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India has proposed changes in the trade facilitation agreement to address the concerns of developing countries in the proposal that tops the agenda of the WTO's Bali ministerial…

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WTO Chief Says Coming Week Critical for Bali Preparatory Talks

The head of the World Trade Organization declared November 1 that the coming week will be critical in determining whether WTO members will be able to secure a deal on a package of agreements…

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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.

It’s quite uneasy doing business in India
K Vaidya Nathan, Financial Express

31 October 2013: The Doing Business 2014 report released by the World Bank this week ranks India a dismal 134 among the 189 countries surveyed. This report is an annual study by the World Bank on the regulations that enhance business activity and those that constrain it. India ranks behind even countries such as Rwanda (32), Tunisia (51), Ghana (67), Sri Lanka (85), Namibia (98), Nepal (105), Pakistan (110), Swaziland (123) and Bangladesh (130).

The study surveys regulations affecting areas of the life of a business in each of the 189 countries. The index is a noteworthy measure since regulation is a reality from the beginning of a firm’s life to the end. India’s miserable rank implies that navigating regulations for our new firms is complex and costly. On average in India, starting a business takes 12 procedures, 27 days and costs 47.3% of income per capita in fees. In contrast, it takes as little as just one procedure, half a day and almost nothing in fees in New Zealand.

And this is just the tip of the iceberg. Consider what a new firm in India must go through to complete other transactions at the average level of time and effort required. Preparing, filing and paying the firm’s annual income tax could take up another 243 hours—more than one-man month of staff time. Exporting just one shipment of a new firm’s final product would take 9 documents, 16 days and would cost more than Rs70,000. If the firm needs a simple warehouse, getting the facility ready to start operating could take 47 procedures and 279 days more—to get construction permit would take 35 procedures and 168 days, to buy the land and register its ownership would take 5 procedures and 44 days, getting electricity would take 7 procedures and 67 days, not to mention other utility connections such as water supply which the survey does not measure.

Having sorted out these initial formalities, if the firm becomes embroiled in a legal dispute with one of its suppliers or customers, resolving the dispute could mean being stuck in various levels of Indian courts for more than three years and ten months, on average. On top of that, the cost of being stuck in these courts would amount to nearly 40 paisa for every rupee of claim.

To operate and expand, the firm will need financing—from shareholders or from creditors. Raising money in the capital market is easier and less costly where minority shareholders feel protected from self-interested transactions by large shareholders. Good corporate governance rules can provide this kind of protection. India still has very limited requirements for disclosing majority shareholders’ conflicts of interest. This undermines trust in the system, making it less likely that investors will take a minority stake in a firm.

Similarly, creditors need guarantees that their loans will be repaid. Information about potential borrowers and solid legal rights for creditors play an important part in providing those guarantees. Yet institutions providing these are not adequately developed in India. Though we have credit bureaus that distribute information about borrowers, we still lack a modern collateral registry where a creditor can check whether a movable asset being pledged as collateral has any other liens on it.

If despite all efforts the firm ends up insolvent, having institutions in place that enable creditors to recover their assets is imperative. In India, creditors recover no more than a quarter of their initial loan in case of bankruptcy. Even this paltry recovery takes them quite a while as the average time required to resolve insolvency in India is more than four years. On the positive side, World Bank data shows that there has been remarkable progress in removing some of the biggest bureaucratic obstacles to private sector activity. Yet, data indicates that small and medium-size enterprises still are subject to burdensome regulations and vague rules that are unevenly applied and that impose inefficiencies on the enterprise sector. This curtails the overall competitiveness of our economy and its potential for creating jobs.

Regulations that protect consumers, shareholders and the public without overburdening firms help create an environment where new firms, which are engines of innovation and growth, can thrive. Sound business regulation requires both efficient procedures and strong institutions that establish transparent and enforceable rules. A thriving private sector—with new firms entering the market, creating jobs and developing innovative products—contributes to a more prosperous society. Our states and central government have got to play a more proactive role in supporting a dynamic ecosystem for firms. They need to set the rules that establish and clarify property rights, reduce the cost of resolving disputes and increase the predictability of economic transactions. Without good rules that are evenly enforced, domestic entrepreneurs are having a hard time starting and growing the small and medium-size firms that are the engines of growth and job creation, especially in a country like ours with the largest youth demography in the world.

If taken with the seriousness it deserves, the survey results could mobilise our policy-makers to reduce the cost and complexity of government procedures and to improve the quality of institutions. Such change would serve our underprivileged the most—where more firms enter the formal sector. Helping new businesses, be it in the formal or informal sector would boost shared prosperity for our country.

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Commerce ministry pushes for steps to help small exporters
Asit Ranjan Mishra, Mint

New Delhi, 4 November 2013: To help small exporters, the commerce ministry has asked its export credit insurance arm to draw up a mechanism for these firms to be paid a significant part of their shipment dues while they await payments from their overseas buyers.

Typically, exporters ship their products after taking insurance from the state-owned Export Credit Guarantee Corp. of India Ltd (ECGC) and wait for the money to arrive. ECGC guarantees payment if the importers end up not paying their credit dues. But until then, the exporters, especially the small ones, are squeezed for working capital.

A committee headed by G. Padmanabhan, executive director at the Reserve Bank of India (RBI), set up by the central bank was the first to propose a process called "factoring" to make up for this lag and provide capital to small exporters in the meantime.

"The committee observed that ECGC issues various types of policies to the exporter, but these policies are not assigned or endorsed to any third party. Due to non-assignment, the Factoring Company does not have any control over the policy. In view of this, the Committee recommends that ECGC should design a policy for Factoring companies for post-shipment financing," the committee noted in its report submitted in May.

"With the availability of ECGC cover to the Factoring Company, Exporter will also be benefited as both the facilities, such as financing and credit protection, will be made available under one single roof," it said.

A factoring company is a bank or financial intermediary that advances most of the invoiced amount to an exporter immediately after a shipment and the balance upon receipt of funds from the importer.
ECGC is the fifth largest credit insurer in the world in terms of coverage of national exports, and provides export credit insurance facilities to exporters and banks in India to deal with payment defaults arising from political and commercial events.

The commerce ministry has asked ECGC to develop factoring as an option for the small and medium enterprises, or SME, sector, a ministry official said.

“It’s a way of increasing the working capital for exporters. What we are asking ECGC is to see if they can set up a system in conjunction with banks where once the exporter receives the receipt from the importer, he can discount that with a bank and get the value of the exports immediately. The banks can pay up to 85% of the bill receipt. After the importer pays the full bill amount, the bank will pay the rest of the bill to the exporter after deducting the initial paid amount along with interest charged,” the official said, declining to be identified.

“In a sense, what will happen is the exporter is free from the risk and the risk is shifted to the ECGC. The financing arm pays the exporter and takes the cover from ECGC. So the bank is covered, exporter gets its money,” he added. “The insurance cover may go up a little but it can be worked out in a way so that it is a win-win for everybody.”

N. Shankar, chairman and managing director, ECGC, said: “We are examining the matter and (will) revert in due course.”

V.K. Agarwal, president of the Federation of Indian Micro and Small and Medium Enterprises, a lobby group, said the ECGC needs to be proactive in providing such covers to small exporters. “ECGC has the market knowledge and information about the importers. Without ECGC cover, no factoring company will come forward,” he said. The federation has recommended a similar factoring mechanism for domestic suppliers to the ministry of micro, small and medium enterprises (MSME), he said.

The government has been pushing for measures to boost exports from the SME sector. As part of this, a committee headed by finance secretary R.S. Gujral recommended in July for a differential corporate tax regime and tax deduction for export turnover for the SME exporters for a limited period of five years. The government has also asked RBI to finalize certain modalities based on the recommendations of the Padmanabhan committee, such as to provide additional interest subsidies of 2% for exporters who repay in time; provide dollar credit at a cheaper rate; relax RBI’s external commercial borrowings limit for the MSME sector; and have banks aim for at least 40% export credit to MSMEs. The recommendations of the committee are currently going through inter-ministerial consultations.

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Despite concerns, FTA talks to continue
Times of India

New Delhi, 7 November 2013: The commerce ministry on Wednesday said it had got the green light to continue with negotiations for FTAs despite concerns being expressed over their adverse impacts.

Without getting into the specifics, the ministry said that at the Trade and Economic Relations Committee (TERC) meet on Monday "some concerns were expressed on adverse impact of FTAs on manufacturing sector as well as the trade balance and that imports from such countries had increased much faster compared to exports subsequent to signing such FTAs which had further worsened India's trade balance".

The candid acknowledgement comes a day after TOI reported that at the TERC meeting, chaired by PM Manmohan Singh, FM P Chidambaram had expressed reservations about signing FTAs in haste and argued for boosting local manufacturing.

At the meeting, the release said, commerce and industry minister Anand Sharma clarified that most of the regional and bilateral FTAs were either related to Saarc countries or to South East Asia and North East Asia. India has a $12 billion trade surplus under South Asian FTA, the statement said, adding that exports have more than doubled with Asean since the agreement on goods trade was signed in 2009. Without disclosing the extent of increase in either the imports or exports for Asean, the commerce ministry said that a significant part of the imports consisted of essential imports such as edible oils from Malaysia and Indonesia.

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India-Asean services agreement to be signed in December
Nayanima Basu, Business Standard

New Delhi, 1 November 2013: The much-awaited pact on trade in services and investment between India and the Association of Southeast Asian Nations (Asean) is likely to be a reality finally by the end of next month, which will open up greater job opportunities for India's professionals in information technology, healthcare, designing and research.

India and the 10-member Asean trading bloc already have a goods agreement in place that came into force from August 2011, providing tariff-free access to a range of product lines such as textiles, pharmaceuticals, chemicals, engineering products, processed food and auto parts among others. Hence, after the signing the deal in services and investment, the free trade agreement will be called a Comprehensive Economic Partnership Agreement (CEPA).

It is expected to be signed on the sidelines of the World Trade Organisation ministerial meet in Bali in December. According to a senior ministry of external affairs (MEA) official, the CEPA with Asean will be operationalised by July 2014.

"We are happy with what we have got under the services agreement. This will throw open the Asean markets. There will be more job opportunities and an easier business visa regime. Businesses would now have to utilise it properly," the MEA official told Business Standard.

The deal in services was supposed to have been signed in 2009, when the goods pact was agreed upon. However, at that time, some of the Asean countries, particularly the Philippines and Indonesia were apprehensive of Indians "eating away their jobs" and they were also not open to the idea that similar concessions have to be given within the Asean members also, officials in the commerce department said.

Earlier, while addressing the Confederation of Indian Industry, Ashok Kantha, secretary (East), MEA, stated that bilateral trade between India and the Asean region has increased nearly 10 times in the last 11 years. Presently, two-way trade stands at $76 billion in 2012-13. Both the sides have aimed at increasing it to $100 billion by 2015.

Ever since the talks began in 2005, India's main demand has been to obtain greater job opportunities for its professionals in the 10 member-Asean countries of Singapore, Malaysia, Indonesia, Vietnam, Thailand, the Philippines, Cambodia, Laos, Brunei and Myanmar.

However, the deal has now been finally sealed during Prime Minister Manmohan Singh's visit to Brunei on October 10 during the Asean-India Summit at Brunei Darussalam.

India is the tenth largest services exporter in the world while Asean is a net importer.

The services sector is of main interest to India as it contributes over 55 per cent to the country's gross domestic product and in terms of export revenues.

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EU may push for deeper auto tariff cuts, insurance FDI hike
Dilasha Seth, Economic Times

New Delhi, 29 October 2013: A visiting EU parliamentary delegation is likely to push for deeper auto sector tariff cuts and raising of the foreign direct investment (FDI) cap in insurance at a meeting with commerce and industry minister Anand Sharma.

This follows EU chief negotiator Ignacio Garcia Bercero's stand last month that progress on the India-EU free trade agreement would be difficult without "significant commitment" from India. "It is not possible to imagine the EU concludes an agreement with India with tariffs on some key sectors, such as cars at 60-100%. There will have to be substantive efforts to bring this down," Bercero said at the EU-India FTA discussions in September. "Again, without key outcomes on sectors such as banking, and insurance, then it will not be possible to conclude the negotiations."

The EU parliamentary delegation is expected to reinforce this stand at the meeting, expected this week. Negotiations for the broad-based investment and trade agreement (BITA) between India and EU began in 2007, and the two sides have had 15 rounds of talks over the last six years. However, agreement on some contentious issues remains elusive. For instance, the EU wants auto-sector tariffs to eventually become zero, but India is reluctant as it sees such a move hurting domestic industry.

Analysts say the upcoming elections in India and several EU countries could also delay in any such pact. The EU has also been demanding a hike in the foreign direct investment (FDI) limit in insurance and banking.

The Indian Cabinet has cleared the increase in the FDI limit in insurance to 49% from 26%, but it still requires parliamentary approval.

In banking, India has set a cap on the number of branches a foreign lender can operate.

"To be clear, the current situation is that the European banks established in India have limited opportunities to open new branches. The EU hopes the new policy announced by the Reserve Bank of India is going to be implemented quickly," Bercero said.

The Reserve Bank of India is expected to relax norms for entry of foreign banks into the country.
BITA will be India's first bilateral agreement (including services) with a large trading partner and EU's first comprehensive agreement with a large emerging economy.

India, on the other hand, is seeking 'Mode 4' of the proposed pact, which will allow Indian professionals to work in EU member states, a segment where India sets to gain the most. After the economic crisis and the ensuing impact on employment in Europe, the EU added a safeguard clause under Mode 4,which will clock in when 20% of the limit is touched. Since these safeguards are sectoral, the safeguard clause will impact IT companies the most.

"The EU has offered its greatest flexibility on Mode 4, than it has done for any of its previous negotiations with other trading partners," Bercero said.

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A little BTIA give and take
T S Vishwanath, Business Standard

6 November 2013**:** Members of the International Trade Committee of the European Parliament were in New Delhi recently to assess the status of the negotiations for a bilateral trade and investment

agreement (BTIA).

The visit was motivated by the fact that the European Parliament plays an important role in framing the trade policy of the European Union (EU), and the Members of European Parliament (MEPs) wanted an update on why the progress between the two sides has been slow. The MEPs met with different stakeholders including members of Parliament in India. The European members were keen to understand the importance of the agreement for India.

Following the consultations they were of the view that except for some critical areas of interest for both sides, the majority of negotiations were already wrapped up, and with a bit of political will on both sides the agreement could be signed soon. However, it is important to note that with elections on the horizon, India is unlikely to accept some of the demands of the EU, including an agreement on public procurement and opening up of financial services to the extent the Europeans have demanded. It was clear the Europeans were keen on fast-tracking the process, though they realised that for both the sides some critical areas still remained unresolved.

The EU has been in the process of negotiating agreements with a majority of its partners. For instance, it has recently signed an agreement with Canada after four years of negotiations. According to reports, Brussels views the agreement with Canada as a forerunner to the agreement it is negotiating with the US. The Canada-EU agreement will remove tariffs from 99 per cent of products and it will provide a liberal regime for services in sectors such as telecommunications and financial services including banking.

The real gains for the EU, according to reports, come from the last minute agreement by Canada with regard to beef and dairy that allows for a 50,000-tonne increase in the EU's quota for beef imports. Canada has also signed off on doubling its quota for dairy imports to an additional 17,700 tonnes.

According to a report by the Geneva-based Bridges, the deal is also slated to open up public procurement markets at all Canadian levels of government, both sub-federal and federal. Interestingly, the EU is also keen in opening up both federal and sub-federal public procurement markets in India under the BTIA. In the EU-Canada agreement, geographical indications - products that are specific to a region such as champagne - will also be protected for various EU products ranging from wine to cheese to other products, an issue that also finds place in the India-EU negotiations.

Brussels is also involved in negotiations with another important partner - Japan. The two sides have already held three rounds of negotiations, and if things go according to plan then an agreement is expected to be in place by next year. As with India, with Japan, too, the EU is having problems in the area of liberalising the market for automobiles. Japanese automakers have also not been very keen to open up the market to the EU. However, the EU is not just targeting tariffs in Japan for auto but also non-tariff barriers.

The EU, as is evident, is keen on completing all its current negotiations by next year, as the current commission will end its term at the end of 2014. However, with India, the roadblock is primarily because first, India goes to polls by the middle of next year and by the time a new government comes into place with the mandate to negotiate the current Commission at Brussels would be on its way out.

Therefore, it is important for the two sides to look at taking forward the progress achieved so far to try and reach an agreement at the earliest. However, for India the two un-resolved issues of being declared a data secure nation and a good offer on movement of professionals would be important to achieve before moving forward on the agreement.

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FTA talks between India, Gulf council to resume soon
Huma Siddiqui, Financial Express

New Delhi, 6 November 2013: The talks for a free trade agreement (FTA) between India and the Gulf Cooperation Council (GCC), which have been in a limbo for a while now, are set to resume. A decision to this effect was taken during a recent visit by E Ahamed, minister of state for external affairs, to Bahrain. "India and the GCC started negotiations on FTA as far back as 2005 but the two rounds of negotiations held so far have not translated into signing the agreement. India is ready to hold the third round of meeting for expeditious conclusion of the FTA," Ahamed said.

Two rounds of talks for finalising aspects like tariff rules, rules of origin have been held and the third round of FTA negotiations is to be held in India, the dates are yet to be decided. Progress on India-GCC FTA has been slow; it was once hoped that a deal could be completed back in 2009.

The FTA will remove restrictive duties and push down tariffs on goods being traded.

This will provide Indian pharma and chemical industry to export their products to the Gulf region.
The first round of negotiations was held in GCC headquarters in Riyadh on March 21- 22, 2006. During this round, the GCC agreed to include services as well as investment and general economic cooperation along with goods in the GCC-India FTA.

Another hallmark of this round is an agreement on the modalities for negotiations that have been finalized. It was also agreed to conclude the negotiations at the earliest.

The second round of negotiations was held in Riyadh on September 9-10, 2008. In this, the discussion progressed in the earlier decided working groups and the proposed tariff liberalization scheduled was discussed during this round.

India's two-way trade with the Gulf region countries has grown to more than $ 181 billion in 2012-13. Today, the GCC is India's largest trading partner group.

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More trade with Pak after most-favoured nation status: Officials
Sidhartha, Times of India

New Delhi, 5 November 2013: India's trade liberalization with Pakistan will only move after Islamabad honours its commitment to open up border trade and grant most-favoured nation (MFN) status, officials said on Monday, indicating New Delhi's tougher stance in the wake of escalated tension at the border.

Sources told TOI that the Trade & Economic Relations Committee (TERC) headed by Prime Minister Manmohan Singh, which met on Monday, reviewed India's trade relations across the globe and Pakistan was one of the issues on the agenda. While trade ties in Saarc were seen to have improved, Pakistan appeared to be the only weak spot as even the democratically-elected government had failed to implement what was agreed at the level of commerce secretaries in September 2012.

In fact, the Pakistan government has now linked improved trade relations with political talks, including demilitarization of Siachen and a solution to Sir Creek dispute. "We sincerely want to move forward on trade but at the moment it seems that it is not really defensible in Parliament and in front of the people unless there is some political movement... One step forward on political issues will yield five steps forward on trade and economic issues," Pakistan's junior trade minister Khurram Dastgir Khan had told Indian reporters in Karachi in September.

India, which has gone beyond its commitment and reduced the sensitive list by 30% to 614 items, is now insisting that Pakistan reciprocate. If Pakistan grants MFN and removes all restrictions on trade through the land route at the Wagah-Attari border, the sensitive list will be pruned by another 30% and then reduce it to just 100 items. "We are ready with our list and it will be of interest to Pakistan but for that Pakistan has to show some urgency and meet its commitment," said a senior government official.

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India, France bilateral trade can take quantum leap: Exim Bank
Nayanima Basu, Business Standard

New Delhi, 4 November 2013: Bilateral trade ties between India and France have the ability to take a quantum leap if both countries unleash some of the potential sectors, says a study by the Export-Import Bank of India.

Total trade between both countries grew by almost five times to $10.2 billion in 2012 from $2.2 billion in 2001. While France's exports to India have risen from $910 million in 2001 to $4.2 billion in 2012, France's imports from India have also risen significantly from $1.3 billion to $5.9 billion in 2012, according to the study – Potential for Enhancing India's Trade With France.

India's ranking as one of France's significant trading partners is much lower compared to the latter's share of 1.7 per cent of India's global exports in 2012. France is India's 14th largest trading partner.

"To enhance bilateral trade relations, and in particular to enhance India's share in the import basket of France, which currently is the sixth largest global importer, an important element of the strategy would entail identification of potential items of India's exports to France, in line with India's global export capability as also demand existing in France as exhibited by the rising trend in major import items of France," the study noted.

India has gained considerable visibility in only three main items of France's global imports which are apparels and accessories, leather goods and textiles. However, India's share is marginal in the case of other major import items of France.

"Some of these items are amongst India's leading export items in the global market, which highlights India's export capability of these items," Exim Bank said.

The study noted that India can become one of the important suppliers of aircraft parts to France. Globally, India exported around $1.7 billion in 2012 worth of aircraft parts but to France it exported a marginal $37 million.

Similarly, in petroleum products While France's imports from India has risen sharply from $2.2 million in 2001 to $1.4 billion in 2012, accounting for 3.8 per cent of France's imports, potential exists to further enhance such exports to France.

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UK scraps visa bond scheme
Business Standard

New Delhi, 4 November 2013: India's diplomatic efforts showed success on Sunday night, as the government of Britain announced its decision to drop its controversial visa bond scheme. It was to take effect as an experiment from this month.

In a major relief to Indians aspiring to either work or visit there, the government decided to "not to proceed" with the scheme, which entailed paying a personal cash bond of £3,000 (Rs 2.8 lakh) before entering that country.

The project, announced as an experiment, was aimed at addressing concerns on misuse of visas, checking those who overstayed or stayed on. For this, the UK government had categorised some countries as high risk, such as India, Bangladesh, Sri Lanka, Pakistan, Nigeria and Ghana.

UK High Commissioner to India James Bevan said on Monday: "The UK wants the brightest and the best to help create jobs and growth that will enable Britain to compete in the global race. So, for example, if you are an overseas businessperson seeking to invest and trade with world class businesses, one of the thousands of legitimate students keen to study at our first-class universities or a tourist visiting our world class attractions, be in no doubt Britain is open for business."

The decision was announced almost a week before British Prime Minister David Cameron's visit to India on November 14.

The scheme was announced in June.

Syed Akbaruddin, spokesperson and joint secretary, ministry of external affairs, told Business Standard, "We had articulated our views at the official and political level. They had indicated that these would be taken into account when they take a final decision."

The British government was "compelled" to scrap the scheme under pressure from our government, said a senior official, who refused to be identified.

"It was Cameron's Diwali gift to us," he added.

Marcus Winsley, director (press and communications), British high commission, said: "The decision took into account all factors. Our visa application system in India is the largest in the world."

He added the bond programme was only discussed as one of the probable ideas to check misuse of British visas and to tackle immigration abuse.

Each year, the high commission in India gets around 400,000 visa applications. In 2012, about 88 per cent were approved. Of these, 56,000 were business visa applications; 97 per cent were approved.

Naina Lal Kidwai, president of the Federation of Indian Chambers of Commerce and Industry, said: "The news is a relief to Indian companies which have been actively eyeing the UK market to invest and do business with. Despite being one of the largest investors in the UK, Indian citizens would have been clubbed in the high-risk category along with other African and Asian countries."

Apart from business chambers, the Commerce and Industry Minister, Anand Sharma, had protested against the move during meetings with his British counterparts. Indian industry had called it "discriminatory and unfortunate".

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India to resume visa fee hike dispute with US in WTO
Nayanima Basu, Business Standard

New Delhi, 4 November 2013: Days after Indian information technology bellwether Infosys was made to pay a hefty penalty of $34 million (about Rs 210 crore) to the US government over a visa fraud case, India is planning to resume the two-year old dispute with America for raising professional visa fees at the World Trade Organisation's (WTO) dispute settlement body.

It said the move had hurt Indian IT companies and was "specifically" targeted at them. India had formally approached WTO, seeking consultations with the US on this particular case in 2011-end and the matter went on till early 2012, even as the US government raised the fee for H-1B and L-1 visas in 2010. However, the case was not pursued, as the government "failed to obtain the required data" from Indian IT companies such as Infosys, Wipro and Tata Consultancy Services (TCS), officials told Business Standard. Now, armed with evidence, the government has decided to take up the issue.

"We have not given up on the case, we never did. We were waiting for evidence. We have received that evidence and now we are going to pursue it further," said a senior commerce department official. Although the government officially maintains that the particular move is not related to the Infosys civil settlement issue, top officials who are involved in the matter have told Business Standard that trigger is indeed the Infosys case. In its complaint to the WTO, India has said the US has violated WTO rules in services trade on commercial presence of a country in another, and in movement of professionals.

The US is using a particular law — Public Law 111-230 (Border Security Act) — that nearly doubled skilled worker H-1B and L1 visa fee, to as high as $4,500 (about Rs 2.78 lakh) per applicant (from around $2,320 (about Rs 1.43 lakh earlier), for any company in which foreigners are more than 50 per cent of its US work force. It was put into force from August 13, 2010 till September 30, 2014. However, under the James Zadroga Act, it got further extended to 2015.

The funding for the $4.2 billion James Zadroga 9/11 Health and Compensation Act is partly drawn from imposition of tax on any foreign entity that receives a specified federal procurement payment equal to two per cent of the amount of such specified federal procurement payment.

Imposition of such two per cent tax on countries which are not signatories of the WTO Government Procurement Agreement such as India is discriminatory and may be inconsistent with US's international commitments, India has said in its complaint.

While H-1B visas are for non-immigrant specialty workers, L-1 visas are for intra-company transferees (L-1A category for managers or executives; L-1B for ICT specialists).

India now is also closely watching the development on the recent debate going on in the US on the immigration bill. Minister for External Affairs Salman Khurshid and Minister for Commerce and Industry Anand Sharma have said that some of the provisions in the bill are not conducive for Indian IT companies. They have not ruled out dragging the US to WTO on the issue also if the bill is passed in its present form.

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Onion export floor price hiked to $1,150/tonne
Business Line (The Hindu)

New Delhi, 4 November 2013: The Government has hiked the minimum export price (MEP) on onions by 28 per cent to $1,150 a tonne to boost domestic supplies and tame high prices of this most widely-used vegetable.

This is the second hike in recent months and comes just ahead of Assembly elections in five States, including Delhi, Rajasthan and Madhya Pradesh, where soaring food inflation has become a poll issue. The Director-General of Foreign Trade, in a notification, said that export of all varieties of onion would be subject to an MEP of $1,150 a tonne. The MEP of $650 was imposed in mid-August and was revised to $900 on September 19.

Though the increase in base price for exports have slowed down shipments, prices continue to rule high at over Rs 60 a kg at retail outlets in most markets, including Delhi and across the country.

Trade sources said that supplies from Nashik, a key growing region of Maharashtra, are expected to improve post-Diwali when the harvest is set to gather momentum.

Moreover, the increase in floor price at this time will not have any impact as Indian onions are unviable in the global market due to high prices.

Since the imposition of MEP, there has been a drastic fall in shipments to around 29,000 tonnes in August and 19,200 tonnes in September, from about 1.56 lakh tonnes in July. In the first six months of the current fiscal, onion exports stood at 7.16 lakh tonnes, valued at Rs 1,450 crore. In the corresponding period a year ago, shipments stood at 10.02 lakh tonnes valued at Rs 1,012 crore.

In the past four months, onion prices have more than quadrupled touching as high as Rs 100 a kg in markets such as Delhi, following disruption in supplies due to excess rains impacting harvest in Karnataka and Andhra Pradesh.

Rising onion prices had forced the Government to direct all States to crack down on hoarders and speculators, besides resorting to imports.

While onions have eased marginally in recent weeks, prices of tomato have continued to inch up and are currently hovering around Rs 60 a kg in Delhi.

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Coffee exports fall on weak global prices in Jan-Oct period
PTI

1 November 2013: Coffee exports fell marginally to 2,76,842 tonnes in the first ten months of the current calendar year, due to a major drop in global prices, according to the Coffee Board.

The country has shipped 2,77,296 tonnes of the coffee bean during the January-October period of 2012, it said.

"There is a small drop in export quantity. It was mainly due to a sharp price fall in global market owing to excess supply from other major producing countries like Brazil," a senior Coffee Board official told PTI.

In value terms too, coffee shipments fell to Rs 4,152.65 crore during the January-October period of this year, from Rs 4,640.07 crore in the year-ago period, he said.

The value of shipments declined due to lower export realisation of Rs 1,50,000 per tonne, as against Rs 1,51,929 per tonne in the review period, he added.

Maximum quantity of coffee has been exported to Italy at 69,328 tonnes, followed by Germany at 27,932 tonnes and Russia at 18,279 tonnes, the Coffee Board data showed.

Out of total coffee shipments, export of arabica varieties stood at 50,153 tonnes in the first ten months of the current year, down from 53,668 tonnes in the year-ago.

However, export of robusta varieties remained slightly better at 1,48,033 tonnes as against 1,47,862 tonnes in the review period, the Board data showed.

Interestingly, re-export of coffee from the country improved to 58,985 tonnes during January-October of this year from 39,460 tonnes in the same period last year.

According to exporters, global prices of coffee have nosedived to their lowest levels in four and a half years due to the prospect of bumper harvest from Brazil and Vietnam.

Last month, arabica prices fell to $109 cents per pound, lowest since March 2009, while robusta rates hit $1,560 level, they added.

The Coffee Board has pegged total coffee production to be higher at 3,47,000 tonnes in the ongoing 2013-14 season that started from October. Harvesting of the crop will begin from next week.

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Rubber exports plunge by 59% to 480 tonnes in October
PTI

New Delhi, 5 November 2013: Natural rubber exports fell by 59 per cent to 480 tonnes in October this year due to fall in domestic production.

Exports of rubber in October last year stood at 1,145 tonnes, according to Rubber Board data. Total exports of rubber during April-October period in current year has fallen by 54 per cent to 3,975 tonnes against 8,611 tonnes in the same period a year ago.

Production of natural rubber dropped by 7.3 per cent to 83,000 tonnes during October in the current year against 89,500 tonnes in the same period last year. Similarly, consumption of natural rubber has also come down by 3.57 per cent to 80,500 tonnes in October this year from 83,485 tonnes last year.

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Textile export plan could unravel on currency swings
Banikinkar Pattanayak, Financial Express

New Delhi, 7 November 2013: The government’s ambitious plan to achieve a 30% jump in textile and garment exports to $43 billion this fiscal and partly offset the impact of a domestic slowdown may go haywire. A 9.3% appreciation of the rupee since its lowest in August may restrict the pace of textile and garment export growth to a moderate range of 10-15% this fiscal, especially in the absence of any major policy intervention and the withdrawal of an up to 4% incentive on yarn exports in September, senior industry executives said.

After a marginal drop last fiscal, textile and garment exports logged a 12.5% year-on-year growth in the April-July this fiscal to $9.11 billion on the back of a depreciating domestic currency and a recovery in US demand. In rupee terms, the rise in exports during the period was more substantial, at 17.6% to Rs 51,863.64 crore. Overall textile production gained 3.2% between April and August, showed the Index of Industrial Production data, suggesting that exports contributed much to the textile sector expansion this fiscal while domestic demand remained muted. So any threat to exports this fiscal may curb the entire sector's growth.

"The rupee dropping to the 68 level against the dollar was more of an aberration and the current level of the domestic currency seems to be a reasonable one. However, any further appreciation or wild swings from this point would hurt export prospects as the sector can absorb currency risks to a limited extent only," said DK Nair, the secretary general of the Confederation Of the Indian Textile Industry.
Senior industry executives said textile and garment firms usually hedge 30-40% of their revenue in the currency market to beat risks, although some heavily export-oriented ones like Welspun hedge more. Dipali Goenka, managing director, Welspun Global Brands, said: "We hedge around 60% of our revenue while the remaining 40% is kept open as a risk-mitigation strategy. Hence, we are not much affected when the rupee appreciates and, similarly, we do not gain much when the rupee depreciates... This ensures that we have predictable revenues to a significant extent."

Welspun, Asia's largest home textile company, draws more than 90% of its revenue from exports and is also a key supplier to retail giants including Wal-Mart, Target, and Bed Bath & Beyond.

However, most of the unorganised players — who account for 80% of the garment and 90% of fabric segments — don't hedge. So any sharp appreciation of the domestic currency hits them the most and causes large-scale layoffs in a sector that offers jobs to 35 million people and is the country's largest employer after agriculture. Even the bigger companies bat for stability in the rupee movement.
According to Alok Industries MD Dilip Jiwrajka, the sharp depreciation of the rupee and problems of compliance of global safety standards by key competitor Bangladesh helped India's exports earlier this fiscal. "Although the rupee has strengthened a bit recently, we, as a company, don't see much of a risk as of now. However, an upset equilibrium in the rupee movement may tend to hurt export prospects of companies in the sector," he said.

Alok Industries, the country's largest player with a strong presence across the textile and garment segments in the domestic as well as export markets, aims to raise its export revenue by around 80% to Rs 6,000 crore over the next two years.

Vardhman Group chairman SP Oswal said the stabilisation of the rupee is essential due to the very nature of the textile and garment business. "A depreciation of the rupee may temporarily help exporters, but raw material costs will rise consequently, and so will labour costs in the very labour-intensive sector. These will ultimately hurt them." However, he sees no harm to Vardhman from the recent appreciation and expects exports to grow 7%, as forecast earlier, from over $300 million in 2012-13.

The country's overall textile and clothing exports, which also include shipments of cotton (raw and waste) and handicrafts, had hit Rs 1,59,570.56 crore ($34 billion) in 2011-12, up 26.4% from a year earlier. The government had set a $40.59-billion target for such exports for 2012-13 fiscal, which was missed.

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US pushes India again for early phase-out of textile sops
Amiti Sen, Business Line (The Hindu)

New Delhi, 3 November 2013**:** The US has pushed India again to do away with its export subsidies to textiles and garment producers as these sectors are now competitive in the global market.

India will have to start phasing out its textile subsidies soon to conform with the Subsidies Agreement of the World Trade Organisation, a US representative said at a recent meeting of the WTO Committee on Subsidies & Countervailing Measures.

While India may not start phasing out export subsidies on textiles and garments immediately, the growing pressure at the WTO may prompt it to go slow in giving fresh subsidies to the sector, a Commerce Ministry official told *Business Line*.

"We have informed the WTO that India is working with stakeholders on this issue. However, we still needed clarification on certain points, including the definition of products involved," the official said.

While export subsidies are prohibited under WTO rules, the multilateral trade body allows countries with per capita income below $1,000 to give such incentives till exports are lower than 3.25 per cent of world trade in that particular commodity.

India's share in the global market for textiles crossed the limit in 2007, according to WTO records, and is almost four per cent at the moment. However, since countries are given eight years to remove the subsidies, India has time till 2015 to do so.

India has been giving incentives to its exporters over the last few years for exporting to targeted markets and for exporting labour-intensive products to help them tide over the slowdown in global demand. Since textiles and garments are important job generating sectors, these have received generous incentives over the last few years. With the US and EU markets now looking up, the pressure on the Government to further give incentives is not high.

India had earlier pointed out at the WTO that many of the subsidies identified by the US and others are not subsidies and merely a reimbursement of input duties. It said before the phasing out takes place, there has to be a common understanding on what the subsidies are.

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WTO Reports Increase in Antidumping Actions, With Emerging Markets in Lead
Daniel Pruzin, WTO Reporter

29 October 2013: The World Trade Organization has reported an increase in the number of antidumping investigations launched by its members over the past year, with emerging markets such as Brazil and India reporting the sharpest jump.

In its annual report for 2013 circulated Oct. 29, the WTO's antidumping committee said that 209 new AD investigations were initiated between July 1, 2012 and June 30, 2013, up slightly from the 200 investigations initiated over the previous year.

Brazil led the way with 38 new AD investigations, up from 31 the previous year. India ranked second with 31 new investigations, almost double the 16 investigations in the earlier reporting period.

Rounding out the top five were: Argentina (15 investigations), China (13) and Turkey (12). Malaysia, Mexico and South Africa reported six new investigations apiece.

The U.S. reported 11 new AD investigations for the year ending June 30, down from 13 the previous year, while the European Union reported nine investigations, down from 16 the previous year. Australia and Canada reported 11 new investigations apiece, both down from the previous year.

Japan and Russia both reported no new AD investigations over the past year.

The overall figure for new AD investigations is certainly larger due to the exclusion of Indonesia. The antidumping committee said that while Indonesia submitted figures on its antidumping actions to the

WTO, the figures were not included in its report pending technical corrections.

The initiation of an antidumping investigation often has an immediate trade-dampening impact because affected exporters reduce shipments of the targeted good due to market uncertainty.

WTO members reported the imposition of 133 final AD duty orders between July 1, 2012 and June 30, 2013, up from 103 the previous year.

India ranked first with 28 new AD duty orders, the same as the previous year, followed by Australia and Russia (10 apiece), the U.S., the EU and Malaysia (9 apiece), and Canada, China, Pakistan and Thailand (8 apiece).

WTO members reported that 103 existing AD duty orders were revoked over the past year, down from 116 the previous year. India revoked 29 duty orders over the past year, followed by the EU (21), Argentina (11) and the U.S. (7).

As of June 30, WTO members had a total of 1,374 AD duty orders in force, up from 1,336 in mid-2012. The U.S. has the most duty orders in force (243), followed by India (215), Turkey (120), China (118) and the EU (111).

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India slaps $787/tn anti-dumping duty on Chinese paracetamol
PTI

New Delhi, 30 October 2013: India has imposed anti-dumping duty of USD 787 per tonne on import of Paracetamol, a widely used medicine, from China for five years to protect interest of domestic players from the cheap shipments.

"The anti-dumping duty imposed (on Paracetamol) under this notification shall be effective for a period of five years...," said the Central Board of Excise and Customs (CBEC) in the Revenue Department.

The duty will be at USD 787 per tonne, it said.

The duty has been slapped on recommendation of the Directorate General of Anti-dumping Duty, which carried out a review of the impact of the levy on its import from China.

The anti-dumping duty, a WTO compatible levy to discourage imports, was first imposed on the bulk drug in 2001 and extended through different stages till September 2013.

The DGAD after a 'Sunset Review' had concluded that despite the anti-dumping measures, dumping of paracetamol originating in or exported from China has continued unabated causing injury to the domestic industry.

"Should the present anti-dumping duties be revoked, dumping of the subject goods may in all likelihood intensify, causing further injury to the domestic industry," the Authority had concluded while recommending to the revenue department continuation of the levy in August.

Paracetamol is a bulk pharmaceutical active ingredient, displaying analgesic and antipyretic properties. It is used in a number of OTC drug formulations in the form of powders, granules, injectibles and tablets.

The DGAD carried the review or probe for 15 months January, 2011 to 31st March, 2012.

Import of the drug increased from 6,385 tonne in 2008-09 to 10,834 tonne during the period of investigation (POI).

Capacity utilisation of the domestic industry was 85 per cent in 2008-09, but it has come down to 79 per cent in the POI. The annual demand for the drug is about 25,380 tonnes.

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India slaps duty on US, EU imports of chemical used in perfume
PTI

New Delhi, 27 October 2013: India has imposed anti-dumping duty of up to USD 0.36 a kg on import of a chemical, used in manufacture pharmaceuticals and fragrance products, from EU, US and Korea to protect domestic players from cheap shipments.

"The anti-dumping duty imposed (on Methylene Chloride) under this notification shall be levied for a period not exceeding six months...," said the Central Board of Excise and Customs (CBEC) in the Revenue Department.

The duty has been imposed to discourage the import based on recommendation of the Directorate General of Anti Dumping and Allied Duties (DGAD).

Acting on the complaint of Chemplast Sanmar and Gujarat Fluorochemicals, the DGAD had carried out a preliminary probe into the imports and concluded that "subject goods (Methylene Chloride) have been exported to India from the subject countries (EU, US and Korea) below its normal value...(and) the domestic industry has suffered material injury".

The initial probe found that material injury has been caused by the dumped imports of the chemicals.

Countries initiate anti-dumping probes to check if domestic industry has been hurt because of a surge in below- cost imports. As a counter-measure, they impose the duty, which is WTO compatible.

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EU protests against India's penal import duties
Amiti Sen, Business Line (The Hindu)

New Delhi, 31 October 2013: The European Union has accused India of imposing higher penal duties on imports of certain products such as steel and rubber chemicals than what the situation may warrant to protect its domestic industry.

While claiming that its penal duties were in response to aggressive exports by some countries, India conceded that it would look into complaints made on the initiation of safeguard investigation on steel pipes and tubes.

India has initiated the highest number of safeguard investigations in 2013 and half the products being investigated are already subject to anti-dumping duties, the EU pointed out at a recent meeting of the World Trade Organisation's (WTO) Safeguards Committee.

The WTO allows members to impose penal duties called anti-dumping duties if it can be proved that the imports are being dumped into the country at lower prices than those prevailing in domestic market of the exporting country.

A second penal duty known as safeguard duty can be imposed by a member in case there is a sharp increase in imports of a product over a period of time leading to disruption in the domestic market. Recently, India notified four safeguard investigations – on seamless pipes, tubes and hollow profiles of iron or non-alloy steel, on sodium nitrate, on methyl acetoacetate, on phthalic anhydride, and on PX-13 (a rubber chemical).

The safeguard initiation on steel products has led to protests from a number of WTO members including the EU, Russia and the US.

The EU said that it was very concerned that in the steel case, imports had decreased and that there was no evidence of injury caused by imports on the domestic industry.

Russia shared EU's concerns in the steel case, and pointed out that the increase in imports was caused by just one country – China. Japan also expressed concern.

India's representative said that the concerns would be conveyed to the Government and a reply would be given.

On India's investigation on PX-13, the EU said that the extension of the safeguard measure would not be warranted, as this product was already subject of an anti-dumping duty.

The US, too, sought clarification regarding the investigation. India said it would forward the questions to New Delhi.

Over the last few years, India has resorted to imposition of safeguard duties on cheap imports instead of anti-dumping as it is more difficult to prove that dumping has actually happened.

While most of the safeguard duties are imposed to protect Indian producers against cheap imports from China, other countries, too, get affected as these duties are applicable to all.

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WTO Reports Sharp Increase In New Safeguard Measures
Daniel Pruzin, WTO Reporter

5 November 2013: Members of the World Trade Organization have sharply increased the number of new safeguard actions aimed at protecting domestic producers from increased imports, according to the latest figures circulated by the WTO October 29.

Thirty-two new safeguard investigations were initiated between mid-October 2012 and mid-October 2013, according to notifications submitted by WTO members and compiled by the organization's safeguards committee. That compares with 15 safeguard investigations initiated over the previous year-on-year period.

Indonesia and India led the way with five new investigations apiece over the past year, followed by Chile, Colombia and Thailand with three apiece. All but two of the new investigations were initiated by developing countries.

Eleven provisional safeguard measures were imposed over the same period, led by Colombia and Egypt with two apiece. In addition, 14 definitive safeguard duty measures were either announced or imposed, led by Indonesia with four and Russia, Thailand and Ukraine with three apiece.

WTO rules allow members to impose a safeguard in the form of increased tariffs or import quotas for up to four years if it determines that increased imports of a particular product are causing, or threatening to cause, serious injury to its domestic industry.

Irrespective of Country of Origin

Unlike antidumping duties, safeguards apply to a specific product irrespective of the country of origin, thus affecting more trade. While the requirements for imposing a safeguard are considered less onerous than those for antidumping duties, a country imposing a safeguard must normally offer compensation—in the form of tariff concessions on other products, for example—to counter the adverse effects of the measure on trade, or risk seeing its goods targeted with countermeasures.

Turkey became the first WTO member to impose countermeasures in reaction to a safeguard measure when it announced in June that it would impose a 23 percent duty on imported walnuts from Ukraine in retaliation for its safeguard duties on imported motor vehicles. The additional duties on the Ukrainian imports took effect on July 12.

Russia also announced in July it would impose additional duties amounting to $36.2 million per year on Ukraine in order to compensate for export earnings lost from the auto safeguard measure.

In a joint communication circulated to WTO members in October 2012, the U.S. joined the European Union, Australia, Canada, Japan, New Zealand, Norway, Singapore, South Korea, and Taiwan in criticizing what they claimed was "an emerging and serious disregard of multilateral rules" in safeguard proceedings.

The group cited concerns about ongoing systemic issues relating to certain safeguard investigations, including procedural, transparency, and due process issues, adding that the "hastiness with which some Members have imposed provisional measures brings into question whether Members are making proper preliminary determinations" as required under WTO rules.

According to the WTO, 43 dispute cases have been initiated alleging a violation of WTO safeguard rules since the organization was established in 1995. Japan initiated the most recent dispute case when it requested WTO consultations with Ukraine October 30 to address the auto safeguard duties.

WTO rulings have been issued in 20 of the disputes, with one case alone—the 2003 ruling condemning U.S. safeguard duties on steel imports—involving eight complaining parties.

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Near national treatment for foreign banks
Joel Rebello & Anup Roy, Mint

Mumbai, 6 November 2013: Citibank NA, Hong Kong and Shanghai Banking Corp. Ltd (HSBC), Standard Chartered Bank and a few other foreign lenders may set up wholly owned subsidiaries (WOS) in India, as they will be treated like "near national" banks by the Reserve Bank of India (RBI) when it comes to opening branches in Asia's third largest economy if they do so.

RBI released the new norms for foreign banks on Wednesday, nearly three years after the first discussion paper on the subject was made public.

Foreign banks with "complex structures" and banks that do not provide "adequate disclosure" in their home jurisdiction will have to compulsorily convert themselves into wholly owned subsidiaries of their parents in India.

A late evening RBI release also said foreign banks that become “systemically important” on account of their balance sheet size in India have to convert themselves into wholly owned subsidiaries. Systemically important banks are those whose assets account for at least 0.25% of the total assets of all commercial banks. Going by this definition, 12 foreign banks, including Bank of America Corp., Barclays Plc, Citibank, Deutsche Bank AG, HSBC, DBS Bank Ltd and Standard Chartered Plc fall into the category. However, the big three along with other foreign banks that started operations in India before August 2010 have the option to continue their business through the branch mode, but they will be “incentivized” to follow the WOS route, RBI said.

Whether such foreign bank subsidiaries can buy private sector banks in India will be considered after a review is made with regard to the extent of penetration of foreign investment in Indian banks and functioning of foreign banks, the RBI release said.

Under a World Trade Organization (WTO) agreement, RBI is required to give foreign banks 12 new permits to open branches every year, including those given to new entrants and existing lenders, but the Indian regulator has been liberal in its policy. Those foreign banks who decide to opt for the WOS structure will be able to expand their branch network like a local bank without seeking prior RBI approval “except in certain locations that are sensitive from the perspective of national security”.

Some 43 foreign banks now have 334 branches, mostly in cities, less than half a percentage point of the banking system’s total branch network.

Citibank, which has the biggest asset base among all foreign banks in India, is 110 years old in India. It has 43 branches across 29 centres. With around Rs.93,000 crore of assets, Standard Chartered has 100 branches. With close to Rs.81,100 crore in assets, HSBC currently has 50 branches in India. Among other foreign banks, Deutsche Bank has 17 branches and DBS runs 12.

Spokespersons for Citibank and HSBC, and DBS India general manager and chief executive Sanjiv Bhasin declined to comment as they were yet to go through the RBI circular.

A Standard Chartered spokesman said the bank welcomed the new guidelines, but added that “...it is too early to comment in detail without reviewing the guidelines and its implications”.

“Complex structure” typically refers to the opaqueness of shareholding of a bank. For example, many European banks, especially in the wealth management business, are owned by companies and individuals with a complex chain of holding company and cross holdings. In many cases, the owners of the banks are hidden under several layers.

In India, financial institutions are regulated by distinct authorities—RBI in the case of banks. However, in many European countries, banks can work under that country’s company laws, which is not acceptable in India.

This means some banks could take their “own time” to become a WOS, said There is no deadline set for banks to take call on whether to incorporate themselves locally. Robin Roy, associate director, financial services at consulting firm PricewaterhouseCoopers.

“But they will eventually want to do that because that gives them a level playing field. Now their grouse of not being able to open branches has been addressed. It is good for foreign banks in India; at the same time, it is good for Indian banks as well because of the reciprocity clause,” Roy said.

RBI said its new policy will be guided by the two cardinal principles of reciprocity and single mode of presence.

“The policy incentivizes the existing foreign bank branches which operate within the framework of India’s commitment to WTO to convert into WOS due to the attractiveness of near-national treatment. Such conversion is also desirable from the financial stability perspective,” RBI said.

Like local banks, foreign banks will have to lend 40% of their funds to the so-called priority sector that includes loans to farmers, small enterprises, homes loans below a certain threshold, and minorities. However, foreign banks that want to convert into WOS will be given “adequate transition period” to achieve their priority sector targets, the central bank said without giving a time frame for the same. Foreign banks’ subsidiaries in India will need to have a minimum paid-up equity capital of Rs.500 crore, while existing branches of foreign banks will have to have a minimum net worth of a similar amount if they want to convert into a WOS.

The parent of the WOS would be required to issue a letter of comfort to RBI for meeting the liabilities of the WOS.

“Banks that are here for a long time and plan to come here to be invested for a long time will want to become WOS because after a limit, RBI may restrict foreign banks’ activities as indicated in the guidelines,” PWC’s Roy said.

“To prevent domination by foreign banks, restrictions would be placed on further entry of new WOSs of foreign banks or capital infusion, when the capital and reserves of the WOSs and foreign bank branches in India exceed 20% of the capital and reserves of the banking system,” RBI said.

As on 31 March, foreign banks accounted for about 15.15% of the Rs.7.09 trillion capital, reserves and surplus of all scheduled commercial banks, according to RBI data.

WOSes of foreign banks have also been given the option to dilute their equity stake to 74% or less, but in the event of such a dilution, these banks will have to list in the local stock market.

RBI also spelt out the composition of the boards of foreign banks who opt for the WOS route. The Indian central bank expects at least 50% of the directors on board the WOS to be Indian nationals, including non-residents or people of Indian origin on the condition that not less than one-third of the directors reside in India.

Not less than two-third of the directors should be non-executive directors, while a minimum of one-third of the directors should be independent of the management of the subsidiary in India, its parent or associates, RBI said.

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Food security and securing farmers’ interests at WTO
Anil Kumar Kanungo, Financial Express

30 October 2013: The Food Security Act (FSA) may be a welcome step for the country, but how does it really help the Indian farmer make a living? The bill doesn’t necessarily ensure their livelihood security especially when the agriculture sector doesn’t remain a domestic issue and is linked with world agricultural trade negotiations guided by WTO.

What needs to be done to make the FSA succeed is to empower the farmers in a complete sense, including their livelihood security, their rural income and development. Indian farmers will possibly be most benefited if the issues of livelihood, food security and rural development are equally considered at the WTO level (however, this is already contentious) to ensure the security of their entitlements as citizens of the country. Therefore, the issue before the government is not only spending its entire energy, using its institutional mechanism, fuel and fertiliser subsidies, PDS and instituting other fiscal measures to operationalise FSA, but also, more importantly, negotiating at multilateral trade forums to ensure all securities for the farmers.

In fact, agriculture remains a bone of contention for WTO member-countries even today. A host of issues have already been discussed at great length in the ongoing Doha round of negotiations. But, there is no end in sight. What is preventing WTO members from striking a deal is disagreement between the advanced (led by the US) and the developing countries like India, China, Brazil, etc. The debate is on whether to address the economic and social security of the farmers of developing countries or focus on trade. Two-thirds of WTO members are developing countries whose food security, livelihood and rural income are critically dependent on agriculture. They have a defensive interest in agriculture and are not keen to open up the sector for world trade whereas the industrialised countries are pushing their agenda of tariff reduction and market liberalisation of the sector so that they are in a position to export their products to developing countries and establish their global competitiveness in agriculture. Huge domestic subsidies to their farm sector are further helping them sell their products at cheaper prices in the global market which the developing countries can't afford to do, as a result of which the latter's competitiveness is globally diminished. Since industrialised countries like the USA and those in the EU are powerful and influence global trade negotiations, economic and social security of Indian farmers is largely getting compromised.

What the developing countries are proposing instead are certain measures that should help them protect their agriculture, earn the farmers their livelihood and boost rural income, and in some ways prepare them to remain unaffected by the onslaught of world competition as engineered by USA and EU. Two measures being proposed by developing countries are 'Special Safeguard Mechanisms' (SSM) and identification of 'Special Products' (SPs). SSM would help them to defend their triple concerns of food security, farmers' livelihoods and rural development in the event of agricultural trade liberalisation. It would enable them to raise their tariffs above the bound rates in the event of a fall in price of the imported product or an increase in volume of the imported product, beyond certain levels. SSM, therefore, would be an effective instrument to provide contingent protection to poor farmers in developing countries from negative shocks from surges in imports. The other measure initiated by developing countries to prohibit agricultural import surge is the concept of Special Products (SPs). SPs are a set of products that directly concern their food security and farmers' livelihoods, and therefore, should be subjected to no or low tariff reductions in the Doha programme.

Inclusion of such provisions, the developing countries feel, will allow them to address concerns of food security, livelihood and rural development as most of their agricultural products would be outside the ambit of trade liberalisation, and secondly, will help them increase food production. It would remain relevant to the current crisis in food prices as subsistence in food production will provide food security and the developing countries won't rely on imports when there is a global shortage or price increase.

This policy space will allow developing countries to maintain the minimum comfort level of local farmers achieving greater self-sufficiency in food production. Given the backdrop of increase in food prices, there is a need for effective and operational SSM and SPs. This will also provide developing countries with long-term instruments to enable local food production. Sustained food production will help the farmers to sell their extra produce at government procurement level or market price, thus enhancing their income and social development. The Indian government has a huge task ahead in ensuring these farmers' securities when it negotiates at the ninth WTO Ministerial Conference at Bali during 3-6 December 2013. The success of food security bill for farmers will then be justified.

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India proposes changes in trade pact at WTO Bali meet
Dilasha Seth, Economic Times

New Delhi, 31 October 2013: India has proposed changes in the trade facilitation agreement to address the concerns of developing countries in the proposal that tops the agenda of the WTO's Bali ministerial scheduled for early December.

The trade facilitation agreement aims to smoothen cross-border trade by removing red tape, improving infrastructure and harmonising Customs procedures. Seen as the developed countries' agenda, the emerging economies have sought relaxations in the legally binding clauses like clearing shipments within three hours.

"We have informed WTO that there needs to be some restriction on the scope of expediting shipment, and should be only limited to air cargo and that too very urgent ones," a commerce department official told ET.

The country should also be allowed to restrict it to courier services, as the ones very urgent.

WTO has subsequently agreed to relax the clause to make expediting shipments within six hours or as rapidly as possible instead of three hours.

Negotiators from 159 countries have held several rounds of talks since September in Geneva to forge a consensus on the multilateral agreement.

Although talks started in 2001 in Doha, lack of consensus between the developed and developing countries has lead to an impasse.

The ninth ministerial round in Bali is being seen as the last attempt to renew the global trade agreement agenda by focusing on the low hanging fruit such as trade facilitation.

India's commerce & industry minister Anand Sharma told WTO director-general Roberto Axevedo during his Delhi visit in October that India was in support of the trade facilitation agreement, "but needs a balance in the pact".

India along with other developing countries had raised objection to the clause, which calls for a sufficient time gap between the announcement of change in tariff to its coming into effect. This would be against India's constitution, since most of the budget announcements related to tariffs come into effect within 24 hours. "We cannot change our constitution for WTO," said the official, adding that India has submitted an alternative proposal to this effect, wherein, budget-related announcement should be kept out of this clause since they need to become applicable immediately. "Deliberations are still on, we need to be given flexibility," he added.

Besides, India has sought a binding agreement on Customs cooperation under trade facilitation, which will ensure mandatory exchange of information between Customs administrations (on request) so as to prevent under-invoicing, overvaluation, tax evasion and illicit capital flows.

However, the developed countries want to agree to it only on 'best endeavour basis'. "It is important for us, and has been on the table for over 20 year. It is only for cross checking, as information is available at both ends. However, developed countries are putting in so many conditions, confidentiality laws, secrecy. So, we are not sure in what form it will finally look like," said the official.

India has also been pushing for a binding technical and financial assistance by the developed countries to the developing countries to accept trade facilitation agreement.

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A long way from a done Doha deal
Biswajit Dhar, Financial Express

24 October 2013: In just over a month, members of the World Trade Organisation (WTO) will congregate in Bali for the Ninth Ministerial Conference. This meeting is being seen as an important step towards providing the much-needed impetus to the Doha Round, which has suffered an extended impasse. In 2001, when the decision was taken to launch the Doha Round, WTO members had agreed to seal the deal in four years. However, well beyond a decade since, progress in most of the major negotiating areas has been perfunctory. There is, therefore, no doubt that the current round has been the most vexatious of all the negotiating Rounds that the multilateral trading system has seen since it was established in 1948.
An oft-ignored aspect of the Doha Round is that its architects had envisioned a balanced outcome by ensuring that negotiations in all the mandated areas conclude simultaneously. This was reflected in their agreement that the outcome would be in the nature of a “single undertaking”, which really meant that the “Doha Deal” could only be done when WTO Members have concluded agreements on all areas. The WTO-speak in this regard said it all: “Nothing is agreed until everything is agreed”. In practical terms, this approach was extremely significant since it sought to curb the tendencies of the more dominant countries to conclude agreements in areas that suited their interests best (euphemistically called “cherry picking”) and to go slow (or even ignore) in areas in which they had to make concessions. Thus, countries could engage in inter-sectoral trade-offs and this was seen as a big step towards ensuring a balanced outcome.

The high ambitions set for the Doha Round have eroded rapidly, particularly since the breakdown of the negotiations in July 2008. The narrow focus of the issues being discussed in the run-up to the Bali Ministerial Conference underlines the extent of erosion of expectations. The agenda engaging the WTO membership looks thin in relation to the overall negotiating mandate of the Round as they cover three areas, viz., trade facilitation, a couple of issues in agriculture and a package for the least developed countries. The focus of the pre-Bali engagement has, however, been on the first two issues.

Since its inclusion in the negotiating mandate in 2004, trade facilitation (TF) has looked as the most likely area in which WTO Members could conclude an agreement. Negotiations on TF have been dealing with several customs-related issues, including transparency, release and clearance of cargo introduction of risk management, post clearance audit, instituting single window for clearance of goods, elimination of pre-shipment and post-shipment inspections, and uniform forms and documentation requirements for clearance of goods. Besides the above-mentioned, freedom of transit and customs cooperation are key elements of the discussions.

The broad contours of an Agreement on TF are getting clear, despite there being more than 400 square brackets in the latest negotiating text. At the same time, several contentious issues are engaging the WTO members. Differences persist, particularly on the extent of flexibilities that are to be included in the agreement, which are of primary interest to the developing countries. Moreover, these countries have been insisting on the inclusion of effective provisions on special and differential treatment; provisions that would allow developing countries to take less onerous commitments and also benefit from a longer phase-in period for the implementation of their commitments. In addition, developing countries have been seeking firm commitments on capacity building and technical assistance, which will enable them to meet the challenges posed by the proposed agreement.

Agriculture has been the among the most contentious issues in the Doha Round and the run-up to the Bali Ministerial has been witnessing deep differences between the developing and the developed countries.

Agriculture has been identified as a priority area by two groups of developing countries, viz., the G-20 and the G-33, both of which include India as a prominent member. While the former is seeking elimination of export subsidies and credit, the latter is seeking amendments in the Agreement on Agriculture (AoA) for promoting food security.

Way back in 2005, WTO Members had agreed in the Hong Kong Ministerial Conference that by 2013, export subsidies will be eliminated and export credit would be significantly reined in. What is quite clear by now that these twin commitments will not be met. The G-20 has, therefore, taken the initiative to ensure that these egregious forms of subsidies are eliminated in quick time.

It is the G-33 proposal on food security that has emerged as the critical issue in the confabulations on agriculture. Towards the end of 2012, the group tabled a proposal for the inclusion of specific measures in the AoA that could enable WTO members to support their food security programmes. Besides India, which has initiated one of the most broad-based programmes for providing food aid to the needy, ASEAN-members are among those that have taken measures for promoting food security; especially after food prices had reached record levels in 2007-08.

The G-33 proposal seeks to ensure that AoA provisions do not impede implementation of food security programmes by developing countries. These countries have therefore proposed three amendments to the subsidies disciplines, which, they argue, can be introduced through a Ministerial Decision in Bali.
The first of the proposed amendments would allow developing countries to make payments on specific activities to promote rural development and poverty alleviation without being subjected to any disciplines introduced by the AoA. Thus, paragraph 2 of Annex 2 of AoA was proposed to be amended by including payments by developing countries for farmer settlement, land reforms, rural development and rural livelihood security, such as provision of infrastructural services, land rehabilitation, soil conservation and resource management, drought management and flood control, rural employment programmes, nutritional food security, issuance of property titles and settlement programmes.

Secondly, G-33 proposed that the existing provisions relating to public stockholding for food security purposes should be amended in order that developing countries can spend on acquisition of stocks of foodstuffs for supporting low-income or resource-poor producers and the cost of so doing will not be accounted for in their subsidies' bills. And, finally, they have sought specific amendments to the AoA to cover the programmes designed to lower food prices to more reasonable levels.

In a more recent submission, the G-33 members have proposed a supplementary decision a key element of which is a so-called "peace clause", which would provide immunity to the food security programmes of developing countries from WTO disputes. This "peace clause" would therefore enable developing countries to implement their food security programmes in an unhindered manner as long as their proposed amendments to the AoA do not take effect. But the G-33 proposal faces serious challenge from the developed countries. The United States has been in the forefront of those opposing the G-33, and has demanded that the peace clause be a time-bound interim solution.

In its opposition to the G-33 proposal on food security, the United States has thoroughly exposed its duplicity on the issue farm subsidies. According to the estimates provided by the OECD, the United States has been the largest provider of farm subsidies, having steadily increased its support for agriculture from about $101 billion in 2005 to more $156 billion in 2012. These subsidies have not only allowed the United States to protect its highly resource intensive agricultural sector, they have also provided enough cushion to the farm lobby to dump their products in the global markets. At the same time, however, the US and other developed nations unhesitatingly oppose developing countries when the latter initiate programmes for feeding their poor and the under-nourished. India and other G-33 members have stood up against any attempt to curb their sovereign rights to undertake social welfare programmes; this stand must be taken to Bali and beyond.

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WTO Chief Says Coming Week Critical for Bali Preparatory Talks
Daniel Pruzin, WTO Reporter

4 November 2013: The head of the World Trade Organization declared November 1 that the coming week will be critical in determining whether WTO members will be able to secure a deal on a package of agreements for their upcoming December 3-6 ministerial conference in Bali, Indonesia, adding that he and other senior officials were prepared to make an assessment by November 11 on whether to keep pushing for a deal or admit defeat.

Speaking at an informal heads of delegation meeting, WTO Director-General Roberto Azevedo said the membership was essentially facing two scenarios: securing a deal on the so-called "deliverables" and reaffirming the viability of the WTO as a forum for multilateral negotiations or failing in this task and seeing the credibility of the organization fade, along with any prospects of reviving the moribund Doha Round of trade talks, according to officials in attendance.

Despite progress being made in recent weeks in the three pillars of the Bali package—trade facilitation, several issues related to agriculture and the concerns of least developed countries (LDCs)—there are serious worries about the absence of convergence in certain areas, and the window of opportunity is rapidly closing, the WTO chief said.

As a result, the upcoming week of talks will be critical, with the need to identify tradeoffs in the coming days. Azevedo said he planned to focus particular attention on the proposed trade facilitation agreement, considered the centerpiece of the Bali package.

November 11 Review

The WTO chief said he would then sit down with the chairman of the WTO's ruling General Council, his four deputy director-generals and the chairmen of the Bali negotiating groups on November 11 to review the progress made and to make an assessment of whether a Bali package was still achievable. This assessment would be shared with WTO members at an informal meeting of the organization's Trade Negotiations Committee on November 12.

Azevedo was due to meet with key delegations over the weekend of November 2-3 to try and narrow differences on some of the key outstanding issues in the talks before broadening participation with the wider membership the week of November 4-8. Further talks are likely to take place over the following weekend before the WTO chief meets with the General Council chairman, his deputies and the WTO chairs to make their assessment on November 11.

WTO ambassadors agreed that the organization is facing a make-or-break moment.

"We agree with the director-general's assessment that we're on a very high wire now with no net."

U.S. Ambassador Michael Punke "We agree with the director-general's assessment that we're on a very high wire now with no net," U.S. ambassador to the WTO Michael Punke told journalists.

India's WTO ambassador Jayant Dasgupta told the informal meeting that Azevedo painted a "realistic but somber" picture of the state of play in the Bali talks.

Clear Warning

Guatemala's WTO ambassador Eduardo Sperisen-Yurt, who is chairman of the trade facilitation talks, said Azevedo's message was a clear warning shot to members, adding that negotiators need to “stop playing games” and “start getting serious” about securing a Bali deal.

One of the main problems in trade facilitation continues to be the linkage between pledges of technical and financial assistance for developing countries and their acceptance of binding commitments. The draft trade facilitation text would allow developing countries to gradually phase in what they view as the more difficult commitments subject to the provision of implementation assistance.

ACP Proposal

A proposal from the 60-strong African, Caribbean and Pacific (ACP) group of WTO member countries presented October 31 was seen as a potential breakthrough on the issue. The ACP proposal would allow a developing country or LDC to exempt itself from any commitment if it determines that promised implementation assistance is not forthcoming from donor countries; a donor country in turn could contest this determination, in which case a group of experts would be set up within the WTO's trade facilitation committee to review the complaint and issue a recommendation or decision.

Nevertheless, officials said certain members of the African Group of countries—Egypt and South Africa in particular—were taking a hard line on the assistance issue. The debate on assistance has also sidelined discussions on what specific commitments developing countries are prepared to make, with progress slow in this area.

On agriculture, officials said discussions on a “due restraint” agreement temporarily exempting India and other countries with large subsidy outlays for food security programs from WTO dispute proceedings was crystallizing into a manageable text, although agreements on several important details remain outstanding.

More problematic may be a rift between the U.S. and China over a proposal on tariff rate quota (TRQ) administration. One provision would require members with persistent TRQ underfill (65 percent or less for three consecutive years) to offer improved access to importers on a first-come, first-serve basis.

However, the draft text would exempt developing countries—including China—from any obligation to adjust their underfilled TRQs. This is an issue for U.S. farm exporters, given that China's fill rates for key commodities such as wheat, corn and rice have been well under their in-quota limits since China adopted the TRQs when joining the WTO in 2001.

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