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India Trade Gap Shrinks to 15-Month Low
Mukesh Jagota and Anant Vijay Kala, Wall Street Journal

July 13, New Delhi: India's trade deficit narrowed sharply for a second month in June to its smallest in 15 months, as lower crude oil prices helped bring down the import bill, raising hopes of continued improvement in the country's trade balance.

The trade deficit was $10.3 billion during the month, down from $14.4 billion a year earlier. Exports in June fell 5.5% from a year earlier to $25.1 billion, while imports declined 13.5% to $35.4 billion, Anup Pujari, director-general of foreign trade, said at a press briefing.

The data will offer comfort to authorities who have been concerned about the trade gap, which widened sharply over the past year due to heavy imports. That had stoked concerns over a worsening balance-of-payment situation and weighed heavily on the Indian rupee, which has weakened about 10% against the U.S. dollar since April and hit successive record lows in recent months.

India's trade deficit widened 56% to $184.9 billion in the last fiscal year ended March 31.

Sonal Varma, an economist at Nomura, said in a research note that the rupee's depreciation is starting to shrink the non-oil import bill and is helping bring down gold imports.

As the effects of the rupee's decline plays out, she said she expects the current account deficit to narrow to around 3% of gross domestic product in the fiscal year ending March 2013, from the record high of 4.2% in preceding fiscal year.

The deficit had ballooned as weakening demand for Indian products amid the ongoing economic troubles in Europe hurt exports, even as the country's import bill remained high due to strong demand for gold and the country's heavy dependence on imported crude oil.

However, easing global crude oil prices and recent steps by the government to encourage exports are expected to help improve the situation.

Trade Secretary S.R. Rao said at the briefing the results of the recent government measures will be visible in the next two to three months.

The government last month announced a 100 billion rupee package to encourage exports, especially by small enterprises that are usually the worst hit during a demand slowdown.

As part of the package, it extended by a year to March 2013 an import tax waiver on some capital goods. It also extended a 2% interest subsidy on loans to handloom and handicraft exporters and to some other small and medium enterprises.

Mr. Rao said global demand remains weak due to the lingering economic troubles.

The government, therefore, has been pushing exporters to tap new markets in South Asia, Africa and other regions to help offset the demand slowdown.

As a result, India's trade balance is expected to improve despite the tough global conditions, Mr. Rao said. This fiscal year's trade gap will be lower than last year's, Mr. Rao said.

India's April-June trade deficit narrowed to $40 billion from $46 billion a year ago as imports during the three months fell 6.1% to $115.3 billion, outstripping weaker exports, which fell 1.7% to $75.2 billion. April-June crude oil imports--the country's largest import--stood at $41.5 billion while gold and silver imports stood at $9.4 billion.

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Govt looks for ways to cover trade gap with China
Nayanima Basu, Business Standard

New Delhi, July 16: The commerce and industry ministry is in a damage -control mode, looking for ways to narrow its soaring trade deficit with China. According to some analysts, the deficit is expected to soar to $60 billion this financial year. With costs of products rising in China, the government is leaving no stone unturned to grab the opportunity of entering the Chinese market in full force.

The ministry is sending exporters' delegations to China almost every month, which are aggressively pushing China to buy more value-added products from India, istead of merely importing raw materials.

But, some experts believe it will not be easy to enter the Chinese market as yet and it will take a long time before India can bridge the wide gap.

The trade deficit with China increased to almost $40 billion in 2011-2012 from $23.1 billion in 2008-09 and $9.1 billion in 2006-07, according to data from the Ministry of Commerce and Industry. Last year, the department of commerce had said it was preparing a strategy paper to cover the widening trade deficit with China, but nothing concrete has taken place so far.

However, according to ministry officials, the government is now looking at China more aggressively than earlier. "It is not possible to work out a strategy paper, as we import some of the big-ticket items from China. But, we want industry to take the lead now. The ministry is regularly organising more and more buyer-seller meets. We are seeing to it that a large number of marketing delegations visit China and understand the market there and identify where the gap is," a commerce department official told Business Standard.

According to the Federation of Indian Export Organisations (FIEO), exporters were not able to penetrate that market, as the costs were less and Indian goods were not able to compete. But, on Sunday, the tables have turned. Their goods have also turned expensive and global retailers now prefer India over China in some segments.

"China is an emerging market for us. We are now planning to penetrate into the market with more high-end products like auto components, pharmaceuticals, handicrafts and readymade garments. I believe we will be able to bridge the deficit in the next five years," M Rafeeque Ahmed, president, FIEO said.

While Chinese exports to India mainly consists of manufactured items required for India's ever-expanding telecom, power and manufacturing industries, India exports raw materials and intermediary products.

Bilateral trade in 2011-12 was $75.5 billion, of which India's export to China was $17.9 billion and import was $57.6 billion. India's main items of export to China include petroleum products, gems and jewellery, transport equipment, other raw materials and machinery.

“China always has an advantage over us. It will take us a few more years to penetrate into the Chinese market. China has opened its market very selectively. Neither our software industry nor the pharmaceutical firms have been able to market their products well in China,” said Srikanth Kondapalli, chairman, Centre for East Asian Studies, Jawaharlal Nehru University.

India has also set up an India-China Joint Group on Economic Relations, Trade, Science and Technology in order to address the issue of widening trade deficit.

India’s heavy industries significantly rely on raw materials and finished goods from China. The top five items of import from China are electrical machinery and equipment ($ 11.9 billion), mechanical machinery and appliances ($7.7 billion), project goods ($ 3.2 billion), organic chemicals ($3.85 billion) and iron and steel ($2 billion).

In the last couple of years, import of power and telecommunication equipment has seen a huge rise. In 2010-11, import of mobile phones and other kinds of wireless phones reached $4.1 billion, up 60 per cent year-on-year from $2.5 billion in 2009-10. Similarly, import of project goods topped $3.2 billion in the last financial year from $2.1 billion in 2009-10, up 54 per cent.

“India is not unique in facing challenges of a widening trade deficit with China. Many other major economies are in a similar situation. This is what makes the prospect of enhancing India’s exports to China more challenging, as other countries are also making efforts to penetrate the Chinese market. Further, the pattern of exports to any country cannot be changed within an extremely short time horizon,” said Abhijit Das, head, Centre for WTO Studies, Indian Institute of Foreign Trade.

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India, Russia agree on Comprehensive Economic Cooperation Agreement with Belarus-Kazakhstan
PTI

July 17, 2012,New Delhi: With an aim to boost trade ties, India and Russia have agreed to jointly study a Comprehensive Economic Cooperation Agreement with Belarus-Kazakhstan and exuded confidence to acheive ambitious an trade target of $ 20 billion by 2015.

"We exchanged constructive views on various aspects of India-Russia trade and investment cooperation. We sought definite solutions to certain outstanding problems confronting our business communities and explored ways to enhance our trade turnover," External Affairs Minister S M Krishna said after his meeting with Russian Deputy Prime Minister Dmitry Rogozin.

"To forge greater contacts, we have agreed to jointly study a Comprehensive Economic Cooperation Agreement (CECA) with the Belarus- Kazakhstan-Russia Customs Union," he said.
The Customs Union between Russia, Kazakhstan and Belarus had formally came into existence on January, 2010.

The three countries took their economic integration to a new level with the implementation of the common economic space which provides for free movement of goods, services, people and investments. Besides, he said, the two countries agreed to redouble the efforts to achieve the $ 20 billion trade target by 2015 on account of good trade performance in the first three months of this calendar year.
"The figures for the first quarter of this calendar year are encouraging but clearly more needs to be done," Krishna said.

Echoing similar views, Rogozin said there is tremendous potential to increase the trade between the two nations.

The bilateral trade between India and Russia was nearly $ 9 billion in 2011. India's exports to Russia include pharmaceuticals, coffee, tea, tobacco, processed fruits and cotton yarn while India's imports include mineral products, natural pearls, machinery and equipment and textiles.

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India aims to double trade with W. Africa
Sujay Mehdudia, Hindu

July 10, Accra (Ghana): India has set a target of $40 billion trade turnover with the West African nations from the present $20 billion.

“We are not only looking at enhancing trade with the West African countries but also looking at co-operation in gas and oil sectors. We are looking at Africa as a whole for taking our partnership to a new level through various gestures in different fields,” Commerce and Industry Minister Anand Sharma told journalists.

Mr. Sharma, along with Ghana’s Trade and Industry Minister Hanna Tetteh, inaugurated the “India Show” here on Monday. The show has been organised by Federation of Indian Chambers of Commerce and Industry (FICCI) in partnership with Economic Community of West African States (ECOWAS). Mr. Sharma is leading a 200-strong business delegation to Ghana as part of the India’s thrust to enhance economic partnership in the region.

Mr. Sharma said that India had also set a target of $90 billion trade with Africa by 2015. The total trade between India and Africa was around $50 billion till last year. India and African financial institutions have already signed a memorandum of understanding (MoU) to promote finance, trade and investment flows. The bilateral trade between India and Ghana is expected to touch $1 billion by 2013.

During 2010-11, the bilateral trade stood at $818 million. Mr. Sharma said that India proposed to set up a $1.2 billion urea fertilizer plant in Ghana. Both the countries have already signed a memorandum of understanding (MoU) to set up the plant in a joint venture. The plant is expected to produce one million tones of urea annually when commissioned. The JV will be between Rashtriya Chemicals and Fertilizers and the Ghana National Petroleum Corporation. The plant is expected to take three years for completion after the allocation of gas by the Ghana Government. It is located in the Nynkrome region of Shama district in Ghana.

Ms. Hanna Tetteh said as the Ghana National Petroleum Corporation was laying the pipeline to carry the gas, it was difficult to fix the price without taking into consideration the overall cost structure. “We are committed to establishing this urea plant as soon as possible. An Indian technical team has already visited Ghana and identified the site for the plant. We are going to seal the issue as soon as the gas price matter is sorted out,” she said.

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India, Mauritius agree to fast-track talks for PTA
PTI

July 6, New Delhi: India and Mauritius today agreed to fast track the negotiations for the proposed preferential trade agreement (PTA) to deepen economic engagement between the two countries.
In his meeting with Mauritius Minister of Foreign Affairs, Regional Integration and International Trade Arvin Bolle, Commerce and Industry Minister Anand Sharma said the bilateral ties have shown a healthy upward trajectory.

Sharma, however, said there still exists a lot of potential for diversifying commercial exchanges.
Under PTA, both the sides would reduce duties on certain agreed products.

In a press briefing, Mauritius expressed keen interest in commencing negotiations for a free trade agreement with India in order to enhance economic ties between the two countries.

"I am glad to say that we will move the process forward with respect to discussion on free trade agreement and later on to comprehensive economic partnership agreement," Boolell told reporters.
Meanwhile, according to a press release, the two Ministers agreed to hasten the PTA negotiations.
During the meeting, it was informed that the first meeting of the Joint Committee on Cooperation in textile and clothing industry will be held in New Delhi from July 23.

Earlier this year, a Memorandum of Understanding (MoU) was signed between the two nations for consolidation of textile and clothing industry and transfer of technology.

The pact also envisaged enhancing trade and economic relations in the sphere of textiles, clothing and fashion industries.

The release, quoting Sharma, said huge opportunities existed for cooperation in sectors like agro-processing, manufacturing, pharmaceuticals, seafood, automobile parts, tourism and IT.

The bilateral trade between India and Mauritius stood at USD 1.39 billion in 2011.

Besides petroleum products, India mainly exports cotton, pharmaceuticals, cereals, carpets, electrical machinery and apparel to the island nation. India is also a major supplier of cotton to Mauritius' textile industry.

Imports include iron and steel, optical, photographic and precision instruments and aluminium articles.
Mauritius is the largest source of Foreign Direct Investment (FDI) into India.

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FTA with EU soon, to benefit textile exports
Dilip Kumar Jha & Sharleen D'Souza, Business Standard

July 11, Mumbai: In a move that could improve the weakening sentiment in the Indian textile industry, the government is set to sign a free trade agreement (FTA) with the European Union (EU) by the end of the current calendar year.

Revealing this on the sidelines of the 55th National Garment Fair organised by the Clothing Manufacturers Association of India (CMAI), Kiran Dhingra, secretary, ministry of textiles, said, “We hope the FTA with the EU would be signed by November– December.”

The EU accounts for 49 per cent India's annual apparel exports of $13 billion. Hence, it is significant for the domestic textile industry. The economic slowdown in the EU has pulled down India's apparel exports by over 50 per cent to that region in the last few years. As a consequence, readymade garment manufacturers are now exploring other destinations, such as South America, West Asia and East Asia for compensating at least a part of the decline in the export business.

Asked about details of the FTA, Dhingra said, "The FTA with the EU is different from those signed with other countries. The textile industry will see a major boost once the FTA is signed."

Elaborating, Textile Commissioner A B Joshi said, "India's readymade garments will be priced on par with competing countries, including Bangladesh and China. Since the quality of Indian garments is on a par with its competitors, we see no reason why exports would not see a warm response."

Indian goods cost 10 to 15 per cent more than Chinese products and 15 to 20 per cent higher than Bangladesh's products.

Apparel exports have been the worst hit during the ongoing global slowdown. During the first half of the current financial year, these are likely to remain lower than they were in the same period last year. But, the second half is expected to be better, due to the efforts by garment manufacturers on new markets, Dhingra added.

According to Rahul Mehta, president of CMAI, once the FTA is signed, the cost of apparel originating from India would be the same as that from China and Bangladesh. Bangladesh falls under the category of least developed country due to which it benefits from duty-free exports to the EU. China, on the other hand, produces cheaper garments.

"Indian exporters will definitely benefit with the FTA. between India and the EU. Currently, we lose market to China, which will change as soon as the FTA comes into play," said D K Nair, secretary general of the Confederation of Indian Textile Industries.

India's total textile exports in the last financial year stood at $33 billion, of which 49 per cent was exported to the EU. There is an import duty of 9.6 per cent per garment and five per cent on other textile items, which will be abolished as soon as the FTA is signed.

In a similar response as Nair, Premal Udani, chairman of CMAI, said, "The FTA with EU will put Indian exporters on a par in pricing with China, as well as Bangladesh."

The targets set for textile exports year-on-year has not been met for the past several years. After the FTA, however, India would be able to achieve this, as Indian businessmen continue to have entrepreneurial skill for exploring new markets and new means for strengthening the business sentiment and going forward.

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Scotch, European wines to get cheaper after FTA

Amiti Sen, Economic Times

16 July, New Delhi: Prices of Scotch whisky and exotic European wines may almost halve in the country after India and the European Union sign a bilateral free-trade deal currently being negotiated.

New Delhi has expressed its willingness to reduce duties from 150% to 40% on whiskies priced more than $7 per litre and wines above $4 per litre if the European Union gives more access to Indian services industry and labour-intensive goods, a government official told ET. This will make them 44% cheaper.

"We are ready to open our markets wider for European liquor. But the duty cuts will be above the stipulated threshold levels to avoid competition from the cheaply priced variety," the official said.

The offer, however, is contingent upon India getting its due in the area of services where it sees great opportunities in Europe, and gets more access for labour-intensive goods such as textiles and leather.

While European liquor, like all other domestic and imported alcohol sold in the country, will continue to attract state taxes-which ranges from 30% to over 100%-the incidence will be less as the taxes are mostly applied on landed price of alcohol in states, said analysts.

"Most state government levy taxes on alcohol on the price at which they land in the states, which also includes the import duties. So, if import duties are slashed the incidence of state taxes will also go down," said S Madhavan, partner affairs in charge at PwC India.

For instance, the landed price of a bottle of French wine priced $4 per litre is $10 after levy of 150% import duty. If a particular state imposes 100% state duties on it, the price that the consumer pays for the brand is $20 per bottle, or about Rs 1,100. Now, if India slashes import duties to 40%, then the landed price of the same wine will be $5.6. After levying 100% state duty it will be available to the customer at $11.2, or about Rs. 616, which is 44% less than the current prices. This will also make it comparable with several Indian wine brands.

While lowering of duties could give some competition to the country's wine producers, industry sources say that imported whisky from Europe will not impact local whisky producers as they cater to different segments.

"There is a wide gap between the most expensive Indian whisky and a standard Scotch whisky," a spokesperson of the Indian unit of Pernod Ricard, world's second-largest spirits maker, said. "For instance, a 12-year Scotch Whisky is priced at Rs 3,400 in Delhi vis a vis the most expensive Indian whisky at Rs 800. Even if the duty comes down, the Scotch whisky will be priced at more than Rs 2,500," the person said.

Of the total 240 million cases of alcohol sold in India, just about a million cases are imported.

Both India and the EU are keen to sign the FTA, formally known as the bilateral investment and trade agreement, by the end of this year. But for that to happen, a number of contentious issues including visas for professionals, recognition of India as a data secure country and easing of government procurement rules in India have to be ironed out.

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Cabinet to back airlines' no to EU carbon tax

Nayanima Basu, Business Standard

11 July, New Delhi: The Union Cabinet is likely to soon pass a resolution endorsing the fact that Indian airliners would not share their specific carbon emission data with European Union (EU) authorities. This will be the first time since the imbroglio began over the buzz that government was going to officially communicate to the EU that it would not adhere to the latter's changed emission trading system (ETS) laws.

While around 35 countries have refused to follow the EU's new directives on carbon emission, only India and China have even refused to share their carbon emission data with Brussels. The government is also likely to indicate it is open to the idea of reviewing all the separate bilateral agreements on civil aviation that India has with each of the 27 member-states of the EU, a senior official involved with the issue told Business Standard.

The government has also hinted at strong retaliation if the EU imposes severe penalties on Indian air carriers. The official noted the number of flights European airlines operate in India are more than thrice the number that India operates to Europe. Also not ruled out is taking the issue to the World Trade Organization's (WTO) dispute settlement body, as the "last resort".

"The Cabinet will endorse the decision that India will not share its data. If need be, we are also open to the idea of reviewing the bilateral arrangements on aviation with each of the member-states and find an amicable solution to this problem. We are open to sit on the negotiating table and explore ways to mitigate the issue," the official, who refused to be identified, said.

The cabinet will also officially communicate to the EU that it would not be party to any sort of "extra territorial imposition". Only the guidelines being worked out under the United Nations' International Civil Aviation Organization (ICAO) would be followed. The latter talks, to put a cap on carbon emission by international airliners, have been on for the past 15 years at the ICAO and remain inconclusive. As a result, the EU had come up with its own rules to check the emission targets of all airlines polluting the European skies.

Earlier, the EU had threatened India and China with a ban on their airlines from European skies. However, last month, the EU spokesman for climate action, Isaac Valero Ladron, had told Business Standard that it would impose financial penalties, not ban the airlines.

The 27-member bloc had decided to include the aviation sector under the EU ETS in January this year. Since then, it has asked all domestic and foreign airlines to comply with the changed laws and share their respective carbon emission data with Brussels. These airlines would now need to follow a specific benchmark on carbon emission or pay a carbon tax, as well as face penalties. While other countries have shared their data, India and China have refused to do so.

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US steps up lobbying efforts against compulsory licensing
C.H. Unnikrishnan, Mint

The US has stepped up efforts to lobby with the Indian government to restrict the country's use of a global trade law that allows local companies to make and sell copies of patented drugs or other products in special circumstances.

The move has irked activists, patent experts and drugmakers in India, who have written to the government protesting the US's campaign.

The US was the most annoyed when India in February issued its first compulsory licence to Hyderabad-based Natco Pharma Ltd to make a cheaper copy of German firm Bayer AG's patented cancer drug Nexavar.

The decision inspired other emerging economies, including China, to follow suit. China amended its patent law in June to allow so-called compulsory licensing to keep healthcare affordable.

The US's deputy under secretary of commerce for intellectual property and deputy director of the US Patent and Trademark Office (PTO), Teresa Stanek Rea, admitted in a 27 June meeting of the US house committee that the office had "someone on the ground in the embassy in Delhi who constantly engages with all of the respective officers in India to discuss with them the importance of not granting CL (compulsory licence) in a situation where it is not wanted."

Mint has reviewed a copy of Rea's statement to the house committee.

Kalpana Reddy, first secretary, intellectual property, at the US embassy in New Delhi could not be reached for comment.

According to patent experts in India, the grant of a compulsory licence by a country, invoking its statutory rights as a member of the World Trade Organization (WTO), is the equivalent of a court decision based on submissions from all the parties involved, including the patent holder.

Compulsory licences are granted when a patent is proved to be not working for the benefit of the public. In Bayer's case, the provision was invoked because the patented drug is too expensive to be afforded by a sizeable population that needs it, they said.

"Any intervention in this process either by engaging government offices or individual officials will be considered unwarranted and it is in violation of the judiciary practices," said a New Delhi-based patent attorney who declined to be identified as he works with several US pharma clients.

The Indian Pharmaceutical Alliance (IPA), a lobby representing top Indian drugmakers, has written to foreign secretary Ranjan Mathai asking if it was legitimate for diplomats stationed in India to indulge in such lobbying to protect the commercial interests of private companies.

"Foreign trade or diplomatic missions in any country can have dialogues with local government on protecting their own interests and it's nothing illegitimate as Indian decisions are in the best interest of this country ultimately," an official in the ministry of foreign affairs said.

"As far as the compulsory licensing of (Bayer's drug) is concerned, government of India has already made its stand very clear to the US government and such decisions will take place even in future if need arises," said this official, who was assigned to respond to a *Mint* query on behalf of Mathai.

Tapan Ray, director general, Organisation of Pharmaceutical Producers of India, a lobby representing foreign drugmakers in India, said it was only natural for the US government to discuss the issue with New Delhi.

"Compulsory licensing in India had raised concerns among the innovative companies in the world including US, and that government seems to have clarifications on this. Naturally, when there are concerns raised by domestic industry, the government will try to engage in dialogues with the respective government," he said.

Rea said in her statement to the house committee that India's grant of compulsory licence did not satisfy international norms that allow for the provision to be invoked in a national crisis.

The Trade-Related Aspects of Intellectual Property Rights (TRIPS) that has set the international IP standard for WTO members, “very much allows compulsory licence as one of the flexibilities that can be used in case of national requirements, including emergencies,” said Gopakumar Nair, a patent lawyer and managing partner at patent law firm GN Associates.

“These unfortunate comments by the deputy commissioner of the US PTO are reflective of a growing tendency by developed countries to demonize compulsory licensing—a perfectly legitimate legal tool,” said Shamnad Basheer, an IP law professor at the National University of Juridical Sciences, Kolkata. “More importantly, compulsory licensing is not restricted to public health emergencies, as many would have us believe. In fact, the US itself routinely resorts to compulsory licencing, albeit through its courts which refuse to issue injunctions against infringers in many a case,” Basheer added.

The February order of the former controller general of India’s patent office, P.H. Kurian, to allow the compulsory licence generated positive responses from the international IP community.

The 62-page order “has sent a clear signal that the provision of compulsory licence in Indian patent law have teeth and that a patent holder selling medicine at unduly high prices faces real prospect of entry of low-cost competitors,” Arvind Panagariya, a professor at Columbia University, wrote in a column in *The Economic Times* on 30 May.

IPA said Rea had briefed the house committee only about one of the factors—the absence of local manufacturing of the drug—for India’s decision to grant the compulsory licence. But there were two other “compelling factors that forced India to grant the compulsory licensing of Bayer’s drug. These include poor access of the drug to patients even after three years of the patent grant and the unaffordable high price,” said Dilip G. Shah, secretary general, IPA.

Natco sells the Nexavar copy at Rs.8,800 for a month’s treatment, way lower than Bayer’s monthly dose price of Rs.2.8 lakh.

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US asks Govt not to raise duties on power gear imports

Arun S., Hindu Business Line

New Delhi, July 12: The US Government has expressed concern over the proposed duty hike on power equipment imports.

The US Trade Representative, Mr Ron Kirk, has written to the Prime Minister, Dr Manmohan Singh, asking the Centre not to increase duties on import of such equipment, official sources told *Business Line*. The 21 per cent duty hike proposed by the Power Ministry — meant mainly to protect local equipment firms such as L&T and BHEL from ‘cheap and low quality’ Chinese imports as well as create a level-playing field — will also hurt American equipment majors such as GE, it is said.

It is learnt that Mr Kirk has written that the duty hike will make power equipment imports more costly and, in turn, result in higher electricity costs for consumers.

Recently, the Association of Power Producers had written to the Power Ministry saying that increasing customs duty on equipment imports would further increase electricity tariffs and also lead to delays in capacity addition. About half of the coal-based capacities are dependent on power equipment imports, it pointed out.

The private power producers' body also said that financial problems, fuel availability concerns and the distribution utilities being in bad shape had already resulted in higher generation costs. It added that if import duties were hiked at this point, it would adversely affect not only the sector but also the economy. The Prime Minister's Office had directed the Power Ministry to circulate a Cabinet note on the proposed duty hike. Currently, the Ministries of Commerce, Finance, Heavy Industries and Power are holding discussions on the issue, the sources said.

As of now, there is a 5 per cent customs duty on equipment imports for below-1,000 MW projects. The proposal to hike duties would also affect ultra mega power projects that are exempted as of now, the sources added.

Differences

Mr Kirk's letter assumes significance in the backdrop of the recent differences between India and the US on a host of trade and investment issues. The US had already taken India to the World Trade Organisation (WTO) on the ban on poultry imports from the US, while India moved the WTO on US' 'high' visa fee for skilled workers as well as duties on some steel products.

The US Secretary of Commerce, Mr John Bryson, during his visit to India in March, had also raised the issue of India's "high tariffs" on capital goods such as power-generating equipment, some medical products, grapes, citrus, and other fruits. He had termed these as 'barriers' to building US-India economic ties and also said local sourcing requirements in sectors such as solar energy and IT/electronics (telecom) "makes it harder to invest in India."

The US Ambassador to India, Ms Nancy J. Powell, in April expressed concerned over 'challenges' to trade and investment in India, including "high tariff and non-tariff barriers, restrictions on foreign investment, lack of transparency, and defence offset requirements".

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India escalates US steel duties dispute at WTO
Reuters

July 13,Geneva: India has asked the World Trade Organization to set up a panel to adjudicate on its dispute with the United States over US duties on some imports of Indian steel products, the WTO said on Friday.

India complained in April that Washington had wrongly slapped punitive tariffs, so-called countervailing duties, on certain hot rolled carbon steel flat products from India.

Countries impose countervailing duties when they believe their manufacturers are suffering because of competition from unfairly subsidised imports.

In its complaint India challenged countervailing duties going back to April 2001, as well as the United States Tariff Act of 1930 and the US Code of Federal Regulations, which it said were inconsistent with WTO rules.

By asking for a dispute panel to be set up, India is indicating that it has failed to resolve the issue via consultations with the United States.

The United States is also in dispute with China over the US use of countervailing duties on a range of imports, including several types of steel products. China requested consultations on May 25 but has not yet asked for a panel to be set up.

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India may protect some stainless steel against China imports
Tom Miles, Reuters

July 9, Geneva, - India is investigating a flood of Chinese imports of some types of stainless steel and may restrict the trade if it finds its own steelmakers have suffered as a result, according to a document published by the World Trade Organization (WTO) on Monday.

The probe into imports of the "300 series" of hot-rolled flat products was prompted by a complaint from Indian steel company Jindal Stainless Ltd, after China's share of India's import market for the products leapt from 10 percent to 50 percent over the past three years.

Under WTO rules, countries can temporarily hike tariffs for specific products if they can prove their own manufacturers risk being damaged by an unexpected increase in imports.

Before introducing these emergency restrictions, known as "safeguard" measures, they must investigate the circumstances and notify the WTO they are doing so.

India made its notification on July 4 and will decide whether or not to impose the duties within eight months. If it does so, China could challenge the safeguards at the WTO, although the two countries have never fought a fully-fledged trade dispute at the WTO since China joined the global trade body in 2001.
China's steel sector, which produces almost half the world's steel, has frequently been blamed for trade friction, especially by U.S. steelmakers irked by China's cheap exports.

Citing figures from India's steel industry, India's statement said imports from China ballooned to 36,183 tonnes in the 2011-12 financial year from 5,364 tonnes in 2009-10. Over the same period, imports from other countries fell from 45,120 tonnes to 37,071 tonnes.

India's own production of the relevant products grew to 181,512 tonnes from 138,139 tonnes during the period, but actual sales were much lower, totaling 72,831 tonnes in 2011-12, and Indian firms' sales stagnated over the three years.

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Govt initiates probe into chemical dumping by China
PTI

New Delhi, July 15: India has initiated a probe into alleged dumping of a chemical, mainly used in photography and medical applications, by China following complaints by domestic players. The commerce ministry's designated authority, the Directorate General of Anti-Dumping and Allied Duties (DGAD), has started an investigation into alleged dumping of 'Meta Phenylene Diamine' (MPDA).

In a notification, the DGAD said that it has sufficient evidence of dumping of the product from China "to justify initiation of an anti-dumping investigation.

"... the authority (DGAD) hereby initiates an investigation into the alleged dumping and consequent injury to the domestic industry ... to determine the existence, degree and effect of any alleged dumping and to recommend the amount of anti-dumping duty, which, if levied, would be adequate to remove the injury to the domestic industry," the commerce ministry said in a notification.

The period of investigation is from October to December 2011. However, for the purpose of analysing injury, the data of previous three years of 2008-2009, 2009-2010 and 2010-2011 would also be considered, it said.

After completion of the probe, the commerce ministry would recommend the duty and the finance ministry would impose the restrictive duty.

Countries initiate an anti-dumping probe to see whether their domestic industries have been hurt because of a surge in cheap imports. As a counter-measure, they impose duties under the multilateral regime of the WTO.

The duty also ensures fair trading practices and creates a level-playing field for domestic producers vis-a-vis foreign producers and exporters resorting to dumping.

Unlike the safeguard duty, which is levied in a uniform way, anti-dumping duty varies from product to product and country to country.

India has initiated 275 anti-dumping investigations between 1992 and March 2012, involving 42 countries.

The countries prominently figuring in anti-dumping investigations are China, Korea and Singapore and the major product categories on which anti-dumping duty has been levied are chemicals and petrochemicals, pharmaceutical, steel and consumer goods.

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India, Pakistan explore ways to boost petroleum trade
Sujay Mehdudia, The Hindu

July 16, New Delhi: In a bid to give a big push to trade in petroleum products, India and Pakistan have decided to have focussed approach to identify possible supply routes, source and point of supply, regulatory framework and enhancement of direct banking and postal services.

It was decided to chalk out a road map to take the talks further in a focussed manner. Pakistan has been invited to send a team to New Delhi this month-end to work out all parameters for giving petroleum trade a new direction.

In the previous round of talks held in Islamabad held last month, the Indian side offered a range of products, including pet coke, sulphur, bitumen, lubricants as per quality requirements of Pakistan.

It was decided that before operationalising a formal trade in petroleum products, harmonisation and recognition of standards/procedures and regulatory framework in vogue need to be examined in detail. Both sides felt that banking services should be enhanced to facilitate business through letters of credit. Direct routing of postal/courier services was also discussed.

It was felt that the SAARC Preferential Trading Arrangement (SAPTA) certificate recognition system be made online; multi-city and multiple entry non-reporting visas for businessmen on both sides be introduced and warehousing and tankage facilities with infrastructure facilities such as cranes, fork lifts and other machinery be set up at the Wagah border.

The meeting also discussed the possibility of import of petroleum, oil and lubricant (POL) products from India and specifications for furnace oil, diesel, Jet-I and petro. The Pakistan side sought to know the capacity and supply position of India for exports.

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Agro Trade: India's policies have boosted Pakistan's earnings at the cost of Indian exports
Economic Times

July 12: India has unwittingly pursued policies and actions that have helped and promoted Pakistan's foreign trade in agro commodities. Since 2006, trading trends in non-basmati rice, wheat, sugar, soymeal and onions lend confirmation to this fact.

The government virtually granted special status to Pakistan when it first restricted and then prohibited export of Indian non-basmati rice in 2007.

Pakistan was then free to exploit and substitute 3-4 million tonnes - of the seven million tonnes of its milled rice output - of west Asian and African markets fostered by India for four years. Today, it is well established as a competing country. Non-basmati rice is not the staple food of Pakistan; only 45% is consumed locally, and the rest is exported. Basmati rice is their preferred cuisine.

Likewise, our neighbour also developed new capacities for parboiled rice to cater to special requirements of Bangladesh and South Africa. After India's aggressive re-entry in September 2011, Pakistan's export of parboiled rice is down to a trickle; parboiled rice capacities are shut, but capabilities to reinvent them at a short notice do exist.

Now an established competitor, Pakistan is desperately seeking to match Indian prices of white rice, suggesting that their trading operations may either become more efficient or less profitable. Indeed, a unique parallel where the absence of competition provides market access and business rivalry contributes to greater adaptability.

In 2008, India crossbred a new hybrid basmati variety of Pusa 1121 with 8.2-mm grain length (against 6.2 mm of parmal range) that became an elite acquisition of Iranian market consuming 0.8-1 million tonnes per annum at almost $1,000 per tonne fob - which is double the value of non-basmati rice. No patent exists for 1121. Pakistan has cloned its strain. Surely, Pakistan will improve upon this hybridisation and effectively compete in coming years.

Likewise, five years of prohibition on Indian wheat export enabled Pakistan to ship around two million tonnes wheat in two years (2010-11 and 2011-12). After lifting of India's embargo in September 2011, their business has declined significantly. USDA estimates Pakistan wheat export reduced to merely 0.3 million tonnes in 2012-13. A continued prevarication on subsidised export of Indian wheat may be advantageous to the competing origins in general.

On a request from Bangladesh in 2010, the government notified export of 0.5 million tonnes of FCI's wheat and rice to Bangladesh on a government-to-government basis. India and Bangladesh failed to arrive at mutually-acceptable commercial conditions. Indian exports were abandoned. Pakistan substantially filled the gap by private exports and made good Indian failure.

India's wheat gift of 0.25 million tonnes to Afghanistan in 2011-12, most of which was recently loaded from Kandla to Karachi port and then dispatched to Kabul via road, enabled Pakistan handling and transportation earnings. Due to grossly insufficient milling facilities in Afghanistan, Pakistani flour millers would have also been remunerated for tolling wheat flour by government of Afghanistan.

In 2012, the government negotiated the rupee payment arrangement for trade with Iran, in which, apart from other commodities, wheat figures as the prime commodity to be bartered against Iranian crude. Pakistan is also negotiating supplies of its wheat to Iran in return for Iranian urea. Wheat deals are currently held in abeyance due to quarantine concerns between Iran and India. India is proactively seeking its resolution with Iran. Pakistan may benefit automatically as phytosanitary apprehensions are common in the subcontinent.

On May 2-3, 2012, the government cleared quota-free sugar for export on open general licence without quantitative restrictions in pursuance to pleadings of the Indian Sugar Mills Association for better realisations abroad.

It may not be a coincidence that Pakistan Sugar Mills Association met President Asif Zardari the very next day (May 4, 2012) and sugar export quota from Pakistani mills was enhanced from one lakh tonnes to two lakh tonnes. A clear case of policy imitation!

Erroneous estimation of Indian annual sugar output in 2010 led to upward revision of production estimates from 14 million tonnes to 19 million tonnes. Local prices tanked. The government permitted re-export of 1.3 lakh tones of imported sugar lying at ports due to high-priced open general licence imports. In the same year, Trading Corporation of Pakistan (TCP) was also importing sugar to mitigate shortages in Pakistan. Singapore traders arranged to ship one lakh tonnes of Indian sugar out of re-export allocation from Kandla to Karachi in a matter of days while TCP was facing default with Dubai traders.

Demand of high-protein feed rations is increasing in Pakistan. India is meeting full demand of 0.4 million tonnes of soymeal to mixers of cotton and rapeseed meals to augment the nutrition content of livestock in that country. Imports of soymeal from Argentina and US would be prohibitively costly.

At the end of December 2010, India faced supply constraints of onion. The only country that could immediately fill the supply-demand gap was Pakistan. Indian PSUs imported onion via sea route at prices around $700 per tonne cif. It was an opportunity and advantage for Pakistan for non-conventional items, even though for a small value. Had Pakistan permitted import of onion via land route, values would have been much larger.

Despite apparent political confrontations between the two countries, this invisible trade competition and cooperation goes on unseen and unnoticed.

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Sugar exporters await price rally in global markets
Rituraj Tiwari, Economic Times

New Delhi: Indian sugar exporters are going slow on shipment in anticipation of better global prices ahead of Ramzan and concerns over a delay in Brazilian cane harvest.

India has exported 25 lakh tonne this year, of which 5 lakh tonne was shipped out in the last two months after exports were freed up. Shipments of around 5 lakh tonne are in the pipeline.

"Exporters not in a hurry. There is good demand from West Asia and African countries ahead of the Ramzan season. With tight global supplies due to the late arrival of Brazilian sugar, they are expecting a better realisation," said a food ministry official.

However, Indian Sugar Mills Association (ISMA), a sugar industry body, said exports were smooth in view of a tight global supply and a weak rupee. Global prices have risen from $550 per tonne in May -- when exports were freed up -- to $662 per tonne towards the closing of August delivery.

"Demand is pouring in at a brisk pace from Sri Lanka, Bangladesh and West Asia. With a surplus production, there is no supply constraint in domestic as well as global market," said Abinash Varma, director general, ISMA.

"We have shipped over 2.5 million tonne. We expect to export at least 3.5 million tonne sugar by the end of this season. Prices have now stabilised as Brazilian sugar will soon hit the market," Varma said.
Wet weather over Brazil's cane belt has delayed supply from the world's largest sweetener producer. According to the estimates of Brazilian milling industry association Unica, the output has been 29% down in the April-June quarter helping prices to firm at global market.

"Brazil could produce only 6.69 million tonne in the first quarter as compared with 9.4 million tonne produced over the same period last year. There won't be any drop in prices even if Brazilian sugar floors the global market. The deficit can't be recovered easily leading prices to stabilise," he said.

Indian sugar prices are firm on concerns over production due to a poor rainfall and a lower quota for the September quarter. Indian sugar futures jumped 2% on Monday to hit a contract high on National Commodity and Derivatives Exchange at Rs 3,269.

The quota released for the September quarter was lower than market expectation. The government has allowed millers to sell 4.5 million tonne from July to September - a deviation in the usual practice of releasing extra sugar in the festival season.

"Demand has gone up and so have the prices a bit. But prices are going to stablise now," he said.
After a record output of 26 million tonne this year, the next marketing season (October 2012-Septemeber 2013) is likely to begin with a stock of 7.5 million tonne. ISMA estimates an output of 25 million tonne - down by 1 million tonne from this year due to a bad monsoon.

"We have factored in the crop losses in Maharashtra due to an erratic monsoon. We have trimmed down cane production estimated from 90 million tonne to 76 million tonne in Maharashtra. We expect a surplus production next year too providing enough room for exports," Varma said.

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India to ship wheat on bilateral basis
Rituraj Tiwari,Economic Times

13 July, New Delhi: The ministry of external affairs (MEA) is exploring opportunities for exporting 10 million tonne wheat on bilateral basis.

"Twelve countries including Japan, Indonesia, Iraq, Nigeria and the Netherlands have shown interest in buying wheat from us. Diplomatic representatives of these countries have enquired about the quality, export mechanism and phyto sanitary of the food grain," said a food ministry official on anonymity.

The overflowing granaries have allayed all concerns over the grain availability even if monsoon is deficient this season. "We are in a comfortable position as far as food grain stocks are concerned. There is no threat to export even if rains are deficient," said Union Agriculture Minister Sharad Pawar. Iraq needs 1 million tonne wheat, Indonesia 5.2 million tonne and Vietnam requires 1.5 million tonne to meet their domestic demand.

The food ministry is in talks with Iran for exporting up to 3 mt. The sanction-struck gulf country had stopped importing Indian wheat since 1996 over complaints of Karnal Bunt, a fungal disease.

An Iranian delegation visited India last month for checking phyto sanitary measures and quality of wheat. "Out of 100 samples collected, only 56 had Karnal Bunt. We are hopeful of import orders from Iran," another official said.

With a record wheat production followed by an unprecedented procurement of 82 million tonne, the government is now ready to enter the export market in a big way. It had allowed 2 million tonne wheat export from FCI godowns earlier this month to cut down the stocks.

"We have never promoted food grains exports till now in view of food security. But now, we can contribute to global food security. India will be a consistent player in the market," the official said. Due to consecutive bumper production, the grain stocks have exceeded domestic requirement prompting the government to lift grain exports ban in September 2011.

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FinMin proposes changes in imported edible oil tariff
Anindita Dey & Dilip Kumar Jha, Business Standard

Mumbai, July 15: The finance ministry has proposed to revise the tariff rate for imported edible oil shortly, after almost six years of freezing it at $ 420 per tonne.

According to officials close to the development, the rate will be linked to the market to align it with international prices. The rate hike is likely to be effected primarily for palm oil, which is mainly imported into India.

Tariff rate is the base rate upon which custom duty is charged on imports. The officials, however, cautioned that it will not have any impact on the crude or raw edible oil imported since customs duty on this category is zero. It will only have an impact on the import of refined palm oil to the extent of 7.5 per cent of the total value.

As per data compiled by the Solvent Extractors' Association of India (SEAI), share of refined oil (RBC palmolein) has increased to 19 per cent in June, while crude oil has decreased to 81 per cent and reported at 5.047 million tonnes (mt) compared to 4.31 mt during corresponding period of previous year.

Further, the SEAI report is of the view that the share of RBD palmolein is likely to increase as current Indonesian inverted duty structure encourages larger export of refined oils (nine per cent export duty) over crude oil (18 percent export duty). Also, the gap between cure and refined palm oil has reduced to just $28 from $73 a year back, discouraging local refining.

Explaining this, officials said the tariff rate may be hiked to around $900-1000 per tonne which would translate into a duty of around $35-40 per tonne. In rupee terms, the increase in tariff value at the current exchange rate will translate into a duty of Rs 1,800-2,200 per tonne. Earlier the ministry of food had recommended for increase in import duty of refined oil.

According to officials, edible oil prices are already high in the retail market, as around 50 per cent of the demand has to be met by imports. Indonesia, from where a majority of the edible oil is imported by India, has raised the duty for export of both crude and processed refined palm oil.

However, the increase in export duty on crude oil is much more than the rise in duty on processed or refined oil, which is why Indian importers are preferring import of refined oil.

Import of vegetable (edible and non edible) oil declined in June by 9.18 per cent due to traders' shifting from fresh purchases to use existing inventory.

During November 2011 to June 2012, import of refined oil (RBD palmolein) nearly doubled to t 1.21 mt, compared to 638,715 tonnes in the same period the year before.

Besides, the drastic depreciation in the rupee against the dollar has proved as a barrier for import of veg oil into India. The rupee averaged at 55.94 against the dollar in June 2012, compared to 44.81 in the corresponding month of the previous year.

Meanwhile, traders opted to use more quantity from the existing inventory instead of focusing on fresh purchases. Consequently, the overall stocks in the pipelines declined to 1.5 mt as on July 1 compared to 1.56 mt about a month ago, SEAI report suggested.

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Re slide halts apparel import from Dhaka
Sharleen D'Souza, Business Standard

13 July, Mumbai: While textile exporters have been cheering the rupee's depreciation, it is now also helping the domestic apparel industry in a big way.

Direct import of apparel from Bangladesh had picked up since September last year, when the government removed all tariffs on import of 48 textile items from this eastern neighbour. From September to March this year, textile items worth $1.8 billion were imported from Bangladesh, compared to $587 million in the full year, before duty-free imports were allowed. Lower labour cost there and removal of the duty had made the imported goods cheaper by 15-20 per cent, compared to buying apparel from domestic producers.

However, this benefit has since been negated by the rupees' slide; it has depreciated 20 per cent since last September. In the past couple of months, apparel import from Bangladesh is estimated to have fallen by 60-70 per cent.

"Retailers are now looking at sourcing from domestic manufacturers instead of Bangladesh, as imports have turned costlier due to the fall in the rupee. The domestic sector has definitely benefited, as retailers are now sourcing from domestic manufacturers," said Rahul Mehta, president of The Clothing Manufacturers Association of India. With the rupee's depreciation, there is now no difference, it appears, between Indian manufactured apparel and that made in Bangladesh.

Harminder Sahani, managing director of Wazir Advisors, a retail consultancy, confirmed, "Due to the depreciation in the rupee, even many big retailers have cut their sourcing from Bangladesh."

When duty-free imports were allowed, many retailers had thought of setting up a base in Bangladesh, as the cost of production there is lower. These plans are on hold till the rupee stabilises.

"Going ahead, imports from Bangladesh will witness a further fall due to the fall in the rupee, as there is barely any difference now between importing from Bangladesh or sourcing from India," said D K Nair, secretary general of the Confederation of Indian Textile Industry.

Bangladesh had also been eating into India's export market share in finished textile products since 2009. Its apparel exports are growing at 16 per cent yearly, while India's in 2010-11 grew by only four per cent.

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FDI in multibrand retail will not further reform agenda

Manoj Pant, Economic Times

July 13: The crisis of the euro, a current account deficit of over 4%, double-digit inflation, corruption in governance and a failing political system. It would not be unfair to say that these factors have combined in varying degrees at different times to lead to the conclusion that the globally-acclaimed India growth story seems to be heading for an unhappy ending.

Many have labelled this - unfairly, I think - as India's second crisis comparable to 1991 when the reform story began. Backed by the media, the economic reformers have argued that much of this is due to the 'incompleteness' of the 1991 reforms. Many have argued that this crisis should be used to take reforms forward.

The direction? FDI in multi-brand retail and pension funds, the general goods and service tax and the Direct Taxes Code. In this article, I will focus on multi-brand retail. This has been in particular focus because, presumably, permitting FDI in retail trade will improve the unfavourable investment climate. I will argue here that while it is true that economic reforms have been incomplete, FDI in retail trade is no solution, and is only a symptom and not the cause of incomplete reforms.

To tell my story, it is necessary to start with the economic reforms of 1991. The background of the balance-of-payments crisis is well known. The main objective then of reforms was to eliminate the administrative shackles of the licence raj. How this was achieved is crucial to understanding the story I am trying to tell. What were the main features of the 1991 reforms? It is useful to do a sectoral check.

Here, the main sectors where reforms took place after 1991 were the external sector, industry and the financial sector.

In the external sector, the two principal steps taken were to reduce tariff levels and to free the exchange rate from administrative control. In the case of tariffs, a system of quantitative, or administrative, restrictions was replaced by equivalent tariffs that were then progressively reduced under WTO agreements. In the same way, administrative restrictions on exchange rate movements were removed as the rupee was allowed to devalue in stages over the following years.

In the industrial sector, the major change was the Industrial Licensing Policy, 1991, which removed administrative control of production, the licence raj, enshrined in the 1957 policy. In the same vein, external competition was encouraged via foreign direct investment (FDI) that was given preferred status vis-a-vis portfolio investment. Finally, financial sector reforms took the form of the broadening of the market for equities and opening up the state-owned banking sector to competition from both foreign and domestic banks.

Since 1991, then, reforms have taken the form of further decontrol along the lines indicated above. The most crucial feature of these reforms was that they only required legislation by the central government. And herein lies the problem.

The major sector left out of the reform process was the agriculture sector. This is true whether one talks of corporate links to farmers, reform of the antiquated government purchase system (the APMC Acts), land-use issues and so on. This was because while the other sectoral reforms could be blamed on an uncaring central government, agriculture was a state subject. Since legislators are voted in at the state level, any reform in the agriculture sector could have major political implications. Some reforms were necessary. But who would bell the cat?

Now consider FDI in multi-brand retail. The main argument is that it would lead to creation of storage facility for food grain so that the current 40% wastage in government facilities would be ended. This would also increase market supplies and, hence, help in combating inflation. However, it is not clear why the domestic players in multi-brand retail have not developed these facilities - if profitable - over the last decade or so, and why foreign investors would suddenly jump into this high-cost activity. The ability to buy food grain for stocking would also be stymied by state APMC Acts - still applicable in most states - whereby private buyers are pre-empted by government managers as grain can only be sold in designated outlets. There is the additional problem of a ban on inter-state movement of food grain. But removal of these bottlenecks requires major reforms in the agriculture sector and this is the domain of state governments.

The bottomline? It is necessary to remove administrative controls on the agriculture sector that today benefit only the large (politically well-connected) farmers. As in the other sectors, this will create the economic conditions whereby issues like FDI in multi-brand retail will find less political resistance. The Indian growth story rests on its demographics and is alive and kicking. To argue that this needs FDI in multi-brand retail or sectors like pension funds to kick-start is poor understanding of macroeconomic fundamentals.

(The author is faculty at JNU)

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India's commercial services exports growth slows down: WTO
PTI

July 15, New Delhi: India's commercial services exports grew by six per cent in the first quarter of 2012, down sharply from 27 per cent in the year-ago period, the World Trade Organisation (WTO) and UNCTAD have said in a report.

However, this was much better than the worldwide commercial services exports growth rate of 3 per cent in the the quarter ended March 31, 2012, found the preliminary estimates for the period by the WTO and UNCTAD (United Nations Conference for Trade and Development).

According to experts, the growth rate declined largely because of global economic slowdown and the country needs to focus on increasing its global competitiveness in the commercial services exports, which mostly includes software services in case of India.

In the previous quarter, October-December 2011, India's commercial services exports had declined by five per cent, but managed to return to positive trajectory in Q1 of 2012.

"Economic slump in the US and Europe is the main reason for this low growth. The other reason include countries like China and Philippines are emerging as stronger players in the services sector," Rakesh Joshi, an international trade expert with India's prestigious Indian Institute of Foreign Trade (IIFT) said. Joshi said that without enhancing the country's competitiveness in the global market "we will have more problems both in goods and services exports".

India's commercial services imports grew by five per cent in the first quarter of 2012, down from 14 per cent in the year-ago period, the report said.

According to the RBI data, the country's services exports declined marginally by 3.3 per cent to USD 22.54 billion in the first two months of this fiscal.

The services exports during April-May 2011 were at USD 23.3 billion.

Export earnings were also affected as the information technology companies, which accounts for a major chunk in the services export, had to offer discounts to their clients due to rupee depreciation, an expert said.

The rupee has fallen by around 20 per cent against the US dollar from a year ago.

Software, business and financial services, communication services, travel, transportation, insurance are some of the major services that are exported.

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GPA will give India access to $ 1.7 trillion procurement market
PTI

July 13,New Delhi: With India evaluating pros and cons of joining the WTO's global procurement agreement (GPA), a senior official of the multilateral body today said being a part of the pact would give New Delhi access to about $ 1.7 trillion procurement market.

Currently, India has an observer status in this plurilateral pact. The GPA, which is a legally binding agreement in the WTO, sets fair rules for public purchases. Members to the agreement open their markets only to fellow signatories - rather than to all WTO members.

Speaking at an Assocham function here, WTO Secretariat Deputy Director Harsha V Singh said WTO's GPA provides a guarantee of access to foreign procurement markets for goods and services.

"...it (India) is trying to see for itself how things are functioning. It is going through a detailed and intensive evaluation of the pros and cons of being a member," Singh said.

The observer status gives India an insight into how governments of developed countries place multi-billion procurement orders with the industry.

But it does not mean that India is under an obligation to subject its approximately $ 125 billion government purchases to the WTO rules.

India has a big market in which foreign companies are willing to offer their goods and services. "...by joining that agreement, you give signal to rest of the world of a willingness to give stability, predictability and creditability to the system which you have adopted. That becomes very important," he added.

Singh hoped India would reach some kind of conclusion after its own internal assessment and taking feedback from its stakeholders.

Referring to India's Public Procurement Bill, which was approved by the Cabinet, he said: "Since India is going to implement these principles (like good governance etc) through this legislation...becoming a member of the WTO's GPA would be a positive step in reforming the procurement regime, making it more open and transparent".

At present, 42 WTO members are signatories to GPA. Developed countries, most of which are members of GPA, want India to sign the GPA under the WTO.

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Any Future for Doha?
Washington Trade Daily

July 9, Geneva – Trade envoys from 10 key industrialized and developing countries held a “brainstorming” meeting last week to discuss long-term prospects for the Doha Development Agenda negotiations, looking toward a decision for the next World Trade Organization ministerial meeting in Bali next year, WTD has learned (WTD, 7/5/12).

Attending the closed-door dinner meeting last Wednesday were envoys of the United States, China, India, Brazil, Japan, Australia, Norway, Mauritius and Nigeria in addition to a senior trade official from Brussels.

WTO Director General Pascal Lamy also attended.

Some industrialized countries ruled out any conclusion of the 11-year-old negotiating round without first “re-balancing” the mandate by taking into account the growth of emerging countries over the decade, said trade diplomats familiar with the meeting. They insisted on pushing hard for a short-term agreement on trade facilitation.

Envoys from Australia, Japan and the EU stated that they stand ready to pursue other issues, such as the 28 already-agreed Doha specific proposals in the Special and Differential treatment flexibilities and a monitoring mechanism for implementation of S&DT issues.

The industrialized countries indicated that they had already delivered on the simplification of LDC accession benchmarks.

Some industrialized countries warned that the credibility of the WTO and the multilateral trading system as a whole will be imperilled if there is no agreement on trade facilitation by the time of next year’s ministerial. They also underscored the need for taking up new issues – such as investment, a “standstill” mechanism and food security before the start of the ministerial.

In sharp contrast, trade envoys of the developing countries said an agreement on trade facilitation will hinge on progress on the core developmental issues in the Doha mandate. While the developing countries welcomed the industrialized countries' assurances to address agreement-specific proposals in the Special and Differential Treatment area, they asked what the industrialized countries intended to do on other developmental issues, like export subsidies, export credits, food aid, disciplining state trading enterprises and tariff-rate quota administration in the Doha agriculture package, WTD was told.

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