenure, but stopped short of saying the United States should cut off benefits for that country.

"We have a number of concerns about the investment and innovation environment in India," Froman said in a wide-ranging interview shortly after being sworn into office. "It's something that we're very focused on."

Other top priorities are completing trade deals with 11 countries in the fast-growing Asia-Pacific region and with the European Union, and ensuring that countries live up to their existing trade obligations, he said.

Froman, who won Senate approval on Wednesday by a vote of 93-4, said he agreed with Senator Elizabeth Warren that the public should have a better understanding of the issues that countries negotiate in trade agreements.

"We'll take a look at a number of ideas and proposals that people have about how to improve transparency. But we also want to make sure that we can negotiate a deal that is in the best interests of American workers, farmers and ranchers," he said.

Warren's concern that trade talks are overly secretive prompted the Massachusetts Democrat to vote against Froman, even though she is an ally of President Barack Obama on many other issues.

Angst Over India

Members of Congress and business groups have urged the Obama administration to take a tougher line on India's trade policies, including its use of compulsory licenses to suspend patents on U.S. drugs, barriers to U.S. agricultural exports, restrictions on foreign investment and local content policies that discriminate against foreign goods.

Froman, who until recently was Obama's chief international economic affairs adviser, said he expected to raise the issues next month in Washington at a U.S.-India CEO Summit, and potentially in a future meeting of the U.S.-India Trade Policy Forum, which has not met since 2010.

Some lawmakers have suggested removing India from Washington's Generalized System of Preferences program, which helps developing countries export goods to the United States.

Froman treaded carefully on that question, noting that many U.S. companies also benefited from the program, since it lowered their production costs by waiving duties on imports.

"We need to take a careful look at that ... This is something we want to work with Congress on," he said.

Busy Negotiating Agenda

Froman, whose friendship with Obama goes back to their days together at Harvard Law School, takes over the top trade post at one of its busiest times in recent years.

The United States hopes to wrap up trade talks with Japan and 10 other countries in the Asia-Pacific region by the end of the year, and will hold the first round of talks on a proposed U.S.-EU agreement the week of July 8.

"It's a very full agenda that all revolves around creating jobs in the United States," Froman said.

Finishing talks on the proposed Trans-Pacific Partnership, or TPP, by December 31 is "an ambitious timetable, but that is the objective we have set out," he said.

One of the TPP countries, Vietnam, complained this week that the United States was continuing to shield the U.S. textile industry from substantial market openings while making tough demands on other participants in the talks.

"All I would say is this is intended to be a comprehensive, high-standard agreement, which means there will be hard steps for every country to take," Froman said.

"With regard to textiles in particular, we want to make sure we balance the interests of our domestic producers, importers and consumers appropriately," he said.

In its separate talks with the EU, the United States is pushing for "the broadest, most comprehensive agreement we can get," despite France's insistence on excluding cultural industries from the negotiations, Froman said.

"There are sensitivities on both sides that will have to be addressed in the agreement."

When asked if the pact would make it easier for U.S. farmers to sell genetically modified crops in Europe, Froman said: "We think the prospect of a broad and comprehensive agreement gives us our best opportunity for achieving something that has eluded us before."

He repeated his intention to work with lawmakers to pass a "trade promotion authority" bill, which would allow the White House to submit trade agreements to Congress for an up-or-down vote without amendments.

Many lawmakers want the bill to include a provision requiring the administration to negotiate rules against currency manipulation in trade pacts. Asked about that, Froman said that was an issue that needed to be worked out during discussions.

Chinese Investment

Froman declined to comment on concerns raised by several senators about Shuanghui International's proposed $4.1 billion purchase of Smithfield Foods, which would be the biggest Chinese takeover of a U.S. company to date.

Those lawmakers have argued that the tie-up poses a potential threat to both U.S. food security and food safety, and they want the administration to consider those issues before deciding whether to sign off on the deal.

"I would only say as a general matter the U.S. is open to foreign investment provided it meets our overall statutory standard," he said.

On another matter, Froman said he expected a decision on whether to suspend Bangladesh from the U.S. Generalized System of Preferences by the end of June, following recent tragedies, including a factory fire that killed more than 100 people, that have raised concerns about working conditions in the Asian nation's garment sector.

Most of Bangladesh's garment exports to the United States do not receive duty-free treatment under GSP, so suspending it from the program would be a mostly symbolic move.

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Asean services and investment agreement gets govt push
Huma Siddiqui, The Financial Express

New Delhi, 4 July 2013: Even as the government pushes for a ratification of the Asean-India Trade in Services and Investment Agreement, a high-level meeting of legal scrubbing is scheduled to take place in the Capital later this month. A senior government official told FE, ‘‘Asean member states are finalising the dates for meetings during this month.’’

External affairs minister Salman Khurshid, addressing the 11th Asean-India foreign ministers’ meeting in Bandar Seri Begawan, Brunei, said, ‘‘FTA on trade in goods signed in 2009 helped us meet our trade target of $70 billion ahead of time, when the trade turnover in 2012 reached $80 billion. But the more recent trend of a relative decline in Asean-India trade during 2012-13, though minor, should serve as a wake-up call’’.

Khurshid pushed for ratification of the agreement, negotiations for which ended last December. Khurshid hoped for an early signature on the agreements before heads of both the countries meet again in three months. ‘‘This is also essential for achieving our trade target of $100 billion by 2015.”

The signing is expected to take place in August during a consultation between Asean economic ministers and commerce and industry minister Anand Sharma’s visit to Brunei in August 23-24.

Asean members have offered very little in terms of increased market access in services to India, especially when compared to what they have given to other partners like Australia and New Zealand. The 10 countries have been very conservative in their offers on allowing more access under Mode 4 to professionals, keeping the IT sector out of the agreement. Asean has offered longer visa permits and other qualification relaxations to professionals from Australia and New Zealand, which go beyond the commitments made at the World Trade Organisation, but have refused to give similar concessions to India.

Indian negotiators will now try to seal whatever little gains that they have been able to make in select services by putting in place timelines in the final schedules.

“We will try to fix a date for finalisation of mutual recognition agreements in various categories so that our professional qualifications get easy recognition in the Asean countries,” the official said, adding that they would try to make similar manoeuvre in other areas.

‘‘With the implementation of these two agreements, the manufacturers, traders, service providers and investors of India and the Asean member will be able to realize the full potential of comprehensive economic partnership between India and Asean and take the economic cooperation between the two sides to a higher level,’’ sources added.

After operationalising FTA in goods in 2011, both sides were engaged in widening the base of the pact by including services and investments.

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Fading trade timelines
T S Vishwanath, Business Standard

4 July 2013**:** The timelines for a possible India-Europe bilateral trade and investment agreement are getting tight with both sides supposedly failing to close the deal on some critical issues. While this could risk hurting several years of negotiations that have been undertaken by both sides, it is also important to note that the final deal should be based on a clear win-win for both partners.

First, it is important to note that an agreement can be beneficial for both sides if it is balanced and addresses the sensitivities that have been highlighted by the two partners. But time is of essence and the 28-nation European Union (EU) and India should now look at arriving at a consensus on issues by the end of July, if an agreement has to be signed. Once the negotiators finish their negotiations the two sides may require some time to complete the legal document and then clearances would be needed which could take time. The EU would take longer to get clearances, as its processes take more time. A delay in completing the negotiations soon could possibly mean that an agreement, if at all, would be put off by about a year or two.

The year-long hiatus would be prompted by the fact that elections in India are expected to be held in the middle of next year and by the time a new government takes charge it would be time for the current European Commission to pack up. Therefore, negotiations can begin again, if at all, only in early 2015.

The EU is India's largest trade partner and a trade deal can be beneficial for both sides. Negotiators surely know this. But what seems to be holding back the deal is the level of ambition that some sectors are hoping to achieve.

An important area of divergence seems to be in the auto sector. Various reports seem to suggest that the EU is keen on getting a zero-duty offer from India in this sector. Certainly, that does not seem achievable. But then it is important to recognise that the stand taken by the Indian auto sector also provides no flexibility to our negotiators. The EU will need to realise that even a slight opening, if achieved, can be a good starting point for future discussions.

Given the current state of play, some sectors in India need to take a more proactive role if they wish to see a conclusion to a bilateral free trade agreement (FTA). Some of the obvious gainers in India from such a deal include the information technology sector and the textiles and clothing sector. Interestingly, one does not see much of a public stand by either of these sectors in advocating an early conclusion towards a deal.

The current deadlock, therefore, provide us with some pointers to help make such trade agreements far more effective and worthwhile for the government and the industry.

First, the industry needs to play a far more proactive role during such negotiations. This is especially for sectors, that stand to gain from FTAs. Their role should not be limited to back-room lobbying but a more public positioning of their support for a deal. This will help build public opinion in favour of FTAs. As of now, public positioning by the industry for an agreement is more focussed on the negative impact rather than about the opportunities that such deals would provide. This vitiates the environment for any FTA.

Second, the industry needs to start track two with counterparts in the other country/countries, as soon as official negotiations begin to ensure that the feedback to negotiators is based on a better understanding of the industry position on the other side.

Third, the industry should desist from adopting a "one-size-fits-all" approach with all trade partners. This seems to be a case in some sectors, that have taken a defensive view for nearly all the FTA negotiations.

Fourth, foreign investors in India need to play a more active role in providing inputs to the government when such negotiations take place. Such FTAs can help develop global value chains and multinational companies in India that have not advocated such a view, as yet. Taking this thought forward, Indian companies, too, should look at these agreements as stepping stones to build value chains across countries.

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India, Thailand could end FTA suspense in Oct
Huma Siddiqui, The Financial Express

New Delhi, 4 July 2013: The next round of negotiations for India-Thailand FTA will take place on July 10-12. Both sides are yet to give their approval on the text of sanitary and phytosanitary measures (SPS), a WTO agreement on how governments can ensure food safety, animal and plant health.

‘‘The prime ministers of India and Thailand have set a target to complete negotiations on the Comprehensive Free Trade Agreement (FTA) by October, which is achievable if both sides agree on the SPS text and technical barriers to trade,’’ India's ambassador to Thailand Anil Wadhwa said.

During a recent visit by Prime Minister Manmohan Singh to Thailand, the FTA issue was taken up for discussion. The leaders of the two countries called for an acceleration in negotiations to conclude the trade agreement. They have already held 26 rounds of talks, with the last one taking place in New Delhi in November.

The comprehensive FTA covers goods, services and investment, as well as issues of technical barriers to trade, investment, sanitary and related items.

On investment, India does not need to negotiate much since it already signed the Asean-India FTA. ‘‘For the India-Thailand FTA, we can borrow the provisions relating to investment from there. On the services sector, both countries have strong interests as we require more liberalisation and freer flow of professional workers who can go to work in each other’s country,’’ said officials. ‘‘This will prepare ourselves well for the Asean Economic Community in 2015.’’

Asean leaders are aiming to create an economic community by 2015, but achieving the target requires cooperation and coordination among the ten member economies.

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Too many FTAs, too few benefits?
Nayanima Basu, Business Standard

New Delhi, 22 June 2013: India tops the list of countries that are signing free trade agreements (FTAs) with partner countries in order to gain preferential market access for its goods and services. But gradually as the results come in, it appears that the purpose of these agreements is only partially being met. While imports from these countries and regions have increased sharply, India's exports have stagnated. So, while consumers have benefitted from the FTAs, the Indian manufacturing sector has failed to take advantage.

The rising trade imbalance can be seen in two ways: one, these so-called "free" trade agreements have led to the dumping of goods into India, thereby threatening the livelihood of millions, which is a concern for all developing countries; and two, India is simply a huge market with an insatiable appetite for imported goods.

Whatever the viewpoint, the question remains: what is the relevance of these FTAs which India had been signing or negotiating at a blistering pace for past few years? Since 2009 India has signed large-scale bilateral deals encompassing all sectors with Japan, Korea, Malaysia and the Association of Southeast Asian Nations (ASEAN), to name a few. Meanwhile, it has also initiated similar deals with Canada, Australia, European Union, New Zealand, Africa, Chile and Israel, among others. According to some critics, this has resulted in huge trade distortions rather than a "spaghetti bowl" of benefits.

One of the reasons why India embarked upon this journey was the decreasing relevance of the Doha round of global trade talks under the World Trade Organisation (WTO) where the developing countries were not able to clinch favourable deals with the developed ones; so regional or such bilateral arrangements probably seemed a more comfortable route. But it seems today that the government's strategy has sort of boomeranged.

As of now, India has clinched 15 such trade agreements with various countries and regions and a similar number of agreements are in the pipeline. However, if one looks at the export numbers, the situation looks grim. In 2012-13 the country's total exports stood at $300.60 billion, down 1.76 per cent from 2011-12. In 2011, India's trade in goods with its FTA partners was about 39 per cent of the total trade. This figure has not registered much change since 2006, according to CUTS, a Jaipur based think-tank.

According to experts, the problem lies with India's uncompetitive (read inefficient) manufacturing sector, thanks to which India has not been able to achieve any gain compared to its partner countries. "Our manufacturing sector has failed to raise its level of efficiency in order to compete in the markets of our partner countries, though one could argue that the enterprises operating in India are too focused on the domestic market that they have not felt the need to export in order to remain in business," says Biswajit Dhar, director general, Research and Information System for Developing Countries.

For example, in 2011 India signed an ambitious bilateral Comprehensive Economic Partnership Agreement (CEPA) with Japan. India's trade deficit with Japan was at $3.6 billion in 2010-11 before the CEPA was implemented and it almost doubled in 2012-13 to $6.3 billion. Exports from India to Japan in 2012-2013 stood at $6.10 billion, down from $6.33 billion in 2011-12. Recently, Union Commerce and Industry Minister Anand Sharma raised concerns of the rising trade deficit with Japanese Foreign Minister Fumio Kishida. This is just one of the several examples where such a scenario can be seen. Trade data obtained from UN Comtrade suggests that India's exports to most of its FTA partners decreased in 2012. However, it needs to be kept in mind that most countries have seen exports under pressure because of the slowdown in world trade, crisis in the Euro Zone and uncertainty in West Asia.

Opportunities for enhancing India's exports are definitely there in these markets but there are challenges as well. India is facing tough competition from China, Japan and Korea in accessing the markets. These countries are very strong in manufacturing. On the contrary, Indian manufacturing has not been doing well in recent past, according to a Confederation of Indian Industry paper. The recently announced National Manufacturing Policy (NMP) promises to create 100 million more jobs and contribute 25 per cent to the country's GDP in a decade, up from around 15 per cent at present.

It is hoped that this change in policy will change the fate of manufacturing in India and turn around the overall economy, the paper said. According to Jayant Menon, lead economist (trade and regional cooperation), Office of Regional Economic Integration, Asian Development Bank, while the manufacturing sector needs to be developed, domestic reforms need to be brought about in terms of a complete overhaul of the country's infrastructure.

"Today it takes more time to transport goods from Tamil Nadu to Kerala than from Tamil Nadu to Korea," says Menon who also feels that like any other developing country, India is also seeing a growing appetite for imported goods. He adds, "India and China are the fastest growing markets in the world; so countries that are facing a severe downturn would surely like to take advantage of these rapidly growing markets teeming with consumers. But we have to keep in mind that FTAs cannot be a substitute to domestic reforms." Says Bipul Chatterjee of CUTS: "We are unable to export because we are unable to manufacture. It is as simple as that. We have to take a closer look at the negotiating strategy before sitting for negotiations. We should do some significant assessment of the complementarities before starting the talks for having a deal. A proper homework is lacking."

Recently, there had been some sharp criticism over the ongoing talks for a bilateral trade and investment agreement between India and the European Union (EU) since it covers a wide range of subjects including goods, services, investment, government procurement and intellectual property rights. The criticism got aggravated because of the government's adamancy of not sharing the main talking points, which has roused public sentiments. Adding fuel to the fire, leaked documents of draft negotiating texts reached the hands of several NGOs and lobby groups.

Interestingly, there is also a geopolitical angle to it, which cannot be ignored. It has been observed that economic ties can lead to healthy political ties. This can be seen in the way in which India is trying to normalise trading relations with Pakistan. Lack of awareness among industry and exporters, mostly from the small scale sector, is another reason for non-accrual of the benefits from the FTAs. Government of India is trying very hard and organising several FTA outreach programmes to create awareness among exporters.

"Business and industry have failed to fully exploit the potential of the FTAs signed by India in terms of market access opportunities, while the enterprises from the partner countries have strengthened their presence in the Indian market. Therefore, the net impact would seem to be unfavourable to India. Indian industry needs to become more aggressive and exploit opportunities that the FTAs provide rather than remaining as passive onlookers to Indian domestic market. There may be cases where the FTAs may have given unfair advantage to partner enterprises. In such cases it would be possible to invoke safeguards that are built in each agreement," says Nagesh Kumar, chief economist, United Nations Economic and Social Commission for Asia and the Pacific (ESCAP).

Under UPA II, India has been mainly demanding more access in the services market than for industrial goods. India has been ranked by the WTO as the seventh largest player in the global services trade with the value of exports and imports aggregating $261 billion in 2011. With exports at $137 billion and imports at $124 billion, India is among the top ten countries which ended the year 2011 with a surplus of trade in commercial services, according to a WTO report. Today service sector contributes more than 50 per cent of the country's Gross Domestic Product (GDP). Under the India-EU FTA talks, India is aggressively pushing for greater access for its professionals in the European markets. Dhar of RIS believes, arguing for additional market access under services trade is likely to give rise to problems in our negotiations with the EU because of the current state of the economies in Europe. Several economies have been battling with huge unemployment (especially, Spain) and this does not augur well for our negotiating position.

So what will be the end result? "I think there will be point where sooner or later India will have to take a call to harmonise these FTAs on multilateral basis in a non-discriminatory way," says ADB's Menon.

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FCI exports 4.19 mt wheat in a year; to earn over Rs7,000 cr
The Financial Express

New Delhi, 28 June 2013: State-run Food Corporation of India (FCI) has exported 4.19 million tonne of wheat, valued at more than Rs7,000 crore, in the past one year. Due to surplus wheat stock, the government had permitted FCI to export 4.5 million tonne of the grain in July last year. The deadline for export is June 30, this year.

“The export process has been completed. We have received bids for 4.19 million tonnes, which will fetch more than Rs7,000 crore at an average price of about $310 per tonne” a senior FCI official said.
Out of 4.19 million tonnes, a major quantity has already been shipped to South Korea, Ethiopia, Bangladesh, Yemen, Thailand and Indonesia, he said. Maximum wheat has been exported to South Korea at one million tonnes. Small quantities of wheat were also shipped to Vietnam, Malaysia, Philippines and the West Asia.

The official said that no profits were made from exports but indirect saving on carrying and storage cost of wheat to the tune of about Rs1,000 crore was made. The last wheat export tender was floated during third week of June for about 2,90,000 tonnes but received bids for only 70,000 tonnes, he added.
The FCI official said good price for Indian wheat was received in line with Australian soft wheat, considered as the best in the world. “There is greater acceptability of our wheat in the global market now,” he added. The official, however, observed that the FCI could have secured higher price if handling process was fully mechanised.

The FCI is currently handling 77 million tonnes of grain, of which 4.43 million tonnes is wheat.

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Basmati Exports Plunge on Pesticide Alert by US
Madhvi Sally, The Economic Times

New Delhi, 1 July 2013: India's basmati rice exports to the US have plunged as many Indian firms are under an import alert by the US authorities, leading to detailed scrutiny for pesticide residue for every grain that is shipped out.

This has raised costs, upset schedules and obstructed sales, prompting exporters to seek government intervention.

In the first quarter of calendar year 2013, exports are down to 19,583 tonnes.

With over 31 Indian rice firms under the USFDA import alert and 100% scrutiny of the total rice exported from the country, Indian companies feel that America is employing a virtual zero-tolerance policy on Indian pesticides that have been used around the world for years and raise no health concerns.

USA diplomatic officials say they have discovered residues on Indian basmati rice of chemicals not approved for use in the US, and hence, shipments of Indian rice have been rejected.

Indian companies, which see the American market as a strong branded market that sets international price, now want the government to take up the issue with its US counterparts."Rice exporters are very concerned about the US law and policy on the presence of residues of particular pesticides on rice," said Rajan Sundaresan, president of All India Rice Exporters' Association.

He added that without having conducted a risk assessment, the US is raising questions on pesticides that have been tested recently by other WTO members and the Codex Alimentarius (established by FAO and WHO, the agency that develops international food standards) leading them to adopt minimum residue limits (MRLs) that are considerably higher than the US limit.

Four pesticides, namely Buprofezin, Carbendazim, Isoprothiolane and Tricyclazole that are commonly used by Indian rice farmers, have been detected at extremely low levels in the US and have resulted in the detention of hundreds of shipments and a virtual embargo on Indian Basmati rice, said Sundaresan."A number of the US' trading partners such as Japan and the EU and Codex have conducted risk assessments and set MRLs for these pesticides.

The levels set by those MRLs do not act as a barrier to trade, because the residues at issue are comfortably below them.

Meanwhile, the levels of pesticides the US authorities have detected, and on whose basis they have blocked the shipments, have been far below these thresholds.

As a result of the US position, trade in basmati rice with India has ground to a halt," said Sundaresan.

India annually exports 2.5-3-million tonne basmati rice with Iran and Middle East as the biggest market.

Basmati rice exports from India to the US have increased from 55,762 tonne in 2009 to a record 104,400 tonne in calendar year 2012."In the previous year, Indian rice exports to the US hit an all-time record of $140 million.

We would like to continue working with Indian exporters," said a US diplomatic official in New Delhi.

He added that Indian companies were still shipping rice with the United States Food and Drug Administration which protects US and foreign consumers from food-borne contaminants, doing 100% testing rather than random sampling of the rice as a large number of violation was reported."Till date, residues from 11 different pesticides have been detected in imported Indian basmati rice.x The 11 chemicals that are unregistered in the US are tricyclazole, carbendazim, imidacloprid, bifenthrin, buprofezin, isoprothiolane, pirimophos methyl, triazophos, triclosan, difenoconazole and ethoxyquin."Only one, carbendazim, has an MRL established for rice - the others 10 do not and three of them, tricyclazole, triclosan, and isoprothiolane, have no internationally standardised MRLs for any food products," said the US official.

The first Indian shipment to be sent back from the American shore was in May 2011 of Amritsar-based Amar Singh Singh Chawal Wala that sells the Lal Qila brand rice for having tricyclozole level of over 0.1 parts per million (ppm).

Currently 90% of the shipments were being rejected owing to the use of tricyclozole manufactured by Dow Chemicals.

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Maize exports up by 24% in FY'13
PTI

New Delhi, 20 June 2013: India's maize exports rose 24 per cent to 4.78 million tonnes in financial year 2012-13 due to adequate domestic supply and traders adopting better packaging practices to meet global standards, an industry body said today.

India had exported 3.85 million tonnes of maize (corn) in the previous financial year.

"There has been a substantial increase in maize exports. Production was higher and exporters took measures to improve packaging practices to meet the global standards of shipment," Indian Maize Development Association President Sain Das said on the sidelines of an event here.

According to the data maintained by the Directorate General of Commercial Intelligence and Statistics (DGCIS), maize exports increased in value terms to $1,302 million in 2012-13, as against $1,075.70 million in the previous year.

Stating that maize production is on the rise every year, Das said production in the 2013-14 crop year (July-June) is expected to increase to 23 million tonnes, as against 21.82 million tonnes in the 2012-13 crop year.

Timely monsoon, adoption of improved technologies like single-cross hybrids and crop management practices would help increase overall production of maize this year, he said. Maize is cultivated twice a year, during summer and winter. India is Asia's largest exporter of the grain, with a major contribution coming from the summer crop.

Karnataka, Maharashtra, Rajasthan and Andhra Pradesh are major producers of maize crop in the country.

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Spices exports up 22% in FY'13 to 7 lakh tonnes
PTI

New Delhi, 21 June 2013: Spices exports rose by 22 per cent to 6,99,170 tonnes during 2012-13 on account of sharp jump in garlic shipments.

Total exports stood at 5,75,270 tonnes in the previous fiscal, as per the data of Spice Board of India.
In terms of value, spices exports increased by 14 per cent to Rs 11,171.16 crore during last fiscal from Rs 9,783.42 crore in 2011-12.

The exports, in terms of both quantity and value, were higher than the target. The board had fixed the spices exports target at 5,66,000 tonnes and Rs 8,200 crore for 2012-13.

According to the data, there was almost ten-fold jump in the exports of garlic to 24,000 tonnes in 2012-13 from 2,200 tonnes in 2011-12. In terms of value, garlic exports jumped more than four times to Rs 74.49 crore in the current fiscal from Rs 14.15 crore a year ago.

Exports of chili, which is the biggest contributor to the total exports of spices in terms of quantity, rose by 17 per cent to 2,81,000 tonnes during 2012-13 from 2,40,000 tonnes in the previous fiscal.

Besides garlic, fennel and cumin also recorded increase in the exports during 2012-13.

Shipments of fennel increased by 80 per cent to 14,575 tonnes in 2012-13 from 8,100 tonnes a year ago valued at Rs 114.02 crore.

Cumin exports increased by 76 per cent to 79,900 tonnes in 2012-13 from 45,500 tonnes previous year valued at Rs 1093.17 crore.

However, exports of pepper and cardamom registered a decline of 40 per cent and 52 per cent, respectively, in 2012-13 as compared to the previous fiscal.

India is the world's leading spice producer, exporter and consumer.

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Seafood exports scale new high, topping 9 lakh tonnes
Business Line (The Hindu)

Kochi, 24 June 2013: Vannamei and black-tiger shrimps helped push up India's seafood exports to 9.28 lakh tonnes (lt) in 2012-13 fiscal, up 7.68 per cent over the previous year's 8.62 lt.

This was despite the recessionary conditions in Europe, depreciation of the rupee against major international currencies and trade barriers put up by some of the importing countries, Leena Nair, Chairperson of the Marine Products Exports Development Authority, told a news conference here on Monday.

She said the value of the exports was Rs 18,856 crore, though in dollar terms the increase was negligible (from $3.50 billion to $3.51 billion).

In terms of quantity, exports were at a record high.

Output Rises

"The increased production of Vannamei shrimp, better productivity of black-tiger shrimp and larger export of chilled products helped to achieve higher exports," she said.

She noted that there was a sharp rise in the production of vannamei shrimp as aquaculture expanded to more areas in eastern coastal States and productivity rose.

The export of vannamei shrimp to the US increased by 141 per cent in quantity and 100 per cent in value in dollars.

One-fourth of the total maritime exports consisted of frozen shrimp; but in terms of value it earned 51.35 per cent of the total marine export dollars.

There was a 21 per cent increase in the quantity of shrimp exported, but because of the steep fall in the prices, it could add only 3.56 per cent to the export value in dollars.

Frozen fish, which made up 37 per cent of the total maritime exports, was the leading maritime export item.

South-East Asia is India's largest seafood market, followed by European Union, the US, Japan and China, in that order.

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DoT to make 100% local sourcing of telecom gears mandatory
Kalyan Parbat, The Economic Times

Kolkata, 28 June 2013: The DoT will shortly amend licence conditions of mobile phone companies under the Indian Telegraph Act to make it "legally binding" on them to buy security-sensitive telecom products from domestic gearmakers.

The move comes in the run-up to India notifying the controversial "preferential market access" or PMA policy that progressively calls for 100% local sourcing of security sensitive telecom equipment and electronics from October 2013.

The move is likely to send shockwaves throughout the telecom sector since both the Cellular Operators Association of India and the Association of Unified Service Providers of India have claimed that domestic sourcing and value-addition targets mandated by the PMA norms are "unrealistic" since there is no established telecom gear manufacturing ecosystem in India.

DoT has resolved to include PMA compliance clauses in a telco's licence conditions after the Department of Electronics & IT claimed that the PMA policy "does not provide any legal framework" for extending the local sourcing provisions to private telecom licensees.

In fact, DeiTY has suggested that for "the telecoms sector, the licence issued under the Indian Telegraph Act can be a vehicle under which PMA provisions can be mandated," in an internal note to DoT, a copy of which was reviewed by ET.

Endorsing these observations, the telecom department has agreed to tweak the licence conditions of private mobile phone companies to enforce PMA compliance on grounds that India's "telecom networks are security sensitive". What's more, since a majority of private mobile operators have outsourced network management operations to global telecom vendors, DoT also plans to bring them within the ambit of PMA on security grounds.

"PMA compliance on security grounds will be implemented under an operator's licence conditions since a telecom network is security sensitive. Since certain licensees have also given their network to managed service providers, they will also be responsible for compliance of PMA," says a DoT with ET.

Outsourcing of all key operational functions, a concept pioneered by Bharti Airtel, has been at the heart of India's leading mobile carrier's low-cost, high-volumes business model, which has since been embraced by all leading private mobile operators.

DoT also wants to extend PMA compliance to private sector telecom gear procurements to check India's telecom gear import bill, which has shot up nearly 34% to Rs 56,421 crore in 2012-13 from Rs 42,249 crore in 2009-10. "The rising import bill of telecom equipment, including mobile phones, parts and telecom cable during the past four years is a concern and needs to be addressed by domestic manufacturing with good value addition," says the telecom department note.

The views of the GSM and CDMA lobbies at home have been seconded by leading international trade bodies like the US-India Business Council, Telecommunications Industry Association (TIA), Information Technology Industry Council and Digital Europe who have collectively warned that "India's arbitrary invocation of PMA clauses to private sector procurements constituted an unprecedented interference and significant disruption in the global telecommunications market", adding that the policy was also at odds with the country's obligations to the World Trade Organisation (WTO).

In the final PMA policy document, the list of electronics deemed security sensitive also includes cellphones, tablets, notebooks, netbooks, desktops, monitors, photocopiers, scanners, smart cards, storage USBs and memory cards.

Telecom network equipment such as 2G/3G base stations, ordinary sim cards, access routers, DWDM-based network transmission gear, GPON devices, microwave radio systems, network management systems, billing software to 4G broadband network and Wi-Fi wireless systems have also been classified "security sensitive".

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India expresses 'concerns' on proposed UK visa rules
Business Standard

New Delhi/Bangalore, 26 June 2013: India has expressed "serious concerns" over the new visa norms proposed by the UK earlier this week, which require applicants to pay a hefty cash bond of £3,000 (Rs 2.8 lakh).

Commerce and Industry Minister Anand Sharma raised the issue in London today during his meeting with Vince Cable, secretary of state for business, innovation and skills, Oliver Letwin, minister for government policy in the Cabinet office, and Gregory Barker, minister in-charge for business engagement with India.

An official statement by the commerce ministry said Sharma was assured by the British government that the proposal for the pilot project had not been sanctioned by the government.

The external affairs ministry has sought further clarity on the issue from the Indian high commission in London. The ministry said it might raise the issue during the India-UK consular discussions, expected next month.

The UK is planning to pilot a scheme with effect from November for a year, targeted at visitors from at least six countries including Bangladesh, Sri Lanka and Ghana, because these are considered "high-risk". Under it, visitors will be forced to pay a cash bond of £3,000 before entering the UK. This will not be applicable for children under 18.

"This would be a deterrent factor. But I hope that it is only temporary deterrent. We will make all diplomatic efforts to ensure that there is no hindrance to student mobility," said Human Resource Development Minister M M Pallam Raju.

Ameet Nivsarkar, vice-president of IT industry body Nasscom, said it would only be applicable to visitors. "Besides, it is a pilot programme; so it is not going to be applicable for all."

According to the UK, the pilot project is aimed at addressing concerns on misuse of visa and reduce the risk of overstaying.

"In the long run, we are interested in a system of bonds that deters overstaying and recovers costs if a foreign national has used our public services. We're planning a pilot that focuses on overstayers and examines a couple of different ways of applying bonds. The pilot will apply to visitor visas, but if the scheme is successful, we would like to be able to apply it on an intelligence-led basis on any visa route and any country," said UK's Home Secretary Theresa May in a statement issued by the British High

Commission here. The Indian industry has already expressed its sharp resentment over the proposed norm and warned that the move will act as significant deterrent in India-EU bilateral relations.

According to CII, such a step is “highly discriminatory and very unfortunate” and that it will adversely impact businesses, flow of students and tourism.

Vindi Banga, chairman of FICCI's UK Advisory Group, said: “A high-risk status for visas for Indian visitors to the UK is 180 degrees opposite to Prime Minister David Cameron's emphasis on a special relationship with India. If true, this move will adversely impact students, tourists and business alike."

India and the European Union are currently engaged in talks for having a wide-ranging free trade agreement, which also includes a relaxed visa regime. If such a move by the UK government goes through, this will be contrary to what was promised under the proposed deal.

Ironically, during his visit to India in February, Cameron had promised a relaxed visa regime between both countries for businessmen.

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Indian IT industry pins hope on House as Senate passes immigration bill
Business Standard

Bangalore/ New Delhi/ Mumbai, 29 June 2013: With the passage of the Comprehensive Immigration Reforms Bill by the US Senate, the Indian information technology (IT) outsourcing services industry is now pinning its hope on the House of Representatives, which has prepared its own version of the Bill.

The House is expected to propose its own version of the Bill that does not have restrictions that have negative impact on both US corporations and Indian companies. According to industry insiders, in case the House decides to stick to its own Bill, they would have to find out a middle path.

“I think it is too early to make a judgment. The House, which is dominated by Republicans, is preparing its own version of the bill which does not have any punitive provision. When the provisions of the two bills are different, they would have to find out a middle path, follow the process all over again,” said Krishnakumar Natarajan, chief executive officer (CEO) and co-founder of midsize IT services company, Mindtree.

“It is absolutely clear the Senate Bill in its current form will not see the light of the day,” he added.

IT industry body Nasscom said it is quite hopeful the final contour of the bill would be much more balanced than it is at present.

“We are working on the House side, where the bill language is a less harmful to global companies and the US customers and are confident we would have a more balanced bill in the House,” said Som Mittal, president of Nasscom.

The Senate Bill, in its current form, is expected to limit the ability of global IT companies (including Indian) to send employees to the US to service clients. The bill is expected to make it harder and costlier for Indian tech firms to use H-1B workers in their US operations.

“The immigration bill has to go through multiple stages. The first stage has been cleared. The whole version of the bill has not been released. The bill has implications for us, but we will have to wait for its final version before we make a comment,” said N Chandrasekaran, CEO & managing director of TCS, India’s largest IT services company.

According to the Senate Bill, if an employer has more than 50 per cent of their employees on H-1B or L-1 visas, they would be required to pay $10,000 fee per additional worker. So, it is expected to affect most of the large Indian IT services companies including TCS, Infosys and Wipro.

Nasscom has said provisions of the senate Bill have arbitrarily singled out a group of multinational IT companies which amount to punitive treatment of this industry.

"This fails to recognise the vital services global IT services companies deliver; the innovation and competitiveness they have spurred in thousands of US businesses, and the investments these global IT services companies make in the US," said Mittal.

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US solar industry urges India to remove trade barriers
PTI

Washington DC, 29 June 2013: Seeking a sizeable pie in India's fast emerging solar energy market, the American solar industry has asked it to remove the trade barriers which discriminate against US solar exports.

Testifying before a Congressional committee, Solar Energy Industry Association Vice-President John Smirnow alleged that India's local content requirement "discriminates against US solar exports and, thereby, provides an unfair competitive advantage to India's domestic solar manufacturers''.

Explosive growth

With some of the best solar resources in the world and the cost of solar continuing to decline, India's solar sector is poised for explosive growth, providing an important export opportunity for US solar manufacturers, he told lawmakers.

However, India's growing use of an industrial policy discriminates against US solar exports, thereby providing an unfair competitive advantage to India's domestic solar manufacturers, Smirnow had said yesterday during the Congressional hearing on 'A Tangle of Trade Barriers: How India's Industrial Policy is Hurting US Companies' convened by the Commerce, Manufacturing, and Trade Subcommittee of the House Energy and Commerce Committee.

Local content needs

While local content requirements may provide some protection for domestic manufacturers, they also stifle innovation, limit a country's access to next-generation technologies and increase costs, not to mention the fact that local content requirements are explicitly prohibited by global trading rules, he explained.

"Returning to the specifics of India's solar industrial policy, the national solar mission is divided into three phases. Under the first tranche of phase one, India required that eligible products — projects based on crystalline silicon technology — that's the other half of the solar panel industry — versus thin film," he said.

"That is where the US has a technological advantage — in this first phase India required that one half meet a local content requirement for cells, and solar cells are the heart of a solar panel for this technology," Smirnow said.

“So while US companies could sell cells into India or they could sell modules but they weren’t able to sell cells, US-origin panels were thus barred from competing. For the second tranche of phase one, India broadened this local content requirement to mandate that national solar mission products use only crystalline silicon cells and panels manufactured in India, a significant lost opportunity for US exports,” he alleged.

Looking forward, the US solar industry is concerned that India will expand its local content requirement yet again to cover thin film technology, effectively targeting hundreds of millions of dollars of US exports. “Our only hope is that the US Government’s recent decision to initiate a WTO case against India will eventually cause India to reverse course,” he said.

“The US-India dispute follows on the heels of a recent WTO finding that Ontario, Canada’s local content requirement for solar goods, substantially similar to India’s, violated Canada’s WTO obligations. In response, Canada has indicated that the solar programme will be brought into compliance with the WTO decision, which we presume means that Canada will remove the local content provision,” he said. Smirnow said that India should follow Canada’s lead and remove the local content provision from its national solar mission.

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WTO refuses Indian request to throw out U.S. trade dispute
Reuters

Geneva, 1 July 2013: India has failed to persuade the World Trade Organization (WTO) to dismiss a trade complaint brought by the United States, according to a preliminary ruling published on the WTO's website on Monday.

The United States launched the legal challenge at the world trade body in March 2012, contesting Indian restrictions on imports of poultry, pigs and related products.

India says its checks on U.S. imports are justified by concerns about bird flu, but the United States argues the rules are a "disguised" illegal restriction on foreign trade and not backed by science.

India tried to have the U.S. complaint dismissed on technical objections, including that the allegation was not precise enough and did not spell out the legal argument.

But according to the preliminary ruling published on Monday, the WTO's adjudicators dismissed India's technical arguments, saying "there can be no uncertainty on India's part".

This leaves the original U.S. complaint intact, with a ruling likely later this year.

The WTO's decision strengthens the hand of the new U.S. Trade Representative Michael Froman, who told Reuters last month that growing trade problems with New Delhi would be a major early focus of his tenure.

India and the United States are also at loggerheads over several other trade issues, ranging from fees charged on U.S. business visas to India's support for the solar power sector.

Friction between the two countries is a major obstacle to a global trade deal being negotiated by all of the WTO's 159 members. The deal aims to slash red tape that is costing trade hundreds of billions of dollars a year.

The WTO hopes ministers will sign the agreement at a meeting in Bali in December, but the United States and India are championing rival visions for the future of trade reform, splitting the trade body's membership and making it hard to reach a consensus.

The Bali deal is widely seen as the last chance to revive global trade negotiations after the failure of the Doha round of trade talks in 2011.

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Preparations for WTO meeting grinding on
Linda Yulisman, The Jakarta Post

Jakarta, 28 June 2013: The upcoming World Trade Organization (WTO) ministerial meeting in Bali will not have any significant outcome unless members conclude preparatory talks before the end-of-July deadline.

WTO information and external relations chief Keith Rockwell was in Jakarta on Thursday when he declared that the current state of talks was “still too slow”.

Goodwill and flexibility in resolving a number of political differences are urgently required to get the talks back on track, he said.

“If you get agreements in two or three key areas, many of these disagreements will be settled,” Rockwell told The Jakarta Post.

“Governments have to show a little more good will. They have to be a little bit more willing to take a risk in the negotiations; to say ‘I am prepared to do this if you’re prepared to do that,’ because now everyone is taking up tactical positions.”

Ministers responsible for the Doha Development Agenda last met in Paris on May 31, and understand the importance of goodwill and flexibility. In Paris they declared an intention to adjust “levels of ambition”, adopt a more pragmatic approach and make Bali a success.

Despite the commitment, negotiations are slow, especially on trade facilitation.

WTO members are locked in discussion of draft agreements and proposals for the meeting. Trade facilitation — ways to ease customs procedures, improve transparency and simplify trade — is one of the three consensuses sought in Bali.

A one percent reduction in trade costs will create US$40 billion in world income, 65 percent of which will benefit developing countries, according to an estimate by the Organization for Economic Cooperation and Development.

Other deliverables — agreements on agriculture, development and market access for least developed countries (LDCs) — balance the interests between rich and poorer countries. They are considered vital to the Doha Round of trade talks, deadlocked since 2008, and to restoring confidence in the 159-member global trade body.

Trade Ministry director general for international trade cooperation Iman Pambagyo acknowledged that the pace of talks was still “slower than expected”.

The slow progress of the negotiations stems from disagreement between rich countries and other members on how to increase the trade capacity of developing countries and LDCs, Iman said.

On the other hand, advances have been made in negotiations on agriculture and other LDC issues, opening the possibility of a few scattered results by the end of July.

Debates on agriculture center around a proposal by the G33 Group, which comprises 46 developing nations, concerning public stockpiling for food security and domestic food aid.

The farm coalition has requested an increase in the limits on subsidized food stockpiles to support poor farmers.

“Consultation on the proposal by G33 have been intensifying, with members reaching new deals on issues such as measures excluded from the AMS [aggregate measures of support],” Iman said.

AMS is a commitment to reduce trade-distorting subsidies each member makes when joining the WTO.

Along with progress on agriculture, the LDCs have come up with numerous proposals for duty-free and quota-free trade, simplified rules of origin and waivers on services.

“We do not want to set a deadline, so we will continue to work on all issues until the meeting in Bali,” Iman said.

Trade Minister Gita Wirjawan, who will chair the meeting, is scheduled to meet trade officials from fellow WTO members as well as key WTO bodies during the fourth Global Review of Aid for Trade in Geneva, Switzerland, from July 8 to 10.

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