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INDIA'S TRADE NEWS AND VIEWS

27 March to 10 April 2014

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Imports contract in April-January on petro rates, industrial slump & gold curbs
Business Standard

New Delhi, 2 April 2014: Merchandise imports fell 7.85 per cent in the first 10 months of the current financial year against a 0.54 per cent rise in the corresponding period of 2012-13, reflecting depressed prices of petroleum products, government measures to curb inbound shipments of gold, and low demand in the economy as well as in the overseas markets.

Inbound shipments fell to $376.90 billion during the April-January period of FY14, compared with $409 billion in the corresponding year-ago period.

The largest chunk of the basket - crude and petroleum products - rose only 1.36 per cent to $138.36 billion, against $136.50 billion over the period. Oil imports had risen 8.44 per cent in the corresponding period of the previous year.

This reflected depressed global crude oil rates, which declined to an average of $107.46 a barrel during April-January 2013-14 from $114.77 billion a barrel in the corresponding year-ago period.

Non-oil imports, an indicator for industrial activity in the economy, fell 12.46 per cent at $238.54 billion against $272.51 billion in the previous year. However, part of it was gold import. The import plunged 45.15 per cent to $24.79 billion against $45.20 billion earlier on a deliberate move by the government to raise import duty to 10 per cent and impose the 80:20 rule to narrow the current account deficit. According to the rule, importers will have to export 20 per cent of imported gold.

Besides the curb, global rates of gold also fell 25-30 per cent in 2013 compared to 2012, which led to a fall in the inbound shipments, said Ajay Sahai, director-general of the Federation of Indian Export Organizations.

As restrictions on gold imports were deliberate, it is also important to assess non-oil-non-gold imports. These fell 5.96 per cent to $213.75 billion in the first 10 months of the current financial year from $227.31 billion in the corresponding year-ago period.

"This explains why industry is so weak. Since demand is low, import of these items also contracted," said Devendra Pant, chief economist at India Ratings.

Overall, industrial production recovered slightly by growing 0.1 per cent in January, after three months of contraction. For the first 10 months of the current financial year, industrial production was stagnant against one per cent growth during April-January of FY13.

Besides, petroleum and gold, the other items whose imports were at least $20 billion include electronic goods, pearls, precious and semi- precious stones, and machinery other than electronics.

Electronic goods imports recovered at a gradual pace, growing by 1.31 per cent at $26.23 billion in April-January 2013-14 against $25.89 billion in the same period in 2012-13, when it contracted 6.91 per cent. It was partly reflected in exports of electronic goods, even as these continued to fall. These exports declined 4.92 per cent in the first 10 months of the current financial year, against a 9.11 per cent decrease in April-January of 2012-13.

Imports of machinery other than electricals and electronics plummeted 14.27 per cent at $19.83 billion against $23.13 billion. These imports fell 6.66 per cent in April-January of 2012-13.

However, pearls, precious and semi-precious stones rose 13.07 per cent at $19.99 billion against $17.68 billion over the period. This was a smart recovery since these imports plunged 27.53 per cent in the first 10 months of 2012-13.

As the government took measures to curb coal imports, particularly low-quality one, inbound shipment of coal, coke and briquettes fell 6.83 per cent at $13.65 billion in April-January 2013-14 against $14.65 billion in the same months a year ago when these declined just 1.64 per cent.

Reflecting poor demand for auto industry, import of transport equipment contracted 21.72 per cent at $10.75 billion against $13.74 billion over the period. It rose 23.98 per cent in the first 10 months of 2012-13.

Mirroring industrial slump, project goods nose-dived 30.73 per cent at $3.91 billion from $5.65 billion, iron and steel by 29.39 per cent at $5.87 billion from $8.31 billion, machine tools by 26.95 per cent at $1.71 billion from $2.34 billion, electrical machinery by 1.29 per cent at $3.67 billion from $3.71 billion.

Even as gold imports fell on the conscious policy of the government, inbound shipments of silver saw a spurt of 161.86 per cent $4.61 billion against $1.54 billion.

"This reflected relative returns on silver compared to gold. Besides, silver is used for a variety of industries as inputs now," said Sahai.

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Current account deficit may be contained at $33 b this fiscal
Shishir Sinha, Business Line (The Hindu)

New Delhi, 30 March 2014: The current account deficit (CAD) for 2013-14 is likely to be contained at around $33 billion, much lower than the initial projection of $70 billion and around $88 billion of 2012-13.

One of the two primary components of the balance of payments, CAD is the sum of the balance of trade (net revenue on exports minus payments for imports), factor income (earnings on foreign investments minus payments made to foreign investors) and cash transfers.

“The year could end with CAD of 1.8 per cent of GDP,” Saumitra Chaudhuri, Planning Commission Member, told *Business Line*. The deficit is down mainly due to significantly lower gold import and recovery in exports. This new estimate has also come amidst the rupee strengthening and breaching the 60$ mark, and the RBI adding dollars to the forex reserves. Now, it is expected that lower CAD will further boost the rupee.

The latest estimate is better than the $40 billion Finance Minister P Chidambaram had projected in a statement on March 7. It is also close to Nomura’s projection of $34.7 billion. It may be noted that CAD in first nine months (April-December) of current fiscal stood at $31.2 billion.

Gold imports

Does this give an opportunity to the Government to ease restrictions on gold import? Earlier, Chidambaram had said that the Government might re-visit some of the restrictions by the year-end, provided there is firm grip on CAD. Later, he said that any decision can be taken only after the final figure of CAD for 2013-14 is out. Full-year data is expected in June.

Chaudhuri also believes that import restrictions should be revisited only after May as any relaxation could result in a surge in imports.

Bank of America-Merrill Lynch, in its recent report, has cautioned that the deficit will widen once the restrictions are removed. Despite restrictions, gold import jumped to 40 tonnes in January against 20-25 tonnes in previous months. Gold, alone, contributes to over 50 per cent of the current account deficit. Record CAD and hammering of the rupee had forced the Government to raise duty on gold to 10 per cent. At the same time, the RBI brought in the 80:20 scheme, requiring merchants to re-export 20 per cent of each gold consignment before ordering for fresh shipments. All these brought down gold imports through the legal channel. Nomura estimates gold imports will be around $25 billion in current fiscal as against $53.8 billion in 2012-13.

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RCEP important agreement for India: Commerce Secy
Indian Express

New Delhi, 5 April 2014: The mega free trade agreement — Regional Comprehensive Economic Partnership (RCEP) is an important pact for India and industry should equip itself to avail the opportunities which would emerge from this, a top government official Friday said.

Allaying industry concerns over free trade agreements that India has implemented with other nations, Commerce Secretary Rajeev Kher said that businesses should take advantage from these pacts.
Speaking at a Ficci-CUTS function, he also asked all the departments to involve in the process of enhancing exports.

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Korea could invoke Bipa for arbitration
Nayanima Basu, Business Standard

New Delhi, 5 April 2014: South Korea is considering invoking provisions under the bilateral investment promotion and protection agreement (Bipa) against India for the hit on Samsung Electronics' investments, following a Supreme Court order asking its chairman, Lee Kun-Hee, to appear within six weeks before a Ghaziabad trial court in a pending payment case.

This comes even as Commerce & Industry Minister Anand Sharma expressed apprehension the apex court's decision might adversely affect India's investment climate.

Sources told Business Standard the Korean embassy here had taken up the matter with the foreign ministry of that country. Currently, Korean ambassador Lee Joon-Gyu is in his home country.
Under the India-South Korea Bipa, a party can drag the other to international arbitration if its investments are threatened.

Earlier this week, the Supreme Court had directed Lee Kun-Hee to appear before a Ghaziabad court in a $1.4-million cheating case filed against him.

The Centre believes it is Samsung India that is "to be blamed, as it did not foresee it coming and mishandled the case", says a senior official, adding the apex court order had given an option through which an exemption could be sought from Lee's personal appearance.

The government is verifying the credentials of JCE Consultancy, complainant in the case. Initial investigations have revealed the company isn't registered with the Ministry of Corporate Affairs and doesn't have its sales tax number registered.

"The case has zero merit. The government is fully behind them. JCE Consultancy is a fraud company and is tactfully misusing the Indian judicial system," said an official directly handing the case on behalf of the Indian government.

Sharma, however, said, "Samsung is one of the largest companies of Korea and has huge presence and investments in India...It (the court order) sends a very negative message and will definitely impact the investment and business climate adversely." But he added the courts had to take a view.

Meanwhile, B D Park, regional president and chief executive of the company's southwest Asian operations, and Ravinder Zutshi, Samsung India managing director, on Friday met Amitabh Kant, secretary in the Department of Industrial Policy and Promotion.

"Samsung is a victim of fraud here. We have to make sure their investments continue and we should encourage their investments here. It should not be impacted," said Kant.

Sharma said companies functioned in an executive hierarchical manner, adding their chairmen should not be summoned in case of complaints. "This is my view...It sends a very negative message."

Earlier, South Korea had "threatened to stop all investments coming into India", an official said.
The Supreme Court had passed its order on an appeal filed by Lee, challenging an Allahabad High Court order dismissing his plea for setting aside an arrest warrant issued against him. The order was passed on a complaint filed by an Indian company, JCE Consultancy, against Lee in a Ghaziabad court for allegedly cheating it of $1.4 million.

Now, the Centre is planning to approach the court and request it to either allow one of Samsung's representatives to appear before the trial court or postpone the date of hearing in a manner that it comes up after a new government takes charge. The government is also concerned because of dismal progress in the $12-billion Posco steel project, the Koreans might abandon India for Vietnam or Thailand.

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India drawing up plan to fix trade gaps, fight protectionism
Kirtika Suneja, Financial Express

New Delhi, 9 April 2014: The commerce ministry is working on a plan to meet various sanitary and phytosanitary measures (SPS) and technical barriers to trade (TBT) requirements of its various partners. India and many other developing nations have long blamed the developed countries for using SPS and TBT measures for protectionist purpose. The Western countries not only maintain trade-restrictive standards but also raise them, to the disadvantage of Indian exporters.

Sources said the ministry has initiated a discussion with different stakeholders to handle this protectionism. "We face barriers for exports and there is poor awareness in the industry about such measures due to which the unfair measures of other countries can't be questioned or challenged," said a commerce ministry official.

As part of the discussion process, the ministry is organising a two-day conclave on the role of standards in international trade, challenges, opportunities and issues. The objective of the conclave is to assess the gaps in existing regulatory and legislative areas, besides arriving at a roadmap of reforms required to meet global challenges.

The WTO Agreements on the Application of Sanitary (for protection of human and animal health) and Phytosanitary (for protection of plant health) Measures (SPS) and the Agreement on Technical Barriers to Trade (TBT) try to strike a balance between the competing uses of standards in international trade. The SPS and TBT agreements acknowledge that governments have the right to take necessary measures for the protection of human, animal and plant health and allow some freedom for setting national standards to the extent required to protect them.

The existing ecosystem has a range of standards like voluntary, mandatory standards (technical regulations), private standards and international standards.

The international standards are made by international standards bodies, ISO, ITU, IEC and at the national level by the National Standards Body- BIS. Technical regulations are framed by individual ministries or regulatory bodies with each agency having its own conformity assessment procedures.

Many regulators have prescribed BIS standards and rely on BIS certification. In the WTO context, there are 1 TBT enquiry points in BIS.

The discussion comes at a time when the United States Trade Representative (USTR) in a recent report titled ‘Report on Sanitary and Phytosanitary Measures 2014’, enumerated its concerns while trading with India in dairy products, pork, poultry, swine, pulses, wheat and barley.

India's concerns over the impact of non-tariff measures (NTMs) on global trade are well-documented and numerous attempts have been made in institutions such as the WTO, World Bank, EU, OECD, UNCTAD and Asean to mitigate their effects.

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Indian food industry poses trade barriers: USTR
Lalit K Jha, PTI

Washington, 1 April 2014: The US has said Indian policies in the food and poultry sector pose significant barriers in bilateral trade.

"Since 2003, India has imposed unwarranted SPS requirements on US dairy imports, which have precluded US access to India's dairy market, one of the largest in the world. India has insisted on onerous certification requirements and refused to accept US food safety and animal health standards as effective," the US Trade Representatives (USTR) said in its annual report on Sanitary and Phytosanitary (SPS) Barriers to Trade.

The report said that India maintains zero-tolerance standards for certain plant quarantine pests, such as weed seeds and ergot. Such zero tolerance standards block US wheat and barley exports to India. Bilateral discussions to resolve these issues continue.

Expressing its displeasure on Indian policy in pulses, the USTR said this requires that shipments of all pulses to India be fumigated with methyl bromide (MB) at the port of origin.

"In August 2004, the United States asked India to permit the exportation of US pea and pulse consignments to India without fumigation at the port of origin provided they are inspected and, if necessary, fumigated at the port of arrival," it said.

"India has enacted, but not implemented a requirement that shipments of all pulses to India be fumigated at the point of origin, allowing MB fumigation on arrival, but has offered no permanent solution. The most recent extension expires on March 31, 2014. The United States continues to seek a permanent resolution to this issue," the report said.

Noting that the Indian import certificate for pork requires importers to make an attestation that the imported pork does not contain any residues of pesticides, veterinary drugs, mycotoxins, or other chemicals above the MRLs prescribed in international standards, the report rued that these certificates fail to identify specific compounds and their corresponding international limits, creating uncertainty for importers.

Similarly, the animal health attestations that India requires for the exportation of pork to India are vague, and India requires extra inspections that do not appear to be consistent with international standards, it said.

"India also prohibits imports from the United States of pork products obtained from animals raised outside the United States, notwithstanding the safety of those products. Further, import certificates are valid for only six months and must be obtained for each imported lot."

"The United States will continue to press India to lift its unwarranted restrictions and to revise its import certificates so as to clarify any legitimate requirements and be valid for a reasonable period of time," USTR said.

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Agri exports outpace other commodities
Dilip Kumar Jha, Business Standard

Mumbai, 3 April 2014: Growth in India’s agricultural exports has exceeded the rise in exports of other products. Through the past few years, these products have consistently seen a rise in their share in the export basket, primarily due to the huge stocks resulting from bumper output, as well as favourable government policies.

According to data from the commerce ministry, in 2010-11, agricultural exports stood at $17.35 billion, in 2011-12 $27.43 billion, in 2012-13 $31.86 billion and in the first 11 months of 2013-14, it stood at $29.3 billion.

During this four-year period, overall exports recorded 93 per cent growth. The share of agricultural commodities in India’s overall export basked rose to 10.66 per cent in 2012-13 from 7.06 per cent in 2009-10.

“Agricultural exports growth will continue in the future, too, with improved prospects and favourable long-term policy support,” Commerce Minister Anand Sharma had said on the sidelines of a Business Standard awards function here on Saturday.

Sharma said from now, basmati rice would incorporate the new Pusa 1121 variety. Various promotional efforts in major importing countries made the Pusa 1121 variety a preferred choice. Also, the Centre had signed free trade agreements with a number of agricultural product-deficient countries. The government also allowed exports of foodgrains and other agricultural commodities on a quota basis, with a positive response.

Recently, India had allowed limited exports of pulses to Maldives. It has already been announced subsidy for sugar had resulted in a spurt in exports. Buffalo meat and guar gum are other major products seeing significant growth in the export basket. Though guar gum prices have fallen in the past year, its exports have risen in volume terms.

"The growth momentum in India's agricultural exports is expected to continue in the next few years, with an increased share of processed food, including mango pulp, dried and preserved vegetables, meat and poultry items. Factors such as reduced transaction costs, time, better port gate management and fiscal incentives contributed to this upward trend. With continued focus on issues such as food safety and compliance with international standards, we can surely reach new heights," said Piruz Khambatta, chairman and managing director, Rasna, and chairman, Confederation of Indian Industry's national committee on food processing.

According to the World Trade Organization, global export and import of agricultural and food products stands at $1.66 trillion and $1.82 trillion, respectively, of which India's shares are 2.07 per cent and 1.24 per cent', respectively. This indicates India is a net exporter of agricultural products. The country ranks 10th in terms of global agricultural and food exports.

In recent years, the government's policy impetus has provided stability to agricultural exports. Given sufficient stocks of foodgrains in the central pool, the government has allowed exports of wheat. Also, efforts have been taken to promote horticulture exports. "Though these measures are in the right direction, a consistent long-term trade policy, with tariff in a narrow band, might be required to acquire international presence in commodities, wherein it has comparative advantage," Economic Survey 2012-13 had stated.

Sharma said the government was working on a long-term policy for sustainable growth in agricultural commodities. Currently, India is the world's largest rice exporter and second, in terms of wheat exports. Horticulture exports have also seen good growth. To achieve the desired growth, "India needs to change the cropping pattern, with a larger focus on north India", Sharma had said.

R S Rawat, secretary-general, Associated Chambers of Commerce and Industry of India, said, "The government must take policy reforms to support growth in agricultural commodities. To achieve the $70-billion export target for 2017 will not be too ambitious, with the possibility of policy implementation increasing productivity and promoting diversity of crops and specialised items to meet specific demands abroad."

Among agricultural commodities, exports of basmati rice have risen 46 per cent to $3.47 billion in the first nine months of this financial year, compared with $2.37 billion in the year-ago period. Exports of non-basmati rice rose seven per cent to $2.13 billion in the April-December 2013 period from $1.99 billion in the year-ago period. Exports of dairy products recorded 138 per cent growth in April-December 2013 at $435.93 million, against $183.24 million in the corresponding period last year. Due to declining global wheat prices, India's realisation from wheat exports fell 5.24 per cent — from $1.24 billion to $1.17 billion.

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Govt extends ban on pulses export till further orders
PTI

2 April 2014: The government on Tuesday extended the ban on export of pulses till further orders, but allowed outbound shipments of kabuli chana, organic pulses and lentils with some riders.

"Prohibition on export of pulses has been extended till further orders. But, there are two exceptions to this. One is export of kabuli chana. The second is export of organic pulses and lentils; but with a ceiling of 10,000 million tonne (mt) per annum and subject to certain conditions," the Directorate General of Foreign Trade has said in a notification.

Export of pulses was initially prohibited for a period of six months in 2006 which was extended from time-to-time. The last extension was up to Monday. Now, the prohibition is being extended till further orders.

Although India is the largest producer of pulses, it has to import about 3 mt of pulses to meet the domestic demand.

According to the government estimate, the country is expected to produce 19.8 mt of pulses this year, which includes 9.8 mt of chana crop, while trade figures says only 6.5 mt of chana crop this year. Official figures show India imported around 1.4 mt of pulses between April to September 2013.

The other conditions for export of organic pulses and lentils include that it should be duly certified by the Agricultural and Processed Food Products Export Development Authority (APEDA). "Export contracts should be registered with APEDA, Delhi, prior to shipment; exports shall be allowed only from customs electronic data interchange ports," it added.

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March oilmeal exports down 8%
Business Line (The Hindu)

Mumbai, 7 April 2014: Oilmeal exports dropped eight per cent in March to 3,97,786 tonnes against 4,30,407 tonnes during the same period a year ago. Exports slipped due to lower shipments to Japan, Vietnam and Indonesia following tough competition from China and Argentina, according to data from the Solvent Extractors' Association.

In the financial year ended March, exports were down 11 per cent at 43,31,450 tonnes (48,46,013 tonnes). In value term, earnings were down three per cent at Rs.1,450 crore against Rs.11,800 crore in 2012-13. Exporters found it difficult to push their produce in the international markets despite the rupee depreciating 12 per cent against the dollar.

Exports to Japan were down 61 per cent at 2,45,991 tonnes (6,38,201 tonnes) and consisted of 7,525 tonnes of rapemeal, 1,062 tonnes of castor meal and 2,37,404 tonnes of soyameal. Shipments to Indonesia were down 32 per cent at 1,36,573 tonnes (2,01,999 tonnes). Indonesia generally prefers high-protein with low-fibre (four per cent) against the six per cent supplied by India. Europe has turned out to be a bigger market for Indian non-genetically modified organism soyameal. South Korea buys large quantity of castormeal which is mainly used as organic fertiliser.

Europe has imported 6,32,601 tonnes compared with 4,93,966 tonnes of last year. Incidentally, France has turned out to be a big importers of soyabean meal, due to lower supply from other origins and preference for non-GM soyameal.

South Korea and Iran remain the biggest markets for Indian exporters. These countries imported 11,65,107 tonnes (9,07,082 tonnes) while Iran imported 12,43,114 tonnes (8,86,776 tonnes).

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Coffee exports up 3.6%
PTI

New Delhi , 2 April 2014: The country's coffee exports rose 3.6% at 3.15 lakh tonne in 2013-14 on account of a sharp increase in shipments during the fourth quarter buoyed by firm global prices, according to the Coffee Board. Coffee shipments from India — the world's fifth biggest exporter — stood at 3.04 lakh tonne in the 2012-13 fiscal.

"Overall, the export performance remained good in 2013- 14. There is a marginal increase in overall export volumes as compared to last year," a senior Coffee Board official said.

Exports during the third quarter of the year remained below 20,000 tonne per month. With firming up of global prices, the shipments again picked up during the fourth quarter, the official added.

Of 3.15 lakh tonne, export of robust were at 1.56 lakh tonne, arabica at 62,852 tonne, instant coffee at 95,084 tonne, the Coffee Board data showed.

In value terms as well, total coffee exports rose slightly to R4,800 crore in 2013-14, as against R4,637 crore in the previous fiscal. Maximum exports were to Italy, Germany, Belgium, Jordan, Turkey, and Russia during the review period.

According to experts, global coffee prices rose to the highest level in February, fuelled by fears over falling production in top producer Brazil. The board has pegged output at 3,11,500 tonne for 2013-14 crop year, down by 2.1% from 3,18,200 tonne produced in 2012-13.

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Leather exports up 17.5% in April-Jan
Business Line (The Hindu)

Chennai, 30 March 2014: Leather exports from the country have increased by 17.5 per cent during the April-January period of this fiscal against the comparable period of the 2012-13 financial year, according to data from the Directorate General of Commercial Intelligence & Statistics.

Shipments increased to $4,861.29 million (Rs. 29,301.6 crore) against $4,138.13 million (Rs.22, 542.74 crore), bolstered chiefly by leather footwear exports which contributed an increase of $244.53 million.

Germany kept its position as the top importer, buying 13.09 per cent of the goods exported, while the US and the UK bought close to 11.5 per cent each.

Rafeeque Ahmed, President, Federation of Indian Export Organisations, said efforts are on to find buyers in China. “China is now a buyer of top branded products manufactured in India. Now, the effort is to popularise other finished goods manufactured and designed in India.”

China, contributed to only 2.6 per cent of the total exports during the April-January period.
He also said India will meet its target of $6 billion in exports during fiscal 2013-14. “During February-March, exports usually rush to meet deadlines, which lead to a spurt in shipments,” he explained.

Another industry person requesting anonymity said the Tamil Nadu Pollution Control Board’s move to close down tanneries in Tamil Nadu over environmental violations last year has cut back output by close to 20 per cent. He said the industry is recouping, and may scale up production once proper Zero Liquid Discharge Systems are in place.

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Gold imports drop to 6-year low
Rajesh Bhayani, Business Standard

Mumbai, 31 March 2014: Import of gold in the financial year which ended on Monday is estimated to have been at a six-year low of 557 tonnes, lowest after 2007-08. This follows imposition of stiff import curbs, including very high tariffs.

Abroad, gold investors lost 19.4 per cent. In India, due to a slide in the rupee’s value (10.4 per cent) and the rise in duty and high premium for physical delivery, the fall in return was only to 3.2 per cent.

This month, 35 tonnes of import was expected, taking the January-March quarter total to 90 tonnes, about 80 per cent more than the September-December quarter’s. Had the import in the March quarter not improved so, our year’s import would have fallen to a decadal low. Apart from the curbs (which also saw a surge in ‘unofficial entry’ into the country), the crash in gold prices last April and a similar one a quarter later had questioned the attractiveness of gold as a safe haven. All these curtailed official import.

However, in India, people’s love for gold has not changed, with prices not falling sharply. If one looks at data provided by the World Gold Council (WGC), demand in calendar 2013 has gone up, though there was a big contraction in investment demand in the second half. Jewellery demand fell marginally in the second half and because of non-availability of gold due to the stiff rule of permitting 80 per cent of import to be used for the domestic market, after exporting 20 per cent, under the Reserve Bank of India’s 80:20 rule.

In sum, jewellery and investment demand in the first half of calendar year 2013 negated the fall in the second half, thereby lifting aggregate demand by an average of 13 per cent.

The change in trend in the second half, however, has implications for jewellers’ balance sheet. According to Sudheesh Nambiath, precious metals analyst at GFMS, Thomson Reuters: “For jewellers, the contraction in imports in the second half has to be viewed in the context of a rise in capital costs and reduction in inventory levels. So, sales improved against a fall in net profit.” Some of these impacts were seen in the December quarter results of jewellery companies and more might be visible in the March quarter. One company, Shree Ganesh Jewellery House, has approached banks for restructuring its debt; many others have put retail expansion on hold or on a slow track.

What added to that was a scarcity of gold due to much lower import and demand outweighing supply, resulting in very high premiums quoted for physical delivery. During the Diwali days, the premium was

$170 an ounce; it is now quoting at $45. Smuggling, sale of old jewellery and replacement import under the gold deposit scheme of banks aided supplies. WGC estimate 'unofficial import' could be as high as 200 tonnes in FY14.

Going forward, in terms of prices, "Gold is expected to be under pressure in 2014-15. Geo-political tensions (if it escalates) could support on and off, though," said T Gnanasekar, Director, Commtrendz Research & Fund Management.

He names four factors that could keep gold prices under pressure in the near future. Gold-friendly stimulus measures are coming to an end and even interest rates are likely to rise, which means the cost of holding a zero-yield asset will discourage holders. The third point is producers' hedging; it is gaining momentum as the view changes for gold and more are ready to hedge at higher levels. This means mines have started selling future production for future deliveries.

The fourth point he mentions is that domestic prices could be under pressure due to the rupee, likely to be stronger in the coming quarters. However, he hedges this with the possibility of a relaxing in import norms. "The government, being comfortable with the current account deficit situation, could keep the duties intact but probably remove the conditional export clause. Imports are bound to improve if this decision is taken before Akshaya Trithiya, which is one month away," he said.

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RBI relaxes rough diamond import norms

Business Standard

Mumbai, 1 April 2014: In a further liberalizing of the norms for rough diamond imports, the Reserve Bank of India (RBI) has lifted restrictions on a number of mines abroad, to which advance remittances can be extended for such import of roughs.

Banks may use their own discretion to extend advance remittance to Indian importers in favour of global miners. Based on recommendations from the Gems & Jewellery Export Promotion Council (GJEPC), RBI had in 2007 notified five global miners of roughs — including Diamond Trading Company, UK; Rio Tinto, UK and BHP Billiton, Australia — to which an importer was allowed to make advance remittance without any limit and without a bank guarantee or standby letter of credit for import of roughs. The number was later extended to nine, including Al Rosa and Gokharan from Russia and Endiama EP from Angola.

"Henceforth, we will not notify the names of overseas mining companies from whom an importer may import rough diamonds into India, by way of advance payments, without any limit or bank guarantee or standby letter of credit," RBI stated on Monday. At present, banks extend remittances to foreign miners on behalf of importers before the dispatch of consignments.

"RBI's move will help the industry, as we will be able to procure rough diamonds from anywhere. Our hands will be free now," said Shreyas Doshi, chairman, Shrenuj & Co.

Banks are now permitted to decide on the foreign mining companies to which an importer can make advance payments, without any limit or bank guarantee or standby letter of credit, the circular clarified. RBI cautioned that mining company in question should have recommendations from GJEPC and importers, be a recognized processor of roughs and have a good record.

The advance payment should be transferred directly to the account of the company concerned, not through numbered accounts or otherwise. The regulator has ,however, restricted remittances to any mining company without certification from the Kimberly Process Certification Scheme, established in 2003 by the United Nations to prevent diamond sales from financing war or human rights abuses.

For public sector undertakings, banks may permit the advance remittance with a specific waiver of bank guarantee from the ministry of finance, where the advance payment is equivalent to or exceeds $100,000. Banks are to report all such advances or remittances of over $5 million within 15 days of every six months.

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Free trade agreements contain provisions that restrict access to medicines: UNITAID
The Times of India

New Delhi, 6 April 2014: UNITAID, a global health initiative has warned against bilateral and regional trade agreements, pushed mostly by Europe and the US, as such agreements go well beyond traditional trade concerns and include provisions that force extensive obligations related to intellectual property and investor protection which would restrict access to medicines.

The UNITAID in its report titled, "Trans-Pacific Partnership Agreement (TPPA): Implications for Access to Medicines and Public Health" said that the intellectual property obligations proposed in such agreements exceed the minimum standards of the multilateral World Trade Organization agreement on Trade-Related Aspects of Intellectual Property Rights, or TRIPS Agreement. These agreements will delay generic market entry and competition and will thus lead to increased prices of pharmaceuticals and the consequent increase in public expenditure for health programmes or in out-of-pocket costs for patients, warned the report.

"Generic competition, particularly from India, persists in reducing prices today, with the prices of first-generation HIV medicines at less than 1% of their 2001 prices. In carrying out its mandate, UNITAID relies on the ability to leverage the effects of competition to reduce prices of pharmaceuticals and to increase access to treatment," pointed out UNITAID adding that the relationship between competition law and intellectual property rights ought not to be understated. India too is currently negotiating a free trade agreement (FTA) with the European Union which has many of the provisions that UNITAID has warned against.

UNITAID is a global health initiative hosted by the World Health Organization (WHO) in Geneva and is in great part financed by a solidarity levy on airline tickets. UNITAID is in the business of negotiating lower prices for drugs and diagnostics which are distributed through several international organizations such as Clinton Health Access Initiative, the Global Fund, Stop TB Partnership, Medecins Sans Frontieres and so on.

The UNITAID report analysed the provision of the TPPA as it has been positioned as a "model" for the 21st century, implying that the same or similar provisions are likely to appear in future trade agreements, including those involving developing countries. Public interest and public health groups, as well as a number of United Nations agencies, have voiced concern over the "TRIPS-plus" provisions in such trade agreements. "A dramatic illustration of the direct impact of TRIPS-plus rules captured global attention when, in 2007 and 2008, shipments of generic medicines from India to other developing countries were detained at European ports on allegations of intellectual property infringement. One of the shipments included an HIV medicine, abacavir sulfate, the purchase of which had been funded by UNITAID and which was destined for a project implemented by the Clinton Foundation in Nigeria," pointed out the report.

"Although in the WTO developing countries succeeded in pressing for the adoption of the Doha Declaration on the TRIPS Agreement and Public Health— which confirmed the right of countries to adopt public-health-friendly and access-sensitive provisions in complying with the TRIPS Agreement's obligations—the TRIPS-plus provisions in subsequent FTAs limited the effectiveness of the Doha Declaration and undermined flexibilities in TRIPS," stated the report after examining the effect of FTAs already in place and their impact on the developing countries involved in such agreements.
While the promotion of trade and economic growth is certainly important, it must be balanced against the need to ensure a population's access to needed medicines and its long-term health and well-being, said the report.

How some FTAs provisions undermine public health
* Seek to lower the standards of patentability
* Weaken disclosure requirements when filing for patents which will delay entry of generics when patent period ends
* Try to remove the safeguard of pre-grant opposition, permitting the grant of a greater number of patents on medicines and medical technologies
* Extend the minimum 20-year patent term to compensate for delays in the drug regulatory approval and patent granting processes, thus further delay generic entry

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Froman Says U.S. Will 'Re-Engage' With India On IPR After Spring Elections
World Trade Online

4 April 2014: U.S. Trade Representative Michael Froman signaled yesterday (April 3) during a House Ways and Means Committee hearing that the U.S. wants to resolve issues relating to India's intellectual property (IP) policies through negotiation rather than litigation, but that it is waiting to do so until after India's parliamentary elections this spring.

"Clearly right now, they're in the midst of an election, and we look forward to re-engaging with them as the election is completed and a government is put in place. And this will be one of the chief issues on the agenda," Froman said, responding to a question about India's IP policies.

He also signaled that the U.S.-India Trade Policy Forum (TPF) would not likely take place until after the elections, which are scheduled to begin April 7 and will conclude on May 12, with the results being announced shortly after that. The ruling Congress Party is facing a strong challenge from the center-right Indian People's Party, or BJP.

Froman acknowledged that the U.S. has the ability to pursue a dispute settlement case against India at the World Trade Organization, but he made it clear that the U.S. prefers a negotiated solution. "Ultimately there are mechanisms for bringing dispute settlement cases, but we are trying to work ... in a constructive way with India to focus on the array of issues that they can deal with on access to medicines, short of taking actions on patents or compulsory licenses," he said.

For instance, he identified lowering tariffs on imported medicines and dealing with distribution issues as ways India could facilitate better access to medicine without taking actions on patents or compulsory licenses. "That's the kind of dialogue we hope to have with the new government of India," he said.

Froman made these comments in response to a question from Rep. John Larson (D-CT) on what options USTR has to force India to change its IP policies, which characterized as "discriminatory."

Various U.S. businesses and private-sector associations over the past year have ramped up their criticism India's IP policies, particularly on instances of patent invalidation and compulsory licensing by the Indian government in its pharmaceutical sector. These groups have called for USTR to label India as a priority foreign country under its "Special 301" process, which evaluates foreign countries' IP regimes.

Froman described India's patent rules, compulsory licensing policy, and its innovation environment in general as being issues of "great concern."

He said the Obama administration has held high-level dialogues with Indian officials, including Prime Minister Manmohan Singh, about IP issues and how India can achieve ensure access to medicine without compromising the patent system.

Rep. Erik Paulsen (R-MN), who said he shares Larson's concerns over India's IP policies, pressed Froman on when the next TPF would take place. The TPF is a bilateral ministerial dialogue that has not met since 2010, though Froman has met several times bilaterally with India's trade minister.

Froman responded that the forum would not meet until after the Indian elections, but said the U.S. and Indian governments have been doing preparatory work for the TPF since September.

"We laid out a work program for our staffs to work through outstanding issues in preparation for our Trade Policy Forum," Froman said. "And that work is ongoing. Now [India] is in the midst of an election season, and I think everyone's perspective is we should wait until they get past the election in order to re-engage on that."

Froman added that he is "fully committed" to restarting the Trade Policy Forum, and that he wants its meetings to produce results. "And that's why I want to make sure it's adequately prepared," he said.

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Solar mission: US wants India to do away with local sourcing norms in new projects
Amiti Sen/Richa Mishra, Business Line (The Hindu)

2 April 2014: The US is mounting pressure on India to do away with the condition of local-buying of components in the next batch of solar power projects under the country's ambitious national solar mission.

In a formal consultation held last week at the World Trade Organisation (WTO), the two countries could not reach an understanding on the validity of the domestic buying condition in the projects granted so far under the mission.

Next batch soon

"The US has not yet disclosed whether it will ask the WTO to set up a dispute settlement panel for a full-fledged fight with India on the issue. But, it is certainly trying to intimidate us so that the domestic sourcing clause is not included in the second batch of projects in the second phase of the mission," a Government official told Business Line.

"What we could assess at the meeting is that it will see how many American companies can qualify for the second round of projects, and then may be work out its action plan," the official added.

India plans to roll out the next batch of projects after the general elections. The capacity of projects under the second batch is yet to be finalised.

The US argument against the local buying clause in the solar projects under the Jawaharlal Nehru National Solar Mission launched in 2010 is that it discriminates against foreign manufacturers of components and thus violates WTO norms.

It lodged its first complaint against India early last year after 950 MW solar projects were granted by the Ministry of New and Renewable Energy in two batches, with a condition that all solar modules for the projects have to be purchased locally.

The second complaint was made last month after the Ministry granted projects totalling 750 MW under the first batch of the second phase. Although India has tried to make peace by restricting local sourcing norms to just half the projects in the second phase, the US is miffed by the fact that its scope has been expanded by including thin films.

Government purchase

India has so far argued at the WTO that since sourcing of power generated under the solar mission is done by a Government-owned agency, the purchases are, in fact, Government procurement which does not fall within the purview of the multilateral agency. Only members of the WTO's Government Procurement Agreement, a pluri-lateral agreement involving a handful of countries, are governed by the rules on Government purchases.

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Azevêdo Urges WTO Members to "Shift Gears" in Doha Restart Effort
Bridges Weekly Trade News Digest

10 April 2014: Efforts to develop a work programme aimed at revamping the stalled Doha Round negotiations are ready to enter a "second stage," WTO Director-General Roberto Azevêdo reported to the global trade body on Monday, after four months of preliminary consultations among members.

"In all these conversations, I have sensed that people want to find a way forward - they know what is at stake for the multilateral trading system. People want to finish the job," the WTO chief said at a meeting of the Trade Negotiations Committee, which is tasked with the Doha Round talks. "Our task now is to match our desire for progress with an acceptance of the practical steps we need to achieve it."

The 159-member body has spent the first quarter of this year discussing ways to re-energise the troubled negotiations, building upon the success of last December's Bali ministerial conference, which saw the WTO's first multilateral deal in nearly two decades.

Trade ministers in Bali have given WTO members until the end of 2014 to chart a path for concluding the rest of the Doha Round, which was formally declared at an impasse in late 2011, ten years after its launch. While members were able to clinch a deal in Bali on a few select Doha deliverables - primarily on trade facilitation, along with a few select agriculture- and development-related issues - the bulk of the talks has effectively been on the backburner for the past several years.

The 2014 talks have so far been positive, Azevêdo said; however, these have yet to produce "anything very new in terms of members' stated positions," with members largely repeating "well-known arguments." Sources confirm that the consultations are still in very preliminary stages, as members aim to set the groundwork for the next phase of discussions.

"It's time to shift things up a gear," the Director-General urged.

2008 modalities?

At a meeting of the WTO's General Council a month ago, Azevêdo reported that members are largely in agreement that any Doha work plan would need to deal with the most difficult issues of the talks - agriculture, non-agricultural market access (NAMA), and services - a sentiment that was reiterated on Monday.

Of these three, several members have said that the ambition seen in agriculture will largely determine how far the other two areas will be able to advance - and, in turn, what progress might be possible in the various remaining topics of the Round. Many have said that there needs to be balance both across agriculture, NAMA, and services, but also within these topics individually.

The next question for the global trade body is what to use as a starting point for this new chapter in the Doha Round talks. Specifically, members have spent recent meetings discussing how closely they should rely on the so-called 2008 modalities - essentially draft blueprints that were issued that year in the hopes of concluding a Doha deal.

"Some have been saying that we need to conclude our negotiations using the 2008 texts as they are. Of course, these texts are an important - indeed fundamental - part of how to assess the situation," Azevêdo said on Monday.

The 2008 texts could serve as parameters for shaping the next phase, he said, and reflect years of work and insights.

However, he warned, members are no more likely to agree on these texts now than they were six years ago, when the talks suffered a high-profile collapse. "If any of you insists that those texts are cast in stone and unalterable, then you have made a choice; a choice that irreparably condemns our efforts to failure," he added.

The question of which starting point to use has been especially difficult with regards to agriculture, with members openly sparring on how to proceed. Developing countries have been among those to push for using the 2008 texts as a starting point in this area, though others, such as the US, have been calling for new data to give the talks a fresh start.

"As we noted in each of these negotiating groups, it is essential that our work in these areas is well-informed by the latest data on trends in trade and barriers to trade," US Ambassador to the WTO Michael Punke said at Monday's meeting, highlighting in particular the need for new information on agricultural subsidies.

"Members who clamour for progress in Doha but fail to meet this basic obligation will have little credibility," Punke warned.

EU Ambassador Angelos Pangratis similarly noted that the world today is far different from what it was five or ten years ago, and that members' discussions "must reflect the problems and questions we face today."

China, meanwhile, has warned against skipping or ignoring the previous draft texts, noting that WTO members' "greatest assets are our experiences and lessons gained from the past."

Beijing also warned against the introduction of any new requests or concepts that may be "at odds with the DDA mandate and detrimental to the completion of the work programme," according to a copy of Chinese Ambassador Yu Jianhua's statement seen by Bridges.

Next steps

The date of the next TNC has not yet been formally confirmed, though a meeting of the General Council is currently slated for 12-13 May.

Other key events on the international trade calendar that could provide indications of "next steps" for the Doha discussions include the annual "mini-ministerial" held on the sidelines of the Paris meeting of the Organisation for Economic Co-operation and Development, along with a meeting of Asia-Pacific trade ministers in China, both in May.

Trade ministers from the Group of 20 major industrialized and emerging economies are also set to meet in Australia in July, just days before the WTO's last General Council meeting ahead of the summer break.

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Anjali Prasad appointed Ambassador to WTO, Geneva
Bureaucracy Today

Geneva, 31 March 2014: Anjali Prasad, IAS (UT:83), has been appointed as Ambassador and Permanent Representative of India to the World Trade Organisation, Geneva. Prasad who is presently serving as Additional Secretary with DIPP will be relieved from her present responsibility by the first week of April.

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