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Azevêdo Sets Bali Ministerial Success as "First Priority"
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***Centre for WTO Studies**, 7th Floor, IIFT Bhawan, B-21, Qutab Institutional Area, New Delhi - 110016*
Tel: 91-11-26965124, 26965300, 26966360 Ext-725,710 Fax: 91-11-26853956 Email: cws@iift.ac.in
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.

Trade deficit narrows to lowest in five months
Asit Ranjan Mishra, Mint

New Delhi, 10 September 2013: India's trade deficit narrowed to $10.9 billion in August, the lowest in five months, as exports rose and gold imports dropped sharply.

Merchandise exports grew 13% to $26.1 billion during the month, while imports contracted 0.68% to $37 billion. Gold imports fell to $650 million from $2.2 billion a month ago, further reducing pressure on the current account deficit (CAD).

There are signs of stability in major economies in Europe, including the UK, and positive growth in the US will also lead to increase in demand for Indian goods in traditional destinations, trade minister Anand Sharma said.

The Indian economy grew 4.4% in the June quarter, the weakest pace in four years. The economy expanded 4.8% in the preceding three months.

The continued correction in trade deficit marks the onset of a improvement in the trade balance, Yes Bank Ltd said in a report.

"A 70% decline in gold imports contained the trade deficit, even though higher oil imports on account of rise in global prices partially negated the positive impact from lower gold imports," the report said. "The continued comfort on trade balance bodes well for CAD, which is likely to see a significant correction in the second quarter of 2013-14."

India's CAD stood at a record 4.8% of gross domestic product (GDP) in 2012-13. The finance ministry has targeted to narrow the deficit to less than 3.7% of GDP in the year ending 31 March.

The nation's oil imports bill grew 17.9% in August to $15.1 billion because of rising petroleum prices while non-oil imports during the month which is an indicator of domestic demand, fell 10.4% to $22 billion.

The continued political unrest in Egypt and the ongoing crisis in Syria will keep pressure on global crude oil prices and pose a risk to oil imports, Crisil Ltd said in a research note.

Hinting at further curbs on non-essential imports, Sharma said his ministry is currently undertaking an exercise to identify such imports. "What is available in the country and where imports are non-essential, those will be curbed," the minister said.

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Export outlook optimistic, says Sharma
PTI

Mumbai, 31 August 2013: Commerce and Industry Minister Anand Sharma today expressed optimism that the recent pick-up in exports will continue through the rest of the financial year despite the global slowdown.

"The export performance will be better going forward despite the global slowdown," Sharma told members of the Federation of Indian Export Organisation (Fieo) here after inaugurating its new office in

Mumbai.

On the GDP numbers reported yesterday, the worst since the 2008 global recession, he said, "Regardless of GDP numbers released yesterday, I am confident that the growth will not be less than 5.5 per cent this fiscal." Admitting that the economy is facing strong headwinds, he said the fundamentals remain strong.

The minister also defended the government and RBI measures to curb gold imports to address the current account deficit. "We import oil. Since it is an energy requirement, we have little scope to reduce imports. So we need to look at other options," he said.

Commerce secretary S R Rao said that exports in July witnessed 12 per cent growth and imports too have significantly come down. The August figures also show double digit growth and he was upbeat on the remaining second half of FY 14, Rao said. Rao pointed out that the agri exports are expected to be 25 percent higher due to good monsoon this year.

Fieo members expressed confidence of touching USD 325 billion mark this fiscal against the USD 303 billion last year.

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G-20 extends commitment against protectionism until end 2016
PTI

St Petersburg, 8 September 2013: Recognising the risk of economic slowdown and weakening trade posed by protectionism, the G-20 has decided to extend until the end of 2016 its standstill commitment to further progress in removing barriers and impediments to global trade and investment.

In a 27-page declaration adopted at the end of the two-day Summit here last night, the group of 20 industrialised and major emerging economies also reaffirmed its commitment to roll back new protectionist measures.

"With these commitments, we stress the importance of further curbing protectionism through the World Trade Organization," the G-20 Leaders' Declaration said.

The G-20 called on all WTO members to show the necessary flexibilities to bridge existing gaps and deliver positive and balanced results at ninth WTO ministerial conference in Bali in December on trade facilitation and some elements of agriculture and development issues.

"This would be a stepping stone to further multilateral trade liberalisation and progress in Doha Development Agenda negotiations, providing new confidence in successful post-Bali negotiations," the declaration said.

The declaration committed itself to cooperate to ensure that policies implemented to support domestic growth also support global growth and financial stability and to manage their spillovers other countries. The Summit also shared Prime Minister Manmohan Singh's views on the need for orderly exit from the monetary stimulus undertaken in the context of 2008 economic crisis.

On problems arising out of the exit from stimulus package, the G-20 leaders said monetary policy will continue to be directed towards domestic price stability and supporting the economic recovery according to mandates of central banks.

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WTO warns of trade slowdown due to protectionism
Reported by Steve Sedgwick, written by Kiran Moodley, CNBC

6 September 2013: The director-general of the World Trade Organization (WTO) has told CNBC it will downgrade global trade growth estimates for both 2013 and 2014, despite hopes that the world economy is recovering.

In an exclusive interview with CNBC, Brazilian Roberto Azevedo said world trade growth estimates for this year would be revised down to 2.5 percent next week from the previous estimate of 3.3 percent.

Next year's global trade growth estimate of 5 percent would also be downgraded to 4.5 percent for 2014.

Azevedo said that while the global trade environment looked difficult, he was still hopeful, arguing that the world economy was picking up a little bit, with more positive numbers and a better mood in terms of trade negotiations.

WTO boss: protectionism is increasing

Roberto Azevedo, director-general of the World Trade Organization (WTO) discusses the uptick in global protectionism.

The 55-year-old Brazilian said that trade numbers were weaker due to protectionism across the globe.

"Protectionism is going up, it's going up slowly, gradually, inching up; but it's also growing in different ways, it's become more sophisticated, it's become more complex, more difficult to detect," he said.

"It's no longer tariffs and export subsidies and things which are really obvious. It's now become regulations and regulations; they find a niche in the grey areas of current agreements."

A report on Monday by the European Commission said that trade protectionism has continued to increase across the world over the last year, with over 150 new trade restrictions created and almost 700 introduced since October 2008. The report highlighted Russia as one of the chief offenders.

Azevedo took over as head of the WTO on September 1, succeeding Pascal Lamy and becoming the first official from the BRIC (Brazil, Russia, India and China) group of emerging economies to head the organization.

Azevedo also played down the impact of an US-EU trade deal in boosting global trade. The two parties hope to introduce an agreement by the end of 2014.

"Those bilateral deals are limited because of the nature of those deals, so there are less topics covered, there are less countries involved...tariffs are not really that high so most of the advances that will happen will happen in terms of disciplines," he said.

"It doesn't have the global automatic multilateral effect that you have when you have negotiations in the WTO."

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Govt will take hard decisions to curb non-essential imports: FM
ENS Economic Bureau

New Delhi, 8 September 2013: The government plans to take some "hard decisions" to trim wasteful expenditure and curb the import of non-essential items to deal with the stressed economic situation, although there will be no hasty increase in petrol and diesel prices.

"We are going through a period of stress...We have to take some hard decisions. Many of these measures are being taken and many measures will be announced in the next few days and weeks. Some measures to curb import of inessential items will also be announced," Finance Minister P Chidambaram said while winding up a debate on the Appropriation Bill in the Rajya Sabha.

In a prelude to this move of tackling non-essential imports, the government last month slapped a 36 per cent duty on import of flat-screen televisions by air travellers.

The government is battling to contain the current account deficit at $70 billion or 4.8 per cent of the GDP and combat rupee volatility.

"When you are facing a gloomy situation, wasteful expenditure has to be curbed...You call it austerity measures, you call it cut in non-plan expenditure...while we must continue to spend and continue to find money for productive investment," he said.

The rupee has shown improvement in the past few days, Chidambaram said, but added that for the moment he is keeping his fingers crossed.

"We are fighting many unknown factors in the currency markets. Yes, the currency has appreciated in last 3-4 days. But I keep my fingers crossed."

Since April this year, the country's foreign currency assets have plunged by $12.32 billion to $247 billion, the biggest fall in recent times, as the central bank has been dipping into its foreign exchange reserves to defend the rupee that nearly breached the 69-mark to the dollar.

On the concerns expressed by members of Parliament on hiking fuel prices, Chidambaram said, "No decision has been taken. No decision would be taken hastily and certainly no decision will be taken without weighing the pros and cons of the larger public interest."

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BRICS agree on capital structure for development bank
Reuters

29 August 2013: The BRICS bloc of large emerging economies have agreed on the capital structure for a proposed development bank that aims to reduce their reliance on Western financial institutions, the Wall Street Journal reported.

Officials from India, Brazil, China, Russia and South Africa agreed to set up the bank with a total capital of $50 billion, shared equally among them, it quoted an unnamed senior Indian government official as saying.

The decision was made at a meeting in New Delhi in the first week of August, the newspaper said.

The move would likely end disagreements over the funding and management of the bank as China had earlier proposed total bank capital of $100 billion and sought a bigger share, it said.

The bank would support the financing needs in emerging and developing nations for roads, modern-day port facilities, and reliable power and rail services.

Officials have previously said the BRICS aimed to inject an initial $50 billion into the bank, but there was disagreement over whether each state should contribute $10 billion or if contributions should vary by the size of their economies.

China's economy is about 20 times the size of South Africa's and four times as big as Russia's or India's. Other key issues, such as proposals within the group to offer a stake to developed nations, needed further discussion, the Indian official said. The group is considering offering a stake of 40-45% to non-BRICS nations, the official added.

That would help the bank get a higher credit rating and enable it to raise cheaper funds from the market, the newspaper said.

The bloc has yet to make a decision on where the bank would be located, the official added.

Those issues are likely to be discussed when finance ministers from the group meet on the sidelines of the annual meetings of the World Bank and International Monetary Fund in Washington in October, the official added.

The five countries represent a fifth of global GDP but have struggled to find common ground that would convert their economic weight into joint political clout.

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Rising exports to US, EU clouded by order dip from other regions
Amiti Sen, Business Line (The Hindu)

New Delhi, 2 September 2013: There is an upside to the falling rupee. Exports are up thanks to that and more orders from the US and the EU. But the party poopers could be the rising input costs and a fall in demand from Latin America, Asia and Africa.

The Commerce Ministry’s disaggregated export data for the first quarter of this fiscal reveal a small increase in dispatches to the US and the EU that account for a third of exports. However, exports to Latin America, and parts of Asia and Africa, that together also account for a third of the total orders, fell.

India’s exports grew 11.64-per cent in July after dipping for two months; the disaggregated numbers for the month becomes available only with a lag. Overall exports during the first quarter fell 1.64 per cent. “Orders are certainly going up, especially from the EU and the US. But the bounce back in exports has been affected by a fall in demand in other important markets in Asia, North Africa, East Africa and Latin America,” a Commerce Ministry official told *Business Line*.

While six of India’s top 10 export items such as textiles and garments, drugs and pharmaceuticals and petroleum products posted a growth in the first quarter, other important sectors such as engineering goods, gems and jewellery and electronics, continued to fall. Engineering export, which was a top performer less than two years ago, has taken a hit due to a fall in demand from Africa. “Orders from

Africa are now mostly going to China that offers credit for a much longer period and at lower rates than we do," pointed out Anupam Shah from the Engineering Export Promotion Council.

Rising Prices

Availability of high quality steel, too, is affecting the sector as international steel production has been stagnant and prices have been rising.

Apart from steel, rising prices of other inputs such as petroleum and chemicals will also affect exports, says Ajay Sahai from the Federation of Indian Export Organisations.

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No Takers for FTA Concessions, Says Commerce Ministry Official
The Hindu

Bangalore, 6 September 2013: Although India has concluded a clutch of Free Trade Agreements (FTAs) in the last decade, Indian exporters are not utilising concessions offered by these arrangements, said a senior Commerce Ministry official on Thursday.

At an interactive session on FTAs organised by the Karnataka chapter of the Confederation of Indian Industry, A.K. Tripathy, Joint Secretary, Union Ministry of Commerce and Industry, said: "With the Doha Round at the World Trade Organisation at a standstill, FTAs are the order of the day."

Urging Indian exporters to take advantage of the tariff concessions in the ASEAN (Association of Southeast Asian Nations) region, with which India has signed an FTA, Mr. Tripathy said, "If Indian exporters do not take advantage (of FTAs), you will be priced out in these markets."

Referring to the Comprehensive Economic Cooperation Agreement (CECA) between India and Japan, he pointed out that Japanese business entities were better at taking advantage of the treaty's provisions than business entities in Karnataka. Japanese companies, Mr. Tripathy said, use the provisions of the CECA, which covers not just goods but services, investments and intellectual property protection, much more effectively than their Indian counterparts. He said a CECA with ASEAN was likely to be concluded this year.

Mr. Tripathy urged Indian companies to target markets in Southeast Asia more effectively because of the high non-tariff barriers in Western markets. "Technical standards such as phytosanitary restrictions, such as those on Indian mangoes, make it difficult to access Western markets," he said.

Mr. Tripathy said India was engaged in a dialogue with Australia, ASEAN members, New Zealand, China, Japan and South Korea to establish a Regional Comprehensive Economic Partnership (RCEP). Ministers of these countries met in Brunei last month to initiate discussions to create one of the world's biggest FTAs with a combined GDP of more than $21 trillion. "India does not have an FTA with China and the formation of such a trading bloc will imply that we have a virtual FTA with China," he said.

Officials from the Commerce Ministry said the government was eliciting the views of exporters so that their suggestions could be incorporated when the FTAs come up for review.

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Pakistan assures IMF it is moving forward with MFN status to India
PTI

Islamabad, 7 September 2013: Pakistan has assured the International Monetary Fund that it was moving forward with eliminating the negative list on trade with New Delhi and granting the most favoured nation status to India as part of its overall trade policy, a media report said today.

"We are moving forward with eliminating the negative list on trade with India and extending India most favoured nation status, and shifting to 'sensitive list' under SAFTA (South Asia Free Trade Arrangement) regime to facilitate increased regional trade," Finance Minister Ishaq Dar said.

The Minister said this in a written assurance to the IMF during negotiations for recently approved $6.64 billion economic bailout package, The Dawn daily said in a report.

The PPP government had decided in March last year to switch over from positive list of about 1,900 tradable items to a negative list of about 1,206 items, thereby allowing about 5,000 items to be traded between the two countries.

The PPP government's assurance on December 31 last year that it would grant MFN status to India by doing away with the negative list has not materialised.

Earlier in an interview to state-run PTV, Dar had said that granting of MFN status to India is not on the table "for the time being".

He had, however, said Pakistan is committed to promoting relations with neighbouring countries with particular focus on economic and trade cooperation.

The bilateral trade between the nations stood at $2.35 billion in 2012-13, as against $1.93 billion in the previous fiscal.

The Memorandum of Economic and Financial Policies (MEFP), the Finance Minister submitted to the IMF on August 19, has spelt out the major contours of the trade policy with primary focus on normalisation of trade relations, the media report said.

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Currency swap: Do it, but cautiously
M. Rafeeque Ahmed, Business Line (The Hindu)

10 September 2013: The buzz word these days is “currency swap” which seems to be the only pill to treat volatility in the rupee. Ever since Commerce and Industry Minister Anand Sharma talked of the possibility of trading in local currencies during the Board of Trade meeting, more people have been wanting to know what it is all about and how it will impact India’s trade with such countries.

While many countries, in the past, have attempted trade in local currencies on a bilateral basis, no study is available in the public domain to evaluate the impact of such trading arrangement on the volume of trade between the two signatories. In such an agreement, two countries opt for currency swap in their local currencies for a specified tenure. The objective includes promotion of bilateral trade and facilitation of direct investment between the two countries in respective local currencies. Such arrangements give a positive signal to the market on the availability of liquidity of the other country’s currency in the onshore market.

Dollar Demand Will Dip

In actual practice, once currency swap is established, for instance, between India and another country, the exporter will borrow in the currency of importer, sell the currency against the rupee and utilise the rupee for its local operations.

On the due date of contract, the exporter will receive the currency of importer from the buyer and pay off the importing currency locally. Same concept will *mutatis-mutandis* apply to Indian importer.

Therefore, entering into a currency swap will definitely reduce the demand for dollars, particularly when such arrangements are worked out with countries with whom a large trade deficit exists. From that perspective, India can look for such arrangements with China, Saudi Arabia, Iraq, Indonesia, Kuwait, Qatar, Australia and Venezuela, etc., with whom we are running a trade deficit of $10 billion plus. Even in the case of these countries, we can give priority to those from whom investment is expected in India so that the swap could also be utilised for encouraging such investments as well.

However, one has to be careful to see that such swap agreements, if with many trading partners, terminate at sizable intervals so that no adverse impact is witnessed when they mature. One of the flaws of a local currency settlement mechanism is that it may accentuate trade deficit with a partner country if the domestic industry is not competitive.

Internationalisation

In most swap arrangements, the exchange rate is determined and a fixed exchange rate may provide impetus to imports, particularly when other currencies are depreciating.

However, whether the deficit increases the overall trade deficit or simply shifts imports from countries which are outside the swap mechanism to countries which are under the swap mechanism needs to be examined closely.

One cannot draw a parallel with the Rupee Trade Arrangement which we have worked out with Iran as that arrangement is in a specific situation and can be treated as a one-way swap. Its experience cannot be a guiding factor for bilateral swap arrangements.

The major benefit from direct convertibility of the currencies is the reduction in transaction and hedging costs it would facilitate by removing the necessity of involving a third currency, generally the US dollar, in foreign exchange transactions. Such mechanisms do provide a stable regime to importer and exporter helping them to concentrate on factors other than currency risk.

One distinct advantage of the swap is greater recognition of currencies involved in such transactions. Therefore, currency swap in the rupee with our counterparts will help in internationalisation of the rupee.

This has prompted China to enter into currency swap agreements with over 25 countries. China feels that these arrangements will not only help in internationalisation of the yuan but will also increase its clout in the region.

Since this would be a new mechanism where we hardly have any experience in the past, it is better that it is implemented in a gradual way, starting with one or two countries on a pilot basis and based on experience so gained, it may be later extended to other identified countries.

(The author is President, FIEO)

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Re volatility: Exporters find it tough to take pricing decision
ENS Economic Bureau

New Delhi, 30 August 2013: Despite the hammering that stocks have received over the last week, IT sector shares have been consistent performers on the bourses, with the BSE IT index up over 6 per cent during the last week and well over 8 per cent the last month.

On the ground, though, the IT sector is struggling to come to terms with the sharp volatility in the exchange rate, an issue flagged on Thursday by Nasscom president Som Mittal. The continuing volatility in the rupee, he said, is hindering IT firms in signing new contracts with foreign clients, specifically on the issue of the value of the rupee to be quoted in the contract.

"It is a real problem. We don't know where to hedge, our customers don't know where to hedge," Mittal said. "Now the question is when I'm going to sign contracts, I don't know what the currency rate is going to be. My problem is shall I do it at Rs 60, Rs 65 or Rs 70 to the US dollar. So I have a problem is if I don't see stability at what basis do I price. What do I tell my customer, what is the rate?" The rupee has declined about 27 per cent since April. On the perceived advantage that should theoretically accrue on account of the rupee becoming cheaper against the greenback, Mittal said while it does help some small contracts depending on what has not been hedged, in most of the long-term contracts that are spaced over a period of 4-5 years, the amounts are generally hedged and the benefits of a sharp fall in the value of the domestic currency become largely immaterial.

"We have severe competition. In our case there is no elasticity of demand. So the exports doesn't go down, it gets depressed in dollars. So if I was selling my services at $50 and I think I'll pass on the benefit to the client at $45, my top line came down."

Mittal said the industry needs a stable currency as it helps in signing contracts. "So actually, we want a stable currency," he added. Nasscom expects the $108 billion Indian IT industry to clock export revenues of $84-87 billion maintaining a growth rate of close to 14 per cent in the current fiscal.

Other export-focussed sectors such as textiles and garments are also grappling with the problem faced by the IT sector. For the textile sector, the rupee's sharp slide has proved to be counterproductive. As against the perceived benefits from a sliding rupee, the uncertainty in the market has, instead, offset much of the gains from the notional currency advantage in the short-run.

Especially since most exporters did take some sort of cover in the form of hedging at a pre-decided rupee-dollar exchange rate. Rahul Mehta, president, The Clothing Manufacturers' Association, said "the uncertainty looming in different segments of the economy is making all sorts of predictions meaningless."

According to garment exporters, there is also pressure from buyers in key markets to renegotiate contracts afresh in view of the notional gains for domestic exporters.

Denting Earnings

* Exporters such as the IT-ITeS and the textile industries are unable to decide at what price to enter into a deal due to the constant volatility in exchange rates

* As a result, exporters in the IT-ITeS and textile sectors are unable to reap the advantage of a depreciating rupee
* For long-term contracts, any passing on benefits to the customer results in depressed export earnings as the currency value is itself hedged

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Exports dispel domestic woes as auto cos ride weak rupee
Business Standard

Mumbai, 3 September 2013: India's export pack has an unlikely driver: the automobile sector. Passenger car and two-wheeler exporters have made the most of currency depreciation and posted significant increases in foreign sales in August, which helped them partially offset subdued domestic sales.

Hyundai Motor India, the country's second largest car maker, posted 29 per cent growth in exports for August at 24,008 units as demand from non-European markets boosted shipments. It was this push that helped the company increase overall sales by a healthy 11.58 per cent even as its domestic sales grew less than 1 per cent. Rakesh Srivastava, senior vice-president, sales and marketing, Hyundai Motor India, said, "Exports have shown decent growth on account of strong demand from non-European markets. The domestic market continues to witness pressure."

Exports of Maruti Suzuki, the country's largest car maker, nearly trebled during the month to 11,305 units, an increase of 181 per cent compared to 4,025 in the same month last year. Maruti Suzuki Chairman R C Bhargava said, "It is a welcome sign that exports have done well. I hope it stays that way." Bhargava had earlier said the devaluation of the rupee helped the company export more but cautioned that global markets were not buoyant either.

The depreciation of the rupee by over 25 per cent from January has helped auto companies improve margins on exports substantially. Bajaj Auto, India's largest exporter of two- and three-wheelers, reported an increase of 10 per cent in exports at 144,160 units even as overall sales remained 9 per cent down during the month. The market leader in most of the big African markets earns twice as much on a motorbike exported as it does in the domestic market, according to a senior executive. Rajiv Bajaj, managing director, says margins have improved as export prices have not been slashed to boost volumes.

Chennai-based TVS Motors posted export growth of 53 per cent to 27,425 units in August as against 17,934 in the same month last year. That saved the day for the company as its domestic sales fell 6.2 per cent. Exports now account for 18 per cent of its total sales as against 12 per cent in the corresponding month last year.

Yaresh Kothari, analyst, Angel Broking, said, "The long-term plan will be to benefit from increasing exports. The outlook for the coming months will be of growth from festival demand." Domestically, the car and utility vehicle segment grew just 7 per cent in August at 165,447 units sold by the top eight companies, and that too because Maruti Suzuki's numbers benefited from a low base due to a factory lock-down in August last year. Maruti Suzuki reported a rise of 52 per cent in domestic sales during August at 76,018 units. Its July sales stood at 75,145 units. The sales of Hyundai Motor India remained flat at 28,311 units in August as against 28,257 in the same month last year.

Tata Motors, which does not have substantial exports, reported a fall in sales to nearly half in August at 11,564 units from 22,311 in the same month last year.

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Weak rupee works to rice, tea exporters' disadvantage
Sutanuka Ghosal, Economic Times

Kolkata, 4 September 2013: The falling rupee has not brought much cheer to rice and tea industries. Rice exporters who had taken packing credit from banks in dollar terms at a time when the rupee was at 53-54 are now being forced to repay at the current forex rate of around 67-68.

On the other hand, the tea industry is being forced to renegotiate new deals with foreign buyers who are not keen to purchase tea at a price agreed upon when the rupee was at 58-59 against the dollar. MP Jindal, president, All India Rice Exporters Association, said, "We had taken packing credit in dollars when the rupee was at 53-54 level. Now the scenario has changed as the rupee has lost value against the dollar.

For this, rice exporters are facing losses. We are talking to banks about settling this issue." Packing credit limit is a facility sanctioned to an exporter in the pre-shipment stage. This facilitates the exporter to purchase raw materials and manufacture or produce goods according to the buyer's requirement and get it packed for export.

Packing credit limit covers all the working capital needs of the exporter including raw materials, wages, packing costs and all pre-shipment costs. Packing credit limit is available generally for a period of 90 days and the exporter has to pay a lower rate of interest compared to overdraft or cash credit facility. However, the silver lining is that basmati rice exports are expected to grow 10%.

"India's basmati rice is gaining popularity in Iran. Exports are expected to rise 10% which may take our overall exports of basmati rice to 34 lakh tonne," said Jindal.

For the tea trade, a falling rupee has not augured well. "Importers are offering less dollars for new contracts that are being entered now following a drop in rupee value.

Orthodox teas, which were fetching $5 per kg in the global markets, are now being offered a price of $4 per kg. Similarly, CTC teas, which were garnering $4 per kg, are now fetching $3.2 per kg," said AN Singh, chairman, Indian Tea Association. A decline in tea prices in dollar terms will increase India's competition with Kenya in the world tea market.

Kenya's production has been good this year and the African nation has been loading teas in the world markets at an average price of $2.8-$3 per kg. "Though Indian tea companies will have some profit in near term, low prices will create more competition for Indian teas in the long term," said Singh.

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Tea Board urges branding as export strategy
Mahesh Kulkarni, Business Standard

Bangalore, 5 September 2013: To increase export, the Tea Board of India has proposed encouraging producers to come up with specific brands aimed at foreign markets.

“We have failed in branding Indian tea in export markets because we are bulk exporters. We don’t export good packaged tea in value-added form. Tea is consumed all over the world in blended form. There is no English morning tea without Assam tea in it. But we have not marketed it as Indian tea in international markets,” said Tea Board Chairman M G V K Bhanu.

In a presentation at the 120th annual conference of United Planters' Association of South India in Coonoor earlier this week, he said India couldn't succeed in branding tea for specific markets within the country, as well as abroad. However, he expressed confidence the country could capture a higher share in the export markets by exporting branded tea in the coming years.

The Tea Board is targeting export of 230 million kg this financial year, a 4.5 per cent rise on previous year. In 2012-13, exports were 220.46 million kg. India's output rose 3.6 per cent to 1.13 billion kg in 2012-13 from 1.09 billion kg the previous year.

"We cannot export all sorts of tea. We will encourage exporters to focus more on export of high-quality, high value-added teas. While continuing our efforts, we have identified five focus markets for exports---Kazakhstan, Iran, US, Egypt and Russia. We will take up many new initiatives such as branding of Indian tea for these markets. We will extend all assistance to exporters to achieve the desired targets," Bhanu said. "We have achieved tremendous success in these five focus markets. However, we have not succeeded in creating an Indian international brand."

Bhanu said the board was stressing on increasing exports to Iran to 25 million kg this year from 17 million kg last year, growth of 45 per cent. It was also trying to increase exports of orthodox tea.
The Tea Board had entered into a dialogue with various stakeholders of the industry for the branding initiative, he added. The board would take the help of India Brand Equity Foundation (IBEF) to create a brand for foreign markets, he said. IBEF is a trust established by the department of commerce that aims to promote and create global awareness of the 'made in India' label in markets abroad and facilitate dissemination of knowledge of Indian products and services.

To recommend a strategy to increase consumption of tea in rural areas The board has constituted a committee headed by Hindustan Unilever. The panel includes other leading producers such as Tata Global Beverages and Girnar.

"In rural India, people think drinking tea is not good for health. They prefer a glass of milk over tea. We need to change their perception and establish the fact that tea drinking is not bad for the health. We need to produce good quality tea and supply it to markets all over," Bhanu said.

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Russia lifts ban on import of rice from India
PTI

New Delhi, 10 September 2013: Russia has lifted an eight-month-old ban on the import of Indian rice and peanuts, effective from this month, a move that would help traders regain their lost market.
The Russian federation had imposed the ban due to the presence of khapra beetles pest in rice and aflatoxin contamination of peanuts.

"Russia has cancelled the temporary restriction on import of rice, rice cereals and peanuts from India. Exporters can resume export of these products effective from September 1," a senior government official told PTI.

Russia decided to remove restrictions after its officials visited processing units in India in June. The delegation was convinced about the safety measures that were put in place here while processing these food items, the official said.

The resumption of trade comes as the country seeks to boost exports to address the current account deficit.

India, the world's second-biggest producer of rice, had shipped 61,000 tonne of rice and 3,700 tonne of peanuts in the last financial year, earning $31 million from the export of the two food items.

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Onion exports drop by 81% in August
PTI

New Delhi, 10 September 2013: India's onion exports fell sharply by 81% to 29,247 tonne in August as compared to same period a year ago, after the government imposed curbs on the overseas sale to improve domestic supply and check prices.

On August 14, the government had imposed a minimum onion export price of $650 per tonne to restrict shipments and control prices after it touched Rs80 per kg in retail markets on supply crunch. The retail price of onion continues to rule at Rs50-60 per kg in most parts of the country.

According to the data maintained by the cooperative Nafed, onion exports declined to 29,247 tonne in August this year from 1,56,283 tonne in the same month last year. In value terms too, shipments dropped to Rs125.46 crore from Rs164.92 crore in the review period.

During the April-August period of this fiscal, onion exports fell to 6,97,028 tonne as against 8,50,634 tonne in the year-ago period. However, in value terms, the outbound shipments rose sharply to Rs1,341 crore from Rs844 crore in the said period.

According to traders, exports in the coming weeks would depend on the supply situation. The supply of onion is limited during the lean period of July-October, as 60% of produce is grown during the rabi season of March-June.

The rest is produced during the Kharif season of October-December and late Kharif season of January-March period.

India, the second largest producer of onion in the world after China, is estimated to have harvested 166 lakh tonne of the staple vegetable last year. The country had earned Rs2,294 crore from the export of 18.22 lakh tonne of onion in FY 2012-13.

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Guargum exports fall 57%
Sandip Das, Financial Express

6 September 2013: The sharp fall in guargum shipments has dragged the country’s agricultural and processed food exports in the first quarter of the current fiscal.

Owing to a more than 57% fall in exports of Guargum, mostly used by US-based oil exploration companies, India’s agricultural goods exports saw moderate growth of around 6% in April-June 2013. According to the Agricultural and Processed Food Products Exports Development Authority (APEDA) data, while exports of Basmati rice, meat, wheat and fresh vegetables and fruits saw a sharp rise in the first quarter, the slowdown in guargum exports may adversely impact overall agri exports, which were more than Rs1.2 lakh crore in 2012-13.

India exported guragum worth more than Rs 21,000 crore last fiscal. In the first quarter of the current year, exports have fallen to Rs 4,702 crore from the Rs 11,000 crore achieved during the same period last year.

"Due to a decline in demand from oil and gas exploration companies, guargum exports have declined sharply this years" a commerce ministry official told FE.

In April-June 2013, India's agricultural exports from the APEDA basket grew marginally to Rs 34,132 crore from Rs 32,061 crore reported in the same period previous fiscal.

The key drivers of the country's agricultural growth in the current year have been items such as Basmati rice, wheat, pulses, fresh fruit and dairy and meat products.

While non-Basmati rice exports declined marginally during the first quarter of the current year, realisations from Basmati have increased 67% to Rs11,178 crore.

The realisation from wheat exports has seen a sharp rise of more than 287% to Rs3,953 crore in April-June, from Rs1,019 crore reported in the previous year.

Other commodities that saw an increase in exports in the first quarter include dairy products (Rs 797 crore), pulses (Rs 489 crore), meat (Rs 5,087 crore), fresh fruit (Rs1,106 crore) and fresh vegetables (Rs 845 crore).

Besides, a senior commerce ministry official said the devaluation of the domestic currency against the US dollar is expected to help exporters realise higher prices.

For giving a boost to exports, APEDA has identified 20-odd clusters across the country. These clusters include Basmati rice (Haryana & Punjab), buffalo meat (western Uttar Pradesh), grape and grape wine (Nasik region, Maharastra), pomegranate (Satara and Pune regions of Maharashtra), dehydrated onion and garlic (Gujarat), poultry or egg (Namakkal) and mango pulp (Uttar Pradesh and Maharashtra).

"Indian agriculture seems to have a greater comparative trade advantage than manufactured goods. This has been possible as the sector has responded by undergoing a structural transformation," a recent paper by the Commission for Agricultural Costs and Prices (CACP) chief Ashok Gulati stated.

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July garment exports increase 19% to $1.28 bn
Financial Express

New Delhi, 5 September 2013: India's garment exports surged 19% to $1.28 billion in July on rupee depreciation and a gradual pick-up in orders from the US and other Latin American countries, according to the latest official data.

The rise in July exports —the highest monthly jump in percentage terms since April last year — helped garment shipments in the first four months of the fiscal grow 13.1% after rising 11.1% in the quarter through June, showed the data. In rupee terms, exports grew 28.3% in July, driving up outbound shipments between April and July by 18.2% to Rs27,538 crore. The domestic currency weakened by 12.2% between April and July.

Higher textile exports augur well for the economy as they accounted for 10.54% of overall exports last fiscal and the sector employs 35 million people, being the largest employer after agriculture.

Having slid nearly 6% last fiscal and witnessed a drop in 10 months of 2012-13, garment exports started picking up in March as the domestic currency continued its downward journey and demand from the US started to pick up. Soaring costs in China and safety compliance problems at Bangladeshi mills also helped India's export growth, industry executives said.

"While the rupee depreciation has helped, the rise in demand in the US and Europe, despite a slow or fragile recovery in their economies, resulted in the surge in exports. Plus, demand from new markets, including Japan, has also aided the rise in exports and it seems that after a long time we are back in track on garment exports," said DK Nair, secretary-general of Confederation of Indian Textile Industry.

Apparel Export Promotion Council (AEPC) chairman A Sakthivel said: "To keep up this rate of growth for the garment sector, the Reserve Bank of India (RBI) must announce a separate chapter for lending to ensure adequate flow of credit. It is also requested that a flat interest rate of 7.5% for export credit to the ready-made garment sector may be prescribed."

However, Sakthivel said with the depreciation of the rupee, foreign buyers have also started asking for more discounts.

Domestic garment exporters have seen their fortunes wane in recent years due to tough competition from their Bangladeshi counterparts, who could offer cheaper products to global retailers taking advantage of low wages and often bypassing international labour norms. However, concerns among buyers mounted over the compliance of several labour rules by Bangladesh following the collapse of a textile unit building in May, which reportedly claimed more than 1,100 lives and came barely six months after another mishap had caused 120 deaths.

Moreover, rising manufacturing costs in China, the world's largest exporter, have augured well for India. assuming that India’s manufacturing cost in the spinning sector was 100 in 2012, China’s was as high as 138, followed by Indonesia (110), Bangladesh (104) and Pakistan (101), according to a study commissioned by the state-run Textiles Export promotion Council.

However, in the weaving and processing sector, China’s manufacturing cost stands at 111, followed by Pakistan (110), Bangladesh (87) and Indonesia (99), compared with India’s 100.

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US Immigration Bill: IT Inc sees rays of hope

Debojyoti Ghosh & P P Thimmaya, Financial Express

9 September 2013: The $76-billion Indian IT & BPO export services industry — worried about the fallout of the proposed Immigration Bill in the US — has been receiving better appreciation of their concerns from lawmakers, setting the stage for a likely positive outcome of the legislation.

Talking to FE, Som Mittal, president of Nasscom, India’s IT-BPO trade body, said: “We are clearly seeing that there is a more positive alignment to our views with a growing realisation in the US that what is bad for Indian IT would also be harming them.”

This assumes significance as both the US Senate and House of Representatives were in recess for August, with the new session expected to start from the second week of September. It is expected that the House would take up the Immigration Bill shortly.

The Bill in its present form as passed by the US Senate in June, 2013 would inflict considerable damage on the Indian IT industry with numerous provisions, especially the outplacement clause. This clause states that firms with 15% and more H-1B dependent employees are debarred from deploying their resources at customer locations.

This is seen as one of the measures proposed to save US jobs. Indian IT companies like TCS, Infosys, Wipro, and HCL Technologies are heavily dependent on the H-1B visas to carry out operations in the US, their largest market.

Gordon Coburn, president, Cognizant, a US-headquartered IT major with large presence in India during the Citi 2013 Global Technology Conference, said, “As we talk to more and more members of the Congress about this (Immigration Bill) and educate them on the issues, I think there is an increasing understanding and awareness that some of those outplacement clauses are not good for our customers.” He further said: “We’re seeing an increasing understanding that the outplacement clause would be bad for American competitiveness.”

Indian IT companies have been crying hoarse about the various negative connotations in the Bill, which has provisions like increased visa fees, stringent conditions on placing Indian employees in American companies, besides the outplacement clause. The Bill has been passed only by the Senate, but the one which has got approval from the judiciary committee of the House of Representatives — called the skilled Immigration Bill — does not have any outplacement clause, which is a big positive for the Indian IT industry.

Mittal told FE that a greater number of US technology firms are now supporting their initiatives. “Indian IT companies predominantly provide services on technology platforms of American companies and any shift in this balance would adversely affect everybody,” he said.

Prime Minister Manmohan Singh will be holding a meeting with US President Barack Obama on September 27, when this topic is expected to come up for discussion. Wipro chairman Azim Premji has written to the Prime Minister seeking his intervention on the matter.

The commonly-held belief about Indian technology companies operating in the US has been that they were garnering a large percentage of work permits, displacing American workers. Indian firms on the other hand have always said that shortage of IT services skills in the US had created such a situation. Howard Greenberg, partner, global immigration leader, KPMG Canada, has said that the US will further open up on immigration. “There is a recognition that global competition for talent is heating up and that includes Indians.”

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UK Cabinet split over visa bonds for Indians
PTI

12 September 2013: The divisions within Britain’s Conservative-led coalition government have been exposed over the controversial plans to impose 3,000-pound visa bonds on visitors from countries like India.

UK business secretary Vince Cable, from the Liberal Democrat Party, warned of the negative impact the yet-to-be-finalised scheme would have on relations with India.

"The reaction to it from our friends in India and elsewhere, where we are trying to build up relations, was one of outrage," Mr. Cable told the *BBC* in London on Wednesday. "In government, I and Nick [Clegg — Lib Dem leader and UK Deputy Prime Minister] are arguing for the much more sensible and flexible approach to the bond," he added.

The senior minister plans to urge his Tory colleague in the Cabinet, home secretary Theresa May, to reconsider the plans which had emerged back in June under which visitors from certain high-risk countries including India, Pakistan, Sri Lanka, Bangladesh, Ghana and Nigeria will be required to deposit 3,000 pounds for a six-month visa, to be forfeited if they overstay in the UK.

Indian ministerial circles had raised strong objections and sought full details on the application of the scheme, which is to be piloted from November.

The scheme had initially been mooted by Mr. Clegg but Mr. Cable clarified that his party leader had a very different idea in mind. "What Nick Clegg actually proposed was that if somebody in the subcontinent, for example, is turned down for a visa, they could as an alternative come up with a bond. Had that proposal been accepted I think most people would not have seen a problem with it," Mr. Cable said.

"It would actually have made it easier for people to come who have good reason to do so. But the way some of our colleagues in the coalition interpreted it was in a much more negative way, of saying that everyone who comes here should pay this very large bond," he explained.

Asked if he wanted Ms. May to change the plans, he said, "I think so. We are going to have to do this in a much more sensible way."

His comments come days after Sarah Teather, a former Lib-Dem minister, announced that she was quitting Parliament in despair at Clegg's leadership of the party.

She said she was unhappy with the party's policies, particularly on immigration bonds, which she believes will harm the most vulnerable members of society.

Cable said he had "sympathy" with Ms. Teather's concerns about immigration, but added that she had "overreacted" by announcing that she would quit Parliament.

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India may join global forum to safeguard drug exports
Raji Reddy Kesireddy, Economic Times

5 September 2013: India is considering joining a global forum that prescribes standards for medicine manufacturing to safeguard its drug exports to the member countries. Called the Pharmaceutical Inspection Convention and Pharmaceutical Inspection Co-operation Scheme (PIC/S), it currently comprises 43 drug importing countries.

The move assumes significance in the backdrop of Indian drugmaker Ranbaxy being recently penalised $500 million (aboutRs3,350 crore) by the US government for shoddy manufacturing practices. The

United States and the European Union are among the key members.

Under an agreement, drug regulators of member countries ensure compliance with standards rather than individual manufacturers. PV Appaji, director general of India's Pharmaceuticals Export Promotion Council (Pharmaexcil), said the country's drug exports could suffer in the medium to long term if India does not join the league. "It is going to impact our export growth as more and more countries are now looking for PIC/S compliance. India should join the league at the earliest."

Sudhanshu Pandey, joint secretary at the commerce ministry, said while joining the forum will help exports grow, there were broader issues. "As there is the requirement that the whole pharma industry, including non-exporters, be compliant with the standards, the issue needs to studied more carefully." He said the commerce ministry held talks with officials of Drug Controller General of India (DGCI) and the health ministry is examining the likely impact of joining the forum.

The Indian pharma industry, which currently has the largest number of US Food and Drug Administration-approved manufacturing facilities outside the United States, does not want to risk losing out on drug exports and prefers the country join the forum quickly. The industry saw its exports growing to $14.5 billion (Rs79,500 crore) during 2012-13, up from $13.2 billion (Rs 63,500 crore) a year ago. "With the US and the EU already a part of this (forum), other countries are joining too," said a spokesperson of drugmaker Dr Reddy's Laboratories.

It could, howeer, hurt companies that are today just about meeting the minimum required standards, the spokesperson said. "Membership would probably become important in the coming years if not so immediately," said Arun Sawhney, chief executive and managing director of Ranbaxy Laboratories. "The Indian regulator should work towards making India a member of PIC/S within the agreed timeframe."

Joining the forum will also help the Indian pharma industry improve quality standards, said Ganadhish Kamat, Lupin's executive vice president-quality assurance. It will "help boost exports and strengthen India's credentials as amongst the best quality manufacturers of pharmaceuticals globally."

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Commerce Secretary Inaugurates Course on WTO at IIFT
India Public Sector News

New Delhi, 9 September 2013: Commerce Secretary Shri S R Rao today inaugurated WTO's Regional Trade Policy Course (RTPC) being organized by the WTO and the Centre for WTO Studies, Indian Institute of Foreign Trade, New Delhi. IIFT is organizing this training programme for the third year for the Asia - Pacific region. Speaking on the occasion, Shri Rao said that due to multilateral arrangements like WTO, the world's trade has grown manifold. "With volume, the complexities of trade negotiations have also increased. The challenge before the countries of the region is to carve out a bigger share in the world trade," said Shri Rao.

Regional Trade Policy Courses (RTPCs) are two-month courses for government officials from developing countries/separate customs territories, LDCs, economies in transition, and countries in the process of accession to the WTO. The RTPC in 2013 for Asia - Pacific Region is being organized jointly by the WTO and the Centre for WTO Studies, IIFT. Twenty one participants from 17 countries of Asia - Pacific region will participate in RTPC 2013. Twenty academics/trade specialists from the region, together with WTO officials will deliver the course.

During the two-month programme, the participants will be given an in-depth exposure to WTO and international trade issues. The RTPC will seek to enhance the participants understanding of their regional environment and how it relates to trade-policy making; develop a good understanding of the WTO, including the agreements; improve their analytical and negotiating skills; learn how to use effectively the relevant information and documentation on trade-related issues; and establish and/or strengthen a network of contacts between participants and with the trainers/experts.

The countries represented in the forthcoming RTPC for Asia - Pacific Region include Bangladesh, Bhutan, Cambodia, India, Indonesia, Laos, Malaysia, Mongolia, Myanmar, Nepal, Pakistan, Papua New Guinea, Philippines, Solomon Islands, Sri Lanka, Thailand, and Vietnam.

The first RTPC for the Asia-Pacific region was held by the WTO in 2004 in partnership with the University of Hong Kong, a partnership which lasted until 2006. This was succeeded by a partnership with the National University of Singapore from 2007 to 2010. Centre for WTO Studies has been partnering the WTO Secretariat in organizing the RTPC for the Asia-Pacific region since 2011.

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WTO to Explore 'Peace Clause' After India Rejects Food Security Compromise Proposal
Daniel Pruzin, WTO Reporter

9 September 2013: Members of the World Trade Organization (WTO) are under renewed pressure to hammer out a deal on the issue of food security for the WTO's upcoming Bali ministerial conference, after India torpedoed a compromise proposal aimed at addressing its concerns, officials told Bloomberg BNA.

At a September 4 Bali, Indonesia, preparatory meeting dedicated to agriculture, India said it was not in a position to accept the compromise proposal from Norway that would allow it to adjust how it calculates its agricultural subsidy spending to take account of amounts actually paid to farmers. Instead, India, backed by the Philippines, put forward a new proposal granting flexibility to countries experiencing domestic inflation rates greater than 5 percent in calculations of their subsidy spending.

Critics such as the United States charged that the Indian proposal would essentially exempt most large developing countries from their WTO spending caps on trade-distorting subsidies, because most of those countries have inflation rates above 5 percent. Australia, Canada and the EU also expressed doubts about the proposal, while Brazil said the initiative was impractical, given the short time remaining until the December 3-6 Bali meeting, according to officials in attendance.

"It would dramatically alter the disciplines of the WTO," argued one participant in the discussions in regards to the new Indian proposal. "Even if countries thought it was a good idea, which many don't, the notion that WTO members could successfully negotiate an inflation mechanism over the next six weeks flies in the face of our experiences over the last 10 months."

'Due Restraint.'

John Adank, the New Zealand ambassador chairing the WTO agriculture talks, suggested instead that members examine the possibility of adopting some type of "due restraint" or "peace clause" commitment in Bali that would give members some breathing space for continued negotiations after the ministerial conference, said officials in attendance.

Countries such as Australia and China expressed support for exploring this option in more detail, according to officials, and trade diplomats said the option was already discussed in an August 23 bilateral meeting between US Trade Representative Michael Froman and Indian Commerce Minister Anand Sharma. Sharma gave no indication at that time that India was preparing a new proposal on the food security issue.

A “peace clause” contained in the Uruguay Round agreement on agriculture exempted farm subsidy programs from WTO dispute challenges, provided that spending did not exceed 1992 levels. The peace clause expired at the end of 2004.

WTO members agreed at their 2001 ministerial conference in Doha, Qatar, that restraint would be exercised in challenging subsidy programs that developing countries say are needed to promote rural development and adequately address food security concerns.

However, WTO members would need to agree whether any such due restraint commitment in Bali would be a Doha-style political commitment or a legally binding obligation and how long the commitment would last. The United States and other major farm-exporting nations are also expected to push for commitments ensuring that any surplus production under these development/food security measures does not get dumped on global markets, effectively constituting an illegal export subsidy.

India Food Bill

India's upper house of parliament approved a Food Security Bill September 3 expanding subsidized purchases of rice and wheat at an estimated cost of some $20 billion annually.

The legislation establishes food as a legal right and seeks to ensure that the country's 800 million poor people can purchase at least 5 kilograms (11 pounds) of grain every month at subsidized prices. The spending commitments are expected to largely exceed India's current WTO spending limits and expose New Delhi to possible WTO dispute settlement proceedings.

India already has an estimated 80 million metric tons of excess grain production in storage, with some of the excess already being sold on global markets.

WTO members are hoping to secure a deal at Bali on a package that would include an agreement on trade facilitation, as well as several agreements that are related to agriculture and that address the special concerns of the WTO's poorest members. Officials said that members would need to know by mid-October what possible outcomes are likely to be in the Bali package in order to have any confidence that a deal can be reached.

The deal is considered an essential confidence-builder for jump-starting the stalled Doha Round of trade talks, now in their 12th year, and for maintaining the WTO as a viable forum for trade negotiations at a time when bilateral and regional trade initiatives are taking the spotlight away from the organization. However, India has been accused by some trade diplomats of stalling on trade facilitation talks in a bid to win concessions on food security.

‘Green Box’ Subsidies

The September 4 meeting chaired by Adank focused on a proposal from the “Group of 33” developing countries (G-33) put forward late last year on ensuring food security.

The G-33, led by India and Indonesia, want developing countries to be allowed to classify purchases of food stocks at subsidized prices as "green box" subsidies exempt from WTO spending limits. Normally, such price supports must be classified as trade-distorting "amber box" supports.

Under WTO rules, developing countries with stockholding programs for food security purposes must count any difference between the prices paid to farmers and external reference prices (dating from 1986-88) as trade-distorting subsidies. WTO members are prohibited from spending more than a certain percentage of the value of their domestic agricultural production (de minimis limits) for these subsidies, with the limit for developing countries fixed at 10 percent for both product-specific and non-product-specific support.

India's food security program is based on price guarantees for producers, with administered prices fixed by the government.

The Norwegian compromise proposal would allow for a downward adjustment in the administered price when markets do not function properly. This would essentially allow India to calculate its amber box spending based on the actual income received by farmers rather than on the amount spent on the administered price, which is paid to middlemen or "aggregators" that buy from farmers rather than being paid directly to farmers.

However, according to the participant in the September 4 discussions, India informed WTO members that it could not accept the Norwegian proposal because it has no means of calculating what amounts the aggregators receive and because the payments to aggregators are illegal under domestic law.

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Azevêdo Sets Bali Ministerial Success as "First Priority"
Bridges Weekly Trade News Digest, Volume 17, Number 29

12 September 2013: Achieving a successful result at this December's WTO ministerial conference in Bali will be his "first priority," new Director-General Roberto Carvalho de Azevêdo told the organisation's members in his inaugural speech on Monday. In his statement, the global trade chief outlined a "rolling schedule of meetings" that he has planned for the coming weeks in the hopes of reaching that goal.

The former Brazilian ambassador took office as WTO head on 1 September, barely three months before the organisation is set to hold its ministerial conference. WTO members have spent most of the past year racing to put together a three-pronged package of deliverables in time for the Bali event, pulled from the broader Doha Round negotiations.

The so-called "Bali package," as currently discussed, would have a trade facilitation agreement at its core, selected agriculture components, and issues of relevance to developing and least developed countries.

The Doha trade talks have already hit multiple snags during their 12-year history, before ultimately being declared at an impasse at the organisation's 2011 ministerial conference in Geneva. The fallout from the impasse, trade observers say, has damaged the WTO's credibility, a perception that the new Director-General acknowledged in his remarks.

"The WTO, as we know, has been defined by what we have been doing in the negotiating front," Azevêdo said. "This is how the world sees us. There's no escaping it." "People see us as good as Doha. That's the reality," he added.

Success in Bali has been touted as a way for the WTO to show it can still deliver results, particularly in the current global economic context. While recent reports from organisations have indicated signs of a recovery in advanced economies, many warn that there is still more to be done. For instance, the WTO is actually slated to revise is global trade growth estimates for both 2013 and 2014 downward from its earlier predictions, Azevêdo confirmed to reporters following his speech.

However, restoring faith and trust in the WTO, he warned, is not a task he can do alone. “I can suggest the direction, but we must choose this path together,” he said.

“Rolling set” of meetings

Prior to the WTO’s annual August break, outgoing Director-General Pascal Lamy had warned that the pace of the Bali negotiations - while somewhat improved - was still far too slow, a sentiment that was broadly echoed by trade officials, speaking both publicly and privately.

Azevêdo hopes to jolt the process by holding “intensive consultations” with members in various formats and configurations, at the ambassadors’ level. These will start this week, and will address all three topics that are on the table for Bali. This “rolling set of meetings,” he said, will be designed to give all members a voice on the different issues, and are being planned in coordination with the chairs of the negotiating groups involved.

In order to resolve political disagreements, capitals will also be brought into the process, with the Director-General urging senior officials to be “ready to come to Geneva” over the coming weeks to move the negotiations forward. He will also continue his interactions with ministers during the preparations. There will be regular meetings of the Trade Negotiations Committee - which is tasked with the overall Doha talks - in the coming weeks, which will be convened “as necessary.” Azevêdo has also urged members to start identifying areas for possible trade-offs.

Azevêdo made his first international appearance as director-general last week, at the Group of 20 Leaders’ Summit in St. Petersburg. Reporting to WTO members on the meeting, he noted that the group had called for all of the global trade body’s 159 members to show the “necessary flexibilities” in order to achieve a Bali package.

The G-20, for its part, said it would be “ready to make significant contributions in these negotiations to achieve such results.” (For more on the G-20, see related story, this issue)

Bali: Not the “end of the road”

Clinching a Bali package, the new Director-General said, is only a first step. Delivering on the rest of the Doha Round talks “must be part of any future agenda.” However, details on what ideas he has for resolving the remaining Doha issues would be saved for another time.

Improving the WTO’s other key functions - such as reducing the heavy demands on the dispute settlement mechanism or strengthening the organisation’s monitoring functions - are also important goals, he added. However, for the time being members must focus on “the here and now,” specifically the Bali ministerial. “The intermission is over,” he concluded. “It’s time the WTO was back at the centre of the world stage. The stakes couldn’t be higher. We have to deliver - and if we work together, I know that we will.”

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