INDIA'S TRADE NEWS AND VIEWS

5 June to 19 June 2014

Exports up 12.4% in May

India's trade deficit rose to a 10-month high of USD 11.23 billion in May even as exports grew by 12.4 per cent, highest rate in six months, on improvement in the global demand…

Services exports in April tad lower at US $ 13.63 billion

India's services exports in the first month of 2014-15 stood at US $ 13.63 billion, marginally lower than US $ 14.32 billion in March 2014, as per RBI data…

Govt looks to provide fillip to manufacturing, exports

The commerce ministry has recommended abolishing the dividend distribution tax (DDT) and minimum alternative tax (MAT) levied on special economic zones (SEZs), and rationalization of duties on gold imports, providing a measure of relief to units in the tax-free enclaves, developers and jewellery exporters…

Fault lines in trade policy

It is budget time. It is also time for review of the foreign trade policy. There are two trade policy issues that demand serious attention during these exercises…

Commerce Ministry assessing impact of free trade pacts on local manufacturing

The Department of Industrial Policy & Promotion (DIPP) is analysing the extent to which India's free trade agreements with Japan, South Korea and the Asean have distorted the import duty structure…

RCEP pact: India set to host regional trade deal talks in Dec

India sees a deal under the ambitious regional comprehensive economic partnership (RCEP) to boost its services exports and is all set to host negotiations of the mega regional trade deal in December…

India, Russia to set up study group to push FTA

India and Russia have agreed to set up a joint study group to look at the feasibility of a free trade agreement between India, the Customs Union of Russia, Belarus and Kazakhstan…

India, Pakistan to resume trade talks next month

India and Pakistan will resume trade normalisation talks on the sidelines of the meeting of the SAFTA Ministerial Council in Bhutan next month…

India, US set to resume trade talks

After months of acrimony in trade ties, India and the US agreed to begin a dialogue with commerce & industry minister Nirmala Sitharaman agreeing to meeting US trade representative in Sydney…

Sushma, Wang talk trade

Trade and investment drove the first India-China talks under the new government as the meeting between visiting Chinese Foreign Minister Wang Yi and External Affairs Minister Sushma Swaraj…

Centre looks to address EU concerns over market access

The Narendra Modi government is favourably inclined to address key concerns of the European Union over the restricted access to Indian markets…

After mangoes, now 'Paan' from India may be banned by EU

Betel or 'paan' leaves from India may be the next item to be banned by the European Union (EU), which has already imposed an import ban on Alphonso mangoes over claims of a fruit fly infestation…

Quality issues hit agri shipments

Russia has warned of stringent action, including a ban, on import of potatoes from India, due to violation of their quality norms…

Veg Oil imports up 13% in May
Vegetable oil imports in the month of May saw a rise of 13% compared to the same period last year…
Oilmeal export halves in May on lower demand
Oilmeal exports have almost halved to 153,761 tonne in May from 298,310 tonnes in the same period last year…
Natural rubber imports jump 64% in May
The import of natural rubber rose 64% to 34,419 tonnes in May on account of lower prices in international markets and drop in domestic production…
Jewellery exporters want help on credit
India's gem and jewellery exports are likely to rise seven per cent this financial year, with rising demand from developed countries and West Asia…
Need to rationalise gold import duty, says commerce secretary
The government is considering relaxing gold import restrictions following easing of concerns on trade and current account deficits…
Miners seek removal of export duty on iron ore, pellets
With iron ore export hitting a low of 14.42 million tonnes (mt) in 2013-14, the mining sector has made a fresh plea before the new government to take measures to revive exports…
Commerce ministry favours antidumping duty on solar cells
Favouring imposition of anti-dumping duty on solar cells, the Commerce Ministry today said it will boost manufacturing in the country and attract foreign investments in the sector…
India-US solar dispute at WTO to have China, EU as third party observers
The India-US dispute over domestic content requirement in the country's solar energy programme at the WTO is being keenly watched by other countries with some wanting to participate as observers…
Subsidies issue: US, EU want India to detail food support programmes to WTO
India and China have been asked to submit information on their food subsidy programmes to the World Trade Organisation by the US, the EU and some other countries…
Slow pace of talks on food security at WTO worries India
India has expressed concern over "slow progress" in post Bali talks of WTO on arriving at a permanent solution on safeguards to run food security programmes of developing nations and a 'package' for LDCs…

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.

Exports up 12.4% in May
PTI

New Delhi, 11 June 2014: India’s trade deficit rose to a 10-month high of USD 11.23 billion in May even as exports grew by 12.4 per cent, highest rate in six months, on improvement in the global demand. Trade deficit, the difference between earnings from exports and outflow on account of imports was USD 10.09 billion in the previous month. It was however, lower than USD 19.37 billion in May 2013.

Helped by healthy growth in key sectors such as engineering, petroleum products and garments, exports during the month increased USD 28 billion from USD 24.9 billion in May 2013. However, imports dipped by 11.4 per cent at USD 39.23 billion.

“It is definitely an encouraging sign. This is the first time in the last six months that we have recorded a double digit growth. If this trend sustains then I am sure we are reviving...It seems that they (export products) are now acquiring there natural levels, Commerce Secretary Rajeev Kher told reporters here. He said that appreciating rupee was not the factor of the double digit growth in exports. “There is a positive spirit and if this trend continues the next month then I will definitely be saying that there is a revival (in global demand). So, I would like to see the next month also,” he added. When asked about the exports target for 2014-15, he said: “We are working towards something like USD 1 billion exports on a daily basis”.

Gold imports in May dipped by 72 per cent to USD 2.19 billion, as against USD 7.7 billion in May 2013. In the April-May period of this fiscal, exports grew by 8.87 per cent to USD 53.63 billion. Imports during the period dipped by 13.16 per cent to USD 74.95 billion, leaving a trade deficit of USD 21.3 billion.

[Back to top]

Services exports in April tad lower at US $ 13.63 billion
PTI

Mumbai, 15 June 2014: India's services exports in the first month of 2014-15 stood at US $ 13.63 billion, marginally lower than US $ 14.32 billion in March 2014, as per RBI data.

The Reserve Bank's data on International Trade in Services showed that services import in April 2014 stood at US $ 8.06 billion, also lower than previous month. It was at US $ 8.49 billion in March.

India's services export in previous fiscal stood at 167.01 billion while services imports in FY'14 were at US $ 88.19 billion. The services sector contributes about 60 per cent to country's gross domestic product. The RBI releases the provisional aggregate monthly data on India's international trade in services with a lag of 45 days. Monthly data on services are provisional and undergoes revision when the Balance of Payments (BoP) data are released on a quarterly basis.

[Back to top]

Govt looks to provide fillip to manufacturing, exports
Asit Ranjan Mishra, Mint

New Delhi, 11 June 2014: The commerce ministry has recommended abolishing the dividend distribution tax (DDT) and minimum alternative tax (MAT) levied on special economic zones (SEZs), and rationalization of duties on gold imports, providing a measure of relief to units in the tax-free enclaves, developers and jewellery exporters. The measures, aimed at boosting manufacturing and exports and recommended to the finance ministry, may find a place in the first budget of the Bharatiya Janata Party-led government of Prime Minister Narendra Modi. Finance minister Arun Jaitley is to present the Union Budget in early July.

The ministry is also advocating rationalizing the 80:20 rule under which the Reserve Bank of India (RBI) allows nominated agencies to import gold on condition that 20% of the inward shipments will be exported, commerce secretary Rajeev Kher said.

The finance ministry raised gold import duty last year to 10% from 4% and RBI introduced stringent rules to curb overseas purchases of the precious metal that had been causing the current account deficit to widen, in turn putting pressure on the rupee.

In May, exports of gems and jewellery increased by a meagre 1.36% to $3.4 billion and gold imports fell by 72% to $2.2 billion.

“There is a clear perception that there is something that needs to be done. Clearly, if you are talking about duty, then it will happen in the budget, if it has to happen. And if somebody addresses that then around that time, the procedure will also be addressed (by RBI),” Kher said. The commerce ministry had strongly recommended that DDT and MAT levied on SEZ units and developers be abolished, he said. “There is a clear acknowledgement that SEZs are a tool of industrial development, manufacturing and exports. And recognizing that potential, we feel that the whole instrumentality of SEZ requires augmentation,” the commerce secretary said. “And, therefore, our experience of the last few years shows that imposition of MAT and DDT suppressed the potential of SEZs as a tool of exports and industrial development. So we feel that those impositions should be done away with and this will liberalize the environment around SEZs so that entrepreneurs will make investments which will lead to manufacturing and employment,” Kher added.

When asked whether he expects the recommendation to be better addressed by the finance ministry given that commerce minister Nirmala Sitharaman is also the minister of state in the finance ministry, Kher said: “I am sure the government has thought about that angle.” The two ministries have been at loggerheads on taxation issues related to SEZs and gold, with the finance ministry on several occasions spurning such proposals by the commerce ministry. The commerce minister this time has only to convince the finance minister, and civil servants in North Block will fall in line, said Ajay Sahai, director general and chief executive officer at the Federation of Indian Export Organisations. Abolishing MAT and DDT on SEZs will send a positive signal to global investors, he said. “India could have attracted many of the manufacturing units which relocated to Cambodia or Vietnam had we not imposed these taxes on SEZs. The government would send a strong signal that it believes in stability in economic policies and will not tinker with them once they are in place,” he added.

Commerce minister Sitharaman tweeted on 2 June: “Was briefed on SEZs. Many challenges. Have to tackle them to boost investors’ sentiment especially in manufacturing.”

India’s exports grew in double digits for the first time in seven months in May on the back of improved demand for engineering, petroleum and textile products, trade data for May show. Merchandise exports grew 12.4% to $28 billion in May while goods imports contracted 11.4% to $39.2 billion, leaving a trade deficit of $11.2 billion, a 10-month high.

The trade data was encouraging, but it could be called a revival only if the trend continues for another month, Kher said. “The sectoral absolute numbers have began to acquire their natural levels,” he said. The trade data offered a surprise by signalling that the global trade cycle is strengthening even as the World Bank in its latest report trimmed its global growth forecast from 3.2% to 2.8% for 2014, said Shubhada Rao, chief economist at Yes Bank Ltd. “As the unfavourable base kicks in July onwards, annual growth readings are expected to moderate. However, given the upside potential that the global growth recovery is likely to offer, sequential momentum would still be positive for Indian shipments," she added.

[Back to top]

Fault lines in trade policy
Anwarul Hoda, Financial Express

12 June 2014: It is budget time. It is also time for review of the foreign trade policy. There are two trade policy issues that demand serious attention during these exercises.

Inverted Duty Structure

The jury is out on whether the FTA agreements have benefited India. However, there are worries that in one respect they may have harmed the country's economic interest. India, like its partners, has excluded a number of non-agricultural products from the elimination of duty in these agreements. The exclusions have resulted in an inverted tariff structure, whereby the import duty has been eliminated on the finished products while being retained on parts and components. As a result, the original equipment manufacturers prefer to do business by importing finished goods rather than manufacturing the product in India from imported or domestically-produced parts and components. There has been a large influx of imports of such goods as refrigerators, air-conditioners, washing machines, microwave ovens and television sets (below 19 inches). The tariff structure is stimulating imports and inhibiting local manufacturing.

The Information Technology Agreement (ITA), under which tariffs have been eliminated on 200 tariff lines including computers, has benefited India on the whole, and the infusion of technology through duty-free import of IT equipment transformed many segments of the Indian economy. However, one of its unintended consequences was an inverted tariff structure, which affected the hardware industry adversely. Although the parts and components required for the manufacture of IT products are also included in the ITA and benefit from zero tariffs, the materials, such as plastics, copper, aluminum, glass etc (dual-use items), are not. These inputs are also widely used by industries other than the IT and attract duties at significant levels. For these items, the government has issued an exemption notification allowing imports at zero duty by IT product manufacturers. The procedures are, however, cumbersome and it is much simpler for the original equipment manufacturers to import the finished products rather than manufacture it locally.

Export Incentives Schemes

India has a plethora of export incentive schemes on non-agricultural products. Some of them are aimed at exemption of an exported product from duties or taxes borne by the product or the remission of such duties and taxes. These schemes, such as the drawback scheme, are not deemed to constitute export subsidies. However, a number of schemes clearly constitute an export subsidy, and are covered by the disciplines of the WTO agreement. Examples of such schemes are focus product, focus market, market-linked focus product and preferential pre-shipment and post-shipment export credit. Since the WTO rules do not allow rebate of taxes on capital goods used in the production of the exported products, the Export Promotion Capital Goods (EPCG) Scheme also involves the grant of an export subsidy. Concessions on income tax envisaged in the SEZ programme are also an explicit export subsidy.

As a rule, the WTO Agreement on Subsidies and Countervailing Measures (ASCM) prohibits the use of export subsidies, i.e., subsidies contingent upon export performance, on non-agricultural products. However, India was one of the low-income countries listed in Annex VII of the ASCM, which were exempted from the obligation, until such time as the per capita income reached $1,000. Even a country in Annex VII is mandated to phase out export subsidies over eight years once it has reached export competitiveness in a product group. Export competitiveness in a product is deemed to exist if the developing country concerned has reached a share of 3.25% in world trade of that product group for two consecutive calendar years.

India's competitiveness in textiles and clothing has been under scrutiny in the WTO. In April, 2010, a secretariat report showed that India's share of world trade in this sector grew from 2.9% in 2004 to 3.4% in 2005 and has remained at 3.4% or higher since then. Thus, in 2007, India's share of world trade in textiles and clothing had been above the benchmark of 3.25% for two years. Under the rules, therefore, it is required to eliminate export subsidies on textiles and clothing by the beginning of the calendar year 2015. The withdrawal of incentives at one stroke now is bound to cause shock waves in the industry. The lesson from the experience on textiles is that government should start planning early for the time when it is eventually excluded from Annex VII of the ASCM. The countries listed therein, other than those which are designated as LDCs by the UN, will become subject to the prohibition on export subsidies once their GNP per capita has reached $1,000 per annum. At the Doha Ministerial meeting, it was decided that the members listed in Annex VII would exit from it only after their per capita GNP reached 1,000 in constant 1990 dollars for three consecutive years.

The WTO secretariat updates the calculation of per capita GNP in constant 1990 dollars from year to year. According to the last calculation released by the Secretariat on July 13, 2013, India's per capita GNP in constant 1990 dollars rose from 871 in 2009 to 926 in 2010 and further to 966 in 2011. Even though the GDP growth rate in the country has slowed down since then, it is likely that the per capita GDP would have either crossed the $1,000 mark or would do so soon. The day is not far when India would become ineligible for the benefits accorded to an Annex VII country.

Clearly, India's status as a developing country, eligible for flexibility in using export subsidies, has reached a critical stage. Its entire export incentives programme, except the measures that envisage exemption from or remission of indirect taxes, is on the line. The time has come for India to prepare for phasing out all export subsidies on non-agricultural products.

The author, a former deputy director general of the WTO, is Chair Professor of Trade Policy, ICRIER

[Back to top]

Commerce Ministry assessing impact of free trade pacts on local manufacturing
Amiti Sen, Business Line (The Hindu)

New Delhi, 9 June 2014: The Department of Industrial Policy & Promotion (DIPP) is analysing the extent to which India's free trade agreements with Japan, South Korea and the Asean have distorted the import duty structure and how it could be corrected.

India Inc has asked the Government to address the inverted duty structure — under which import duties on finished products are higher than duties on inputs — in the forthcoming Budget. An inverted duty structure encourages import of finished products and discourages value-added manufacturing, industry argues.

"While this year's Budget could make some changes in the import duty structure to correct some inversion, it has to be an on-going exercise because the issue is complex," an official from the DIPP said. The DIPP has asked the Commerce Department for inputs which, officials say, could take some time.

Duties on raw materials

"Since it is not possible for India to increase import duties on finished products because it has made a commitment to its FTA partners to keep those at low levels, the only way in which inversion can be addressed is by lowering duties on raw materials," a Commerce Department official said.

India has signed FTAs with Japan, South Korea and the 10-member Asean countries over the last two years under which it has committed to bring down tariffs substantially on most manufactured goods.

Nine sectors

According to a survey carried out by industry body FICCI, about nine manufacturing sectors have reported duty inversion, which include aluminium products, capital goods, cement, chemicals, electronics, paper, steel, textiles and tyres.

A detailed study on the effect of duty reduction on a particular product and associated sectors will need to be done before deciding on any duty correction, the official added. "For instance, although the import duty on rubber is much higher than that on tyre, bringing it down could have a devastating effect on rubber growers," the official explained.

Moreover, a particular input may be used to manufacture a number of items and while bringing down import duties on that input could be favourable for one sector, it may not be for another.

Correcting the inverted duty structure is part of the newly elected BJP-led Government's effort to boost the manufacturing sector which has been doing poorly.

In the last fiscal, manufacturing contracted 0.8 per cent compared with 1.3 per cent growth in the year before.

[Back to top]

RCEP pact: India set to host regional trade deal talks in Dec
Asit Ranjan Mishra, Mint

New Delhi, 10 June 2014: India sees a deal under the ambitious regional comprehensive economic partnership (RCEP) to boost its services exports and is all set to host negotiations of the mega regional trade deal in December.

The 16-member grouping is engaged in hammering out issues that need to be included in negotiations with the aim of concluding a deal by the end 2015. The fifth round of negotiations is scheduled to be held in Singapore from 23 to 27 June.

RCEP negotiations comprise the 10 economies of the Association of Southeast Asian Nations (Asean) region and six of its free trade partners—India, China, Japan, Korea, Australia and New Zealand, started in May 2013 in Brunei. The regional economic pact aims to cover trade in goods, trade in services, investment, economic and technical cooperation, competition and intellectual property.

The negotiations are at an early stage and countries are gauging each other's response, a commerce ministry official said, requesting anonymity. "We expect negotiations to pick up next year. But meeting the December 2015 deadline to close a deal may be difficult," he added.

India's interests lie mostly in services, apart from removing technical barriers to trade such as under sanitary and phyto-sanitary measures, the official said. "We also have some interest in trade in goods like in pharma and textiles. In investment also we have interest in both outward and inward investments," he added. Dealing with China with which it shares a $36 billion trade deficit may be a challenge. “It all depends on how we negotiate the deal. We have to take advantage of it,” the official added.

By joining RCEP, India will gain preferential market access to 15 countries in the region and would gain from price competitiveness, according to Ram Upendra Das, professor at Research and Information System for Developing Countries. Even though India has desisted from signing any bilateral trade pact with China for economic and non-economic factors, dealing with its northern neighbour would be easier through a grouping like RCEP, Das said.

India also considers its joining the RCEP negotiations crucial since it is not part of the other two mega regional trade deals under negotiations—the trans-pacific partnership (TPP) and transatlantic trade and investment partnership (TTIP)—led by the US because of the high-level of ambitions proposed for the deal. The TPP is a proposed trade agreement under negotiation among 12 countries—Australia, Brunei, Chile, Canada, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, the US and Vietnam. TTIP is a trade and investment agreement under negotiation between the European Union and the US.

In a statement after the fourth round of negotiations were held in April in Nanning, China, the Japanese ministry of foreign affairs said in this round of negotiations, the scope and method of negotiations, amongst others, were discussed.

“It was decided that from the next round of negotiations, sub-working groups on sanitary and phytosanitary measures, as well as on standards, technical regulations and conformity assessment procedures will be established,” it added.

RCEP envisages regional economic integration leading to the creation of the largest regional trading bloc in the world amounting for almost 45% of the world population with a combined gross domestic product of $21.4 trillion.

With the diversity in the economies of the RCEP participants, “it will take immense effort, cooperation and compromise among the participants to arrive at a mutually satisfactory outcome which addresses the concerns of all the participants”, former trade minister Anand Sharma said while attending the first meeting of the RCEP trade ministers at Brunei in August 2013 “India, while maintaining a single schedule, will need adequate flexibility to address her sensitivities which may differ for each individual participating country,” he said. “Besides hoping to carve out a niche for itself in the regional value chains, India expects to benefit from the large integrated market for services and investments.”

RCEP negotiations aim to achieve a modern, comprehensive, high-quality and mutually beneficial economic partnership agreement establishing an open trade and investment environment in the region to facilitate the expansion of regional trade and investment and contribute to global economic growth and development; and boost economic growth and equitable economic development, according to Asean’s website.

[Back to top]

India, Russia to set up study group to push FTA
Business Line (The Hindu)

New Delhi, 18 June 2014: India and Russia have agreed to set up a joint study group to look at the feasibility of a free trade agreement between India, the Customs Union of Russia, Belarus and Kazakhstan. The decision to set up a study group was agreed at the four-hour long meeting between Russian Deputy Prime Minister Dmitry O. Rogozin and External Affairs Minister Sushma Swaraj here on Wednesday.

"Formalities for these are under process in all the countries and a formal announcement of the constitution of the study group will be made as early as possible," said a spokesman of the Ministry of External Affairs.

The study group is being set up both the leaders feel the existing level of bilateral trade at $10 billion did not reflect the potential.

The spokesman added that the principal focus was on improving the untapped potential between India and the customs union countries of Russia, Belarus and Kazakhstan in terms of economic and commercial engagement.

Hydrocarbons, nuclear energy, pharmaceuticals, fertilisers, diamonds, cooking coal and infrastructure development were the sectors identified for enhancing trade.

Energy ties

The two leaders also had a detailed discussion about cooperation in the field of hydrocarbons and energy. The two leaders also felt that the CEO Council, which was set up last year, should be asked to work more intensively to make suggestions for boosting trade and investment ties.

At the meeting the possibility of India having a trade show in Moscow in September also came up. Sushma Swaraj also informed the Russian Deputy Prime Minister about Kudankulam attaining criticality of 1,000 MW on June 7.

"They discussed the way ahead and the understanding was that Kudankulam II is likely to attain criticality by the end of the year," the spokesman added.

Rogozin is here to prepare the ground for Russian President Vladimir Putin's visit later this year for the annual summit meeting with Prime Minister Narendra Modi.

[Back to top]

India, Pakistan to resume trade talks next month
Amiti Sen, Business Line (The Hindu)

New Delhi, 17 June 2014: India and Pakistan will resume trade normalisation talks on the sidelines of the meeting of the SAFTA Ministerial Council in Bhutan next month. Commerce Ministers from both India and Pakistan have confirmed that they will attend the meeting and are likely to hold bilateral talks on the sidelines of the event, Commerce Ministry Joint Secretary Arvind Mehta told reporters on Tuesday.

Pakistani High Commissioner to India Abdul Basit, however, refused to give a commitment on when his country would extend the 'Non-Discriminatory Market Access' status to India as promised in the trade liberalisation schedule.

"Bilateral talks have resumed. Both Prime Ministers have met and talked about all issues. We hope things will be carried forward when the time comes," Basit told the media at an India-Pakistan event organised by FICCI when asked about the pending matter.

Once Pakistan extends NDMA status to India, the import ban on the remaining 1,209 products from the country would go. India already allows imports from Pakistan. Prime Minister Narendra Modi, in his meeting with his Pakistani counterpart Nawaz Sharif at his swearing in ceremony last month, had said that India was prepared to go for full trade normalisation with Pakistan based on the road map already agreed to by both countries. According to the road-map, Pakistan will have to extend the NDMA status to India following which the country would reciprocate by lowering duties on items of Pakistan's interest.

Mehta said India was ready to bring down duties on crucial items including textiles from Pakistan to 5 per cent or below as agreed to in the trade normalisation schedule. But it would happen only when Pakistan extends NDMA to India.

Pakistan has already increased the number of items allowed from India from just about 2,000 items to more than 6,800 in the last three years since the trade normalisation process started.

The Pakistani Cabinet, which reportedly seemed ready to extend the NDMA status to India in April, postponed the decision in the lastminute preferring to wait for the new Government.

The Indo-Pak trade dialogue, which has the potential of increasing bilateral trade from the current $3 billion to an estimated $ 10 billion, was stalled in January 2013 following violence at the Line of Control in Kashmir.

[Back to top]

India, US set to resume trade talks
The Times of India (Delhi)

New Delhi, 6 June 2014: After months of acrimony in trade ties, India and the US on Thursday agreed to begin a dialogue with commerce & industry minister Nirmala Sitharaman agreeing to meeting US trade representative in Sydney next month to get bilateral economic relations back on track. Official level talks are expected before the two ministers meet although the focus clearly seems to be on repairing the damage across sectors -from intellectual property rights to services, industry and investment.

In recent months, the US has launched a full-fledged attack against India's patent regime and safety issues related to Indian drugs with several domestic companies under the lens. The USTR as well as the US International Trade Commission had launched separate reviews of India's trade and economic policies after American lobby groups from pharmaceuticals, telecom and solar energy sought action against the policies followed by India.

The Indian government went to the extent of advising officials against meeting US government representatives and said it will not cooperate for a special review of its IPR regime.

[Back to top]

Sushma, Wang talk trade
Suhasini Haidar, The Hindu

New Delhi, 9 June 2014: Trade and investment drove the first India-China talks under the new government as the meeting between visiting Chinese Foreign Minister Wang Yi and External Affairs Minister Sushma Swaraj stretched past three hours on Sunday. The two leaders didn't address a joint press conference as planned, but the Foreign Ministry spokesperson briefed the media on the deliberations, calling them "cordial, useful and comprehensive, covering all important issues, substantive and productive."

India and China have set a target of $100 billion in bilateral trade a year by 2015, a goal which the two Ministers spoke about in their meetings. India's concerns over the vast trade deficit of $ 31 billion out of bilateral trade of $ 65 billion last year came up, as Ms. Swaraj is also learnt to have spoken of more investment from China into Indian infrastructure, particularly in the Railway sector.

The two Ministers discussed the next steps on the long-standing border row as well as a road map for all the upcoming meetings between high-level Indian and Chinese dignitaries in the next few months of 2014, a year designated as the China-India Year of Friendly Exchanges. “If we take the possible engagements likely between our senior leadership and that of China, I could easily say that there are likely to be at least half a dozen such meetings, including those between President, VP, PM and FM,” the spokesperson said.

Mr. Wang will call on President Pranab Mukherjee and NSA Ajit Doval on Monday.

[Back to top]

Centre looks to address EU concerns over market access
Arun S, Financial Express

New Delhi, 7 June 2014: The Narendra Modi government is favourably inclined to address key concerns of the European Union over the restricted access to Indian markets. A bilateral meeting on June 26 will discuss EU demands, including raising the foreign investment cap in insurance, sources told FE.

Brussels is also pressing for changes in India's public procurement policy to accommodate European firms, besides a non-adversarial tax regime in India, with the dilution/removal of the recent retrospective changes in the country's tax laws.

Among the main objectives of the meeting of the apex forum for India-EU trade, economic and development issues – called the India-European Commission Joint Commission – is re-starting the bilateral trade and investment agreement and expediting its conclusion, official sources added.

They said New Delhi will also seek more technology transfer from the EU and greater investments from EU companies in India’s infrastructure sector, instead of focusing too much on lesser important issues, such as the recent EU ban on mango imports from India.

The EU, they said, had ‘disengaged’ itself from the Broad-based Bilateral Trade and Investment Agreement (BTIA) talks for over six months as the UPA government was unable to meet their demands. The talks were stuck also because India did not relent on the EU’s demand to eliminate or drastically reduce duties on auto (mostly luxury vehicles), auto-components and wines and spirits. EU also wanted greater access in India’s financial services market, besides high-level Geographical Indication protection for its items, including cheese and olive oil.

On India’s demand for greater market access in services, particularly cross-border supply of services (outsourcing), the EU, citing instances of breach of data protection, had expressed concerns in giving India ‘data-secure’ status. India also sought easier movement of its service professionals and wanted EU to remove its ‘restrictive’ safeguard clauses to facilitate this.

The EU wanted foreign investment in insurance to be hiked from 26% to 49% and has been waiting for Indian Parliament to pass the Insurance Laws (Amendment) Bill. The Bill, among other things, allows foreign investors to hold up to 49% in Indian insurance companies.

When the UPA government proposed the 49% foreign investment limit, the BJP had opposed it, but now the Modi government is considering the 49% limit without proportionate increase in shareholders’ voting rights. The FDI cap may be relaxed initially in non-life segments, followed by life insurance. The move could bring relief to the EU's FTA negotiators, the sources said.

On opening up of procurement by the Central government and its entities, the EU was keen to see the passage of the Public Procurement Bill by Parliament and wanted India not to accord any preference for local firms in such procurement. The total annual public procurement in India is estimated at Rs 12-15 lakh crore and, therefore, is an important market for foreign players, including the EU.

The Bill aims to ensure transparency in such procurement and prefers open competitive bidding. As a safeguard, it exempts procurement for security, strategic purposes, procurement in public interest and those for disaster management.

On retrospective tax legislation, the Modi government has said it should be avoided, adding that it will provide a stable fiscal and legal policy with an aim to remove uncertainties troubling investors.

[Back to top]

After mangoes, now 'Paan' from India may be banned by EU
PTI

London, 14 June 2014: Betel or 'paan' leaves from India may be the next item to be banned by the European Union (EU), which has already imposed an import ban on Alphonso mangoes over claims of a fruit fly infestation.

The EU's Rapid Alert System for Food and Feed (RASFF) warned in its annual report this week that there have been consistent reports of Salmonella contamination of betel leaves from the country. The EU had already issued a ban on the import of paan leaves from Bangladesh earlier this year, effective until at least end July.

"The continuing reason since 2011 for the high number of reports on Salmonella is paan leaves. The continuous reports notified by the UK prompted the adoption of a safeguard measure suspending temporarily imports of paan leaves from Bangladesh and setting up reinforced checks for paan leaves from India and Thailand," the RASFF 2013 annual report said. Salmonella poisoning causes severe diarrhoea and vomiting in humans.
The RASFF has issued 111 notifications or warnings to India on food contamination last year, of which 12 concern curry leaves and 84 'okra' or ladyfinger.

"Apart from these findings, also five notifications on chilli peppers are noteworthy with sometimes high levels reported," the report concluded.

India also came in as the second highest in terms of overall notifications with 257 in total after China's total of 433.

The EU ban on Alphonso mangoes effective from May 1 had triggered widespread protests, including a petition to the British government to overturn the ban.

EU inspectors are now expected in India for an early inspection of the crop in September.

Other fruits and vegetables banned included Colocasia (taro, eddo) Momordica sp (bitter gourd), Solanum melongena (eggplant) and Trichosanthes sp (snake gourd).

The EU says the decision was taken due to a high number of intercepted consignments containing quarantine pests which could harm European crops.

[Back to top]

Quality issues hit agri shipments
Dilip Kumar Jha, Business Standard

Mumbai, 17 June 2014**:** Russia has warned of stringent action, including a ban, on import of potatoes from India, due to violation of their quality norms. Their authorised agency in this regard, the Federal Services for Veterinary and Phytosanitary Surveillance (FSVPS), has told the Union agriculture ministry that Russian authorities have intercepted 23 consignments of Indian potatoes with pests and disease. With an estimated 29 tonnes in each consignment, this is about 700 tonnes impounded.

"These consignments have not been rejected so far. Only the affected portion has been taken out. For now, it does not pose any threat for spilling over problems to other European countries. But, it raises a serious concern on export of Indian agriculture products," said Santosh Sarangi, chairman of the Agricultural and Processed Food Products Export Development Authority (Apeda). An agency under the ministry of agriculture, it has issued an advisory to agri exporters on the need to follow quality norms specified by importing countries.

For phytosanitary and pest issues, Apeda has ordered exporters to get certificates from warehouses approved by it for acceptance in destination countries. FSVPS has, for one, said it wouldn't accept further shipments without this and has also doubled the sampling intensity for Indian potato export to Russia.

"Other countries might (on this news) see India's agri exports with serious quality concerns," apprehends Sarangi.

Agriculture topped India's export basket in 2013-14. Agri export zoomed to $45 billion in 2013-14 from $25 bn in 2011-12. Potato export to Russia rose sharply to 240,000 tonnes in 2013-14.

"We have advised exporters not to make any shipment of potatoes to the Russian Federation violating the stipulated condition. Any deviation from the procedure stipulated under this advisory would be viewed seriously and the onus of the consequences will solely be on the defaulting exporters," said Sarangi. Since quality norms differ from one country to another, Indian exporters do not follow country-wise specifications unless these are specified."Now, the onus lies with the Russian authorities to provide us a list of required quality certificates from Indian exporters, which we will certainly follow," said Ajit Shah, president, Horticulture Exporters Association.

Recently, in a similar incident, Saudi Arabia had banned import of green chilli from India after incerception of higher than permissible levels of pesticide residues in consignments there. "We are in touch with the authorities there, trying to convince them about dealing with quality issues in future. We have assured them about all vegetable export routing through Apeda, with pesticide residue certificates issued by laboratories approved by us. We hope chilli exports to the Middle East would re-commence soon," said Sarangi.

[Back to top]

Veg Oil imports up 13% in May
Business Standard

Mumbai, 16 June 2014: Vegetable oil imports in the month of May saw a rise of 13% compared to the same period last year at 1 million tonnes compared to 917,964 tonnes last year on the back of lower soybean crushing in the country as the availability of soybean is on the lower side this year, according to data released by Solvent Extractors' Association of India.

However, since the start of the current oil year (November- May) vegetable oil imports have been stagnant at 6.1 million tonnes. Import of non edible oil in May was at it's lowest level and was down by 38% to 11,546 tonnes.

Palm oil imports were also down during the current oil year to 4.3 million tonnes. However, the import of soft oil during the year has almost doubled to 1.7 million tonnes.

India meets about 60% of its annual vegetable oil demand of 17-18 million tonne via imports. Palm oils make up 80% of the country's total vegetable oil imports. Among soft crude oil, the import of soybean oil substantially increased to 174,209 tonnes compared to 113,000 tonnes in April a rise of 54%. Sunflower oil has increased by 5% to 178,753 tonnes.

"Indian refiners prefer importing crude oils as it is easier to process and even small refiners can process it, with crude palm oil only big refiners can refine it. This has also caused refiners to increase imports," said BV Mehta, executive director of SEA.

Refining activity in India had also taken a hit due to lower availability of soybean on the market which was available for crushing. Most of India's crude oil imports otherwise come in from Indonesia and Malaysia.

[Back to top]

Oilmeal export halves in May on lower demand
Business Line (The Hindu)

Mumbai, 6 June 2014: Oilmeal exports have almost halved to 153,761 tonne in May from 298,310 tonnes in the same period last year. The drop was largely due to a sharp spike in soyabean prices, leading to a delay in crushing, and lower availability of oilmeal for exports.

Soyabean prices in the Indore spot market have firmed up by over seven per cent in May to Rs 4,682 a quintal. Prices are expected to remain high till September when harvesting of the new crop begins. Soyabean is a kharif crop (sown in June-July and harvested in September-November) and is dependent on the monsoon. The soyabean season runs from October to September.

Iran factor

Total oilmeal export between April-May 2014 was down 21 per cent at 390,596 tonne (495,864 tonnes). Oilmeal export to Iran was down 57 per cent in the last two months at 63,115 tonne (148,234 tonne).

Consignment to Iran consists of 35,500 tonne of soyabean meal and 27,615 tonne of rapeseed meal. South Korea imported 161,241 tonne as compared to 198,367 tonne, down 18 per cent, while Thailand imported 41,800 tonne of rapeseed meal and 750 tonne of soyabean meal.

Exports to Vietnam were marginally lower at 19,939 tonne (20,404 tonne) and it consists of 15,644 tonne of rapeseed meal, 3,295 tonne of soyabean meal and 1,000 tonne of rice bran extraction. Indonesia imported 13,742 tonne as compared to 20,164 tonne of last year. Europe has turned out to be bigger market for Indian non-GMO soyabean meal. Europe imports jumped sharply to 35,977 tonne (12,237 tonne) in May.

[Back to top]

Natural rubber imports jump 64% in May
PTI

New Delhi, 9 June 2014: The import of natural rubber rose 64% to 34,419 tonnes in May on account of lower prices in international markets and drop in domestic production.

India's natural rubber imports stood at 20,948 tonnes in the same month last year, according to the data available with Rubber Board. For the full financial year 2013-14, the imports of the commodity increased 49% to 3.24 lakh tonnes from 2.17 lakh tonnes in 2012-13. Also, the imports witnessed an increase in May despite the Centre raising import duty on natural rubber to Rs 30 per kg, or 20%, whichever is lower, in December last year.

The basic customs duty on natural rubber earlier stood at Rs 20 per kg, or 20%, whichever is lower.

"Imports have gone up as prices of both block rubber and sheet rubber in the international market are lower as compared to domestic prices," a senior Rubber Board official said.

The gap between international and domestic prices of block rubber is Rs 30-35 per kg, while that of sheet rubber is Rs 17-18 per kg.

About 95% of imported rubber is used by tyre manufacturers and the country imports a big chunk of the commodity from Vietnam and Indonesia.

Meanwhile, the production of natural rubber dropped 10.2% to 53,000 tonnes in May 2014 as against 59,000 tonnes in the same month last year. However, consumption of natural rubber rose marginally to 83,500 tonnes during the month from 81,325 tonnes in May 2013, according to the data.

Rubber exports declined to 11 tonnes in May this year as compared to 185 tonnes in the same month a year ago.

[Back to top]

Jewellery exporters want help on credit
Business Standard

Mumbai, 18 June 2014**:** India's gem and jewellery exports are likely to rise seven per cent this financial year, with rising demand from developed countries and West Asia.

"After achieving the figure of $44 billion a few years ago, exports declined to $41 bn in 2013-14. We are hopeful that overall exports this year will hit $44 bn once again," said Vipul Shah, chairman, Gems & Jewellery Export Promotion Council (GJEPC).

The industry is expecting favourable policy support from the government, with this segment being one of the largest foreign currency earners. In addition to scrapping the 80:20 rule for import of gold (a fifth of any gold imported for processing must be re-exported), the industry expects the government to extend the credit cycle period to at least 180 days.

The audit committees of major credit supplying banks have ordered to strictly adhere to 90 days of credit cycle for recovery of dues from diamond processors. The Reserve Bank of India (RBI) has set the cycle (a period that ends with remittance from importers since the time of availing a loan from banks) to 90 days, with lenders leisurely following the direction.

"The cycle of 180 days is too short for a jewellery exporter to get remittance from overseas buyers. The industry seeks 240 days. Even 180 days is feasible. The shortened period has blocked massive funds with banks, that reduce credit equivalent to duties unless proof of foreign remittances are shown," said Pankaj Parekh, vice-chairman of GJEPC.

The shortened credit cycle has also reduced import of rough diamonds into India, complains the industry, and processing units might go on strike if the credit cycle is not restored to at least 180 days soon, said Parekh.

[Back to top]

Need to rationalise gold import duty, says commerce secretary
Financial Express

New Delhi, 12 June 2014: The government is considering relaxing gold import restrictions following easing of concerns on trade and current account deficits, even as it is monitoring on a daily basis the price situation of onions, milk, wheat and pulses for export curbs on account of possible below-normal monsoon.

The restrictions on gold imports imposed last fiscal have hurt gems and jewellery exports, which recorded just 1.36% growth to $3.43 billion in May.

Commerce secretary Rajeev Kher told reporters that his department had discussed the issue with the finance ministry. "There is a need to rationalise (gold import) duty and (gold import) procedure. We have already made it clear that there is a need to look at the current gold import regime," he said.

He added that the 80:20 rule of the government should be simplified so that gold can easily be sourced to be used as input for exports. "If you feel the initial concerns of CAD are fully addressed, as we hope to in the next several months, then there will be a reason to restore, or at least to some extent, the (earlier) position (on gold imports). There is a clear perception that there could be something that has to be done. It will happen in the Budget if it has to happen," Kher said.

Under the 80:20 scheme last August, nominated agencies were permitted to import gold with the rider that a fifth of the imports will be exported. The gems and jewellery sector has been demanding easing of import curbs. The RBI last month relaxed gold import norms by permitting some trading houses, in addition to certain banks, to procure gold to boost exports. Imports of the yellow metal shrunk 72% to $2.19 billion in May due to the curbs.

Asked about possible restrictions on agri exports, Kher told reporters: "Our approach to agri exports is broadly nuanced by the fact that agri exports, as far as possible, should be open, but clearly they are underlined by the attenuating factors of domestic demand and supply."

Pointing out that the government has already reviewed the situation, Kher said there was no concern on account of "wheat and rice" as of now. However, he added: "Onion and milk are important. We are very closely observing the price trend and whenever, if required, appropriate action will follow. We are observing the prices (of onion and milk) at wholesale and retail level and the trend over a week."

As against last year's prices, onions are dearer by Rs5/kg in retail markets in many cities. In Delhi, they are around Rs20-25 per kg.

Last month, dairy major Amul hiked milk prices by Rs2 per litre in the Delhi-NCR region and is mulling increasing prices in other parts of the country as well.

Meanwhile, the government is taking no chances on wheat and is mulling a ban on export from its stockpiles this year as global prices of the item are falling, and as a precautionary measure if there is a monsoon deficit.

Around 1.5 million tonne of the total target of 2 million tonne has been exported from Food Corporation of India (FCI) godowns at an average rate of $260 per tonne, but food ministry officials said fresh tenders have not been issued following falling global rates. FCI, as of June 1, held 41.6 million tonne of wheat as against the buffer norm of 40 million tonne.

[Back to top]

Miners seek removal of export duty on iron ore, pellets
Mahesh Kulkarni, Business Standard

Bangalore, 12 June 2014**:** With iron ore export hitting a low of 14.42 million tonnes (mt) in 2013-14, the mining sector has made a fresh plea before the new government to take measures to revive exports. The Federation of Indian Mineral Industries (Fimi) has urged the Ministry of Commerce to do away with the 30 per cent and five per cent export duty on iron ore and pellets, respectively, to enable them to export iron ore fines, for which there isn't much demand in the domestic market.

In a presentation before the ministry earlier this week, Fimi said as of March-end 2014, a total of 62 mt of iron ore fines were lying unused at various mine heads in the country. The production of iron ore is export-fed; with the decline in exports, production, too, is falling. Domestic demand for iron ore stands at 90-100 mt a year. Therefore, the government should encourage export of excess iron ore, said R K Sharma, secretary-general, Fimi.

He added the overall requirement of fines in India was 40-50 mt. "In case there is any shortage of iron ore in any part of the country, it is not because of incapacity of the industry to produce more, but because of the faulty policy of the Odisha government, which doesn't allow transport of more than 50 per cent of the total production out of the state, despite the Centre's directive to withdraw the order in February 2013," Sharma said.

As the requirement of the steel industry in Odisha wasn't enough to consume even half the production, iron ore was lying at mine heads, he said.

Fimi has also urged the government to increase the import duty on iron ore from 2.5 per cent to 30 per cent, so that steel makers use local unused iron ore fines. Instead of removing the duty on imported iron ore, the government should impose duty on import of finished steel, which would aid consumption of the material in the domestic market and consumers would benefit from low-cost steel products, Sharma said.

As a result of the 30 per cent duty on exports, neither had the steel sector gained due to a possible glut of iron ore, nor had the central and state governments benefited in terms of revenue, FIMI said.

“To fully utilise the resources, without detriment to the domestic steel sector, it is imperative to make Indian exports competitive by withdrawing export duty completely and bringing railway freight on par with domestic freight,” Sharma said.

[Back to top]

Commerce ministry favours antidumping duty on solar cells
PTI

New Delhi, 11 June 2014: Favouring imposition of anti-dumping duty on solar cells, the Commerce Ministry today said it will boost manufacturing in the country and attract foreign investments in the sector.

This assumes significance as Transport Minister Nitin Gadkari, the Ministry of New and Renewable Energy and solar power producers are strongly opposing imposition of the duty.

"We believe that imposition of anti-dumping duty will clearly give a signal to the domestic industry to gear up its acts for the future demand make or seek investments in the sector.”

"It also opens up opportunities of investments for foreign investors into the solar manufacturing sectors in the country and if we are talking of a long term development of solar manufacturing in this country then this could be a good way of doing it in a perfectly legitimate manner," Commerce Secretary Rajeev Kher told reporters here.

He said that the process of investigation of the duty is statutory and quasi-judicial.

"That investigation process in a detailed manner has gone into the issue and clearly established that there is a dumping on account of solar cells from certain countries and there is a clear case established for imposition of anti-dumping duty," he added.

The Directorate General of Anti-Dumping and Allied Duties (DGAD) had recommended slapping the restrictive duty on imported solar panels from the US, Malaysia, China and Chinese Taipei to protect domestic manufacturers.

The recommendations came against the backdrop of the US dragging India to the WTO with respect to domestic sourcing norms for the national solar mission. India is of the view that its solar mission -- which aims to have 20,000 MW solar capacity by 2022 -- is compliant with WTO rules.

The Commerce Ministry had suggested restrictive duty in the range of USD 0.11-0.81 per watt. The levy would be applicable on solar modules and cells assembled partially or fully, originating or exported from the countries mentioned.

To protect the interests of local players, the DGAD had proposed that Chinese imports should attract duties of USD 0.64- 0.81 per watt, while the levy suggested for such cells coming from the US is USD 0.11-0.48 per watt.

Last year, imports of solar products touched Rs 6,000 crore, but Indian manufacturers did not even get two per cent of that business, the Indian Solar Manufacturers' Association had said in a statement.

The DGAD probe was initiated in November 2012 following complaint from the association on behalf of three of its member companies - Indosolar Ltd, Jupiter Solar Power Ltd and Websol Energy Systems Ltd.

According to the DGAD report, imports of solar cells from the US, Malaysia, China and Taipei have jumped to 1,73,015 KW (kilo watt) in 2010-11 from 57,661 KW.

[Back to top]

India-US solar dispute at WTO to have China, EU as third party observers
Amiti Sen, Business Line (The Hindu)

New Delhi, 6 June 2014: The India-US dispute over domestic content requirement in the country's solar energy programme at the World Trade Organisation is being keenly watched by other countries with some wanting to participate as observers in the panel hearings.

The EU, Brazil, China, Norway, Canada, Malaysia, Russia, Turkey, Korea and Japan have requested the WTO, India and the US to allow them to be members 'reserving their third party rights' in the dispute as their interests are also linked with the panel's verdict, a Commerce Ministry official told *Business Line*. This means that these members can submit information and receive documentation but not participate in the proceedings.

"A large number of countries including Argentina, Brazil, Canada and ironically, also the US, have local content requirements in various programmes and in different forms. It is therefore not surprising that countries want to watch the proceedings of the panel hearings," the official said.

Dispute settlement panel

A dispute settlement panel was set up at the WTO last month on the request of the US which complained that certain provisions mandating use of local inputs in India's solar power generation programme were not compatible with multilateral trade rules.

"We are in consultations with the Ministry of New and Renewable Energy to firm up our arguments defending the local sourcing rules for the first hearing of the panel," the official said.

China interest

While the EU and Japan recently won a case against Canada at the WTO against local sourcing clause in clean energy programmes run in Ontario, China has direct interest in the Indian market as it is one of the largest exporters of solar panels and cells to the country.

If the US wins its case against India and the country is forced to do away with the local sourcing clause for future projects, China could be a big gainer.

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

India has argued that since the purchase of power produced under the mission is by a Government agency, it falls under the category of Government Procurement which is out of the purview of WTO rules.

Anti-dumping duties

Interestingly, even if India's arguments are rejected by the WTO, its local industry may continue to get protection as the Commerce Ministry has recommended steep anti-dumping duties on imports of solar panels and cells from the US, China and Malaysia.

If the Finance Ministry approves the recommendations, as is likely in most cases, imported solar panels and modules will become uncompetitive.

[Back to top]

Subsidies issue: US, EU want India to detail food support programmes to WTO
Amiti Sen, Business Line (The Hindu)

New Delhi, 15 June 2014: India and China have been asked to submit information on their food subsidy programmes to the World Trade Organisation by the US, the EU and some other countries.

The countries want it to be a pre-condition to starting negotiations on finding a permanent solution to India's problem of legitimising food procurement subsidies.

This has raised the hackles of New Delhi and other members of the G-33 group of developing countries (a group with interests in agriculture for protecting their poor farmers) who have argued that no such conditions were laid down in the mandate of the Bali Ministerial meeting last December.

India has also been asked to explain how it establishes that the recipients of its support programme for poor farmers, at a recent meeting of the Committee on Agriculture at the WTO.

"These are all diversionary tactics used by developed countries, especially the US, to delay progress in a key area of concern for developing countries," a Commerce Ministry official told *Business Line*.

The US, Australia, Brazil, the EU, Pakistan, Canada, Thailand, Costa Rica and Paraguay have also raised concerns about India's wheat programme as the country also exported the foodgrain.

Last December in Bali, WTO members had agreed to a pact for streamlining movement of goods across borders by upgrading infrastructure and cutting down transaction time (Trade Facilitation Agreement) being pushed by developed countries. India and some other developing countries had given their assent to the pact as the developed countries had promised to allow them to give food procurement subsidies without attracting sanctions, as a short-term measure, while promising to work on a long-term solution to the problem soon after the Ministerial.

It is important for India to be allowed higher level of farm subsidies, which is currently fixed at 10 per cent of agriculture production, as it could breach the limit once its Food Security programme is fully implemented.

Without a permanent solution to the problem, India faces the risk of action by any member which is not satisfied with the information on prices, subsidies and procurement of agricultural items submitted by the country.

Commerce Secretary Rajeev Kher, in a press conference last week, had said that India was unhappy with the fact that while much progress had happened on implementation of the trade facilitation agreement, some countries were not allowing talks on food security to begin.

New Delhi has demanded that work on all issues agreed to in Bali, including the package of incentives for Least Developed Countries, move at the same pace.

[Back to top]

Slow pace of talks on food security at WTO worries India
Financial Express

New Delhi, 12 June 2014: India has expressed concern over the “slow progress” in post Bali talks of the WTO on arriving at a permanent solution on safeguards to run food security programmes of developing nations and a 'package' for least developed countries (LDC), even as it indicated that work is gaining ground on trade facilitation at the behest of some developed countries.

The Bali talks for a global trade deal had arrived at an agreement to ease trade by reducing red tape and improving infrastructure. The WTO member countries have to submit commitments in July with regard to the trade facilitation agreement.

In return for the agreement on trade facilitation, developing countries, including India, had got a relief from action on the subsidies given to farmers for purchasing crops for their food security programme. Though it was agreed that a long-term solution to the food security issue would be given priority post Bali, commerce secretary Rajeev Kher told reporters that work on LDC issues and a permanent solution on food security is going slow compared to the trade facilitation issue.

“The pace of work on these issues should be the same. We have informed the WTO that this way of progressing only on trade facilitation issues will make it difficult for developing countries to agree on many issues,” he added.

“ Though the developing countries have protection till a permanent solution is found on food security, they are keen to ensure a permanent solution at the earliest,” he said, adding that, “We do not want to take the supposedly interim measures (on food security) as a permanent solution as only a permanent solution will give predictability and certainty.”

Meanwhile, he said the commerce ministry favours the imposition of anti-dumping duty on solar cells as recommended by the Directorate General of Anti-Dumping and Allied Duties on imported solar panels from the US, Malaysia, China and Chinese Taipei to protect domestic manufacturers.

The DGAD recommendations came even as the US had taken India to the WTO on domestic sourcing norms for the national solar mission. Transport minister Nitin Gadkari, the ministry of new and renewable energy and solar power producers have opposed imposition of the duty.

[Back to top]