INDIA'S TRADE NEWS AND VIEWS

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India's vegetable oils imports remained stable at about Rs 55,000 crore in 2012-13 marketing year ended last month despite five per cent growth in volume as global prices softened…

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Negotiators in Geneva have just a few days left to finish putting together a "Bali package" ahead of next month's WTO ministerial conference, after Director-General Roberto Azevêdo announced that he would be extending their original 12 November deadline…

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The Centre for WTO Studies was set up by the Department of Commerce, Government of India in 1999. The intent was to create an independent think tank with interest in trade in general and the WTO in particular. The Centre has been a part of the Indian Institute of Foreign Trade since November 2002. The Centre provides research and analytical support, and allied inputs to the Government for WTO and other trade negotiations. The Centre also has its own body of publications, and conducts outreach and capacity building programmes by organizing seminars, workshops, and subject specific meetings to disseminate its work, create awareness on recent trade topics and build consensus between stakeholders and policy makers.

Exports up 13.47 % in Oct
Puja Mehra, The Hindu

11 November 2013: Growing in double digits for the fourth straight month, exports rose 13.47 per cent in October. Though the exports performance is good news for the slowing economy, as it indicates a turnaround might be round the corner, it was not strong enough to compensate for the increased imports of gold during the month owing to the festival season.

As a result, the trade deficit, or the excess of imports over exports, widened again in October. Data released by the government here on Monday shows that the trade deficit grew to $10.56 billion in October compared to $6.7 billion in September—the lowest in two-and- half years. Gold and silver imports rose to $1.37 billion in October compared with $800 million in the previous month, according to the data released.

Commerce Secretary S. R. Rao told reporters here on Monday that the government was confident of hitting its export target of $325 billion by the end of the fiscal. The government has also said that the ballooning current account deficit, or the excess of outflow of foreign exchange from the country over the inflows, has been brought under control using curbs on imports of gold and that it will be contained within $60 billion. Despite the surge in gold imports during October, it is widely expected, the government will manage to keep the current account deficit well within the $60-billion target. Gold imports—through the official channel at least—have been declining on the back of the restrictions imposed by the government.

“We think we can peg the current account deficit at $60 billion or below,” Finance Minister P Chidambaram had said earlier this month. The current account deficit had touched an all-time high of $88.2 billion, or 4.8 per cent of GDP, in the last fiscal.

PTI reports:

Cheering the rise in exports, India Inc, on Monday, said the turnaround was on account of a rebound in the U.S. and European economies and that the Government should restore duty drawback rates to bring down the trade deficit.

“The steady rise in exports augurs well for the economy. Growing exports reflect the dynamism of Indian exporters as well as the impact of proactive support from the Government,” FICCI President Naina Lal Kidwai said.

Overall, imports declined by 14.5 per cent to $37.8 billion in October as compared to the same period last year.

“A smart 13.47 per cent increase in exports for October, the fourth consecutive monthly rise, is a reflection of an authentic turnaround in India’s external trade—thanks to signs of improvement in Europe and in the U.S.,” Assocham Secretary General D S Rawat said.

“With imports falling by a big gap of 14.50 per cent and non-imports by even bigger margin of 22.80 per cent, worries over current account deficit (CAD) should recede,” Mr. Rawat said.

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Government likely to double export target to $1 trillion
Shubham Batra & Dilasha Seth, Economic Times

New Delhi, 12 November 2013: The government is expected to double the export target to $1 trillion in the next five-year foreign trade policy even though the current policy that runs until March 2014 is all set to miss the $500-billion target set for exports.

A senior commerce department official told ET that the government has begun work on the foreign trade policy for 2014-2019, which will aim at doubling India's share in global trade from the current 3%. The policy is, however, expected to be announced only after the new government assumes office after the general elections next year.

"After the very successful 2009-14 foreign trade policy, we have started working towards the policy for the next five years," the commerce department official said. "Consultation process has started for that. We want to focus on the high-value exports and import substitution, such as engineering, aeronautics, cars, where value addition is the highest."

The proposed 2014-19 policy would include measures to make the country's outbound shipments more competitive by boosting productivity and generating exportable surplus.

"It will require support from the government to provide support for marketing, export infrastructure including improved logistics, keeping in mind the current situation of CAD (current account deficit)," said an inter-ministerial note moved for consultation on the new policy.

People aware of the consultations said the government is likely to set the export target for the new policy at around $1,000 billion.

The inter-ministerial note also explains the proposed policy would include a long term and a medium-term strategy to enhance trade competitiveness and overall growth of India's foreign trade.

Since 2009, India's exports have nearly doubled from $178 billion in 2009-10 to about $325 billion. The foreign trade policy for 2009-14 provided fiscal incentives to traditional sectors in the form of interest subvention and other duty neutralisation schemes to provide refund of indirect taxes and levies.

It focused on export promotion of capital goods and market diversification and product diversification. Incentives were provided under focus product and focus market schemes to encourage exporters to explore markets like Latin America and Africa.

The share of exports to Latin America has gone up from 2.9% in 2008-09 to 4.5% in 2012-13. India's rising current account deficit has prompted the government to promote import substitution through the new policy. India's CAD widened to a record high of 4.8% of the GDP in 2012-13 and 4.9% of the GDP in the first quarter of the fiscal.

After remaining muted for a year, India's exports grew in double-digits in the three months starting July, expanding by 11.2% in September.

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Govt to set up joint task force to develop services sector
Business Line (The Hindu)

New Delhi, 12 November 2013: The Government will set up a joint task force for the services sector together with the industry to prepare an action plan for the development of the sector and increase services exports, according to Commerce and Industry Minister Anand Sharma.

Agreeing to the industry's suggestion of setting up a National Services Competitive Council on the lines of National Manufacturing Competitive Council, Sharma said "We have to have a forum to address the varied needs of the sector and to identify training and other needs of each vertical."

He was speaking at the 'Services Conclave' jointly organised by CII and the Centre for WTO Studies. The two-day conclave focuses on ways to boost the domestic services industry and increase India's share in the $4-trillion global services trade from the present 3 per cent.

The Minister said the services sector exports, by and large, were from verticals such as IT, ITES and BPO sectors. There was a lot of scope to diversify in segments such as animation, media and entertainment, legal servicing, architecture, healthcare, tourism and medical tourism.

Sharma asked industry representatives to come forward and help the Government, to take up at various international forums the need for more liberal movement of skilled persons under Mode 4 of World Trade Organisation rules. Often movement of skilled persons is confused with immigration, though such movements are temporary in nature, he said

The Minister also asked the industry to explore new markets such as Africa to boost India's export of services.

"Even for services sector we need to look at other major markets. We have a strong presence in North America. Regions such as Africa have huge opportunities and there you can be more cost competitive," he said.

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Govt mulls offset policy for purchases from foreign firms
Amiti Sen, Business Line (The Hindu)

New Delhi, 18 November 2013**:** India is considering a national offset policy that would make it compulsory for foreign companies selling goods to the Government for sourcing part of their supplies from domestic producers.

The proposed move is expected to boost domestic manufacturing and also lead to technology transfer, a Commerce Ministry official told *Business Line*.

The offset policy, being framed by the Commerce Ministry, will be applicable only on Government procurement for non-commercial purposes estimated at over $100 billion annually, the official added. "We have to necessarily restrict the offset policy because the General Agreement on Tariff and Trade (now the World Trade Organization) does not allow such conditions to be imposed for commercial procurement," the official said. India already has an offset policy for the Defense sector where foreign suppliers have to buy at least 30 per cent of the total value of the supplies locally. Although an offset policy is absent for all other sectors, the Railways and Air India have been imposing sourcing conditions on some of their procurement orders.

“Only a handful of sectors, apart from defense, are engaged in some sort of offsetting against their purchases made from foreign companies. Our objective is to streamline the process and also ensure that the sectors that have not been benefiting from offset start doing so. That is why our policy also includes cross-sector offsetting,” the official said.

In other words, if a particular Ministry or agency, for instance the Commerce Ministry, does not have anything to sell to offset a part of what it is purchasing, it could ask the foreign seller to buy something from another sector of equal value.

Discussion Paper

The Commerce Ministry has already circulated a discussion paper to various ministries inviting comments following which a Cabinet paper would be drafted. The Government is proposing to fix offset percentage at 20-30 per cent of the total procurement from a company, depending on the sector.

Although the WTO’s Government Procurement Agreement (GPA) does not allow offsetting even for non-commercial purposes, it does not affect India as it is not part of the pact.

Before finalizing an offset policy across sectors, the Commerce Ministry has to be first sure about which sector it would actually benefit, a Delhi-based trade expert pointed out.

“In many sectors such as fertilizers and coal, India is more interested in importing the product than the seller. We have to see whether buyers will be ready to agree to our offset conditions,” he said.

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New system may cut customs clearance for exports to few hours
Business Line (The Hindu)

New Delhi, 13 November 2013**:** The time taken for customs clearance of export consignments will come down to a few hours following the implementation of a risk management system, Finance Minister P. Chidambaram said.

At present, it takes up to 4 days.

“I sincerely hope that with the introduction of Risk Management System (RMS) for exports, the dwell time which now ranges from 1.6 days to 3.68 days will be brought down to a few hours,” Chidambaram told reporters here after the launch.

To begin with the system will be available at 11 Customs stations, including Bangalore, Chennai, Delhi, Hyderabad, Mumbai, Pune and Tuticorin. But by the end of the year, it will be extended to all Electronic EDI Customs stations.

A similar system exists for imports. The system was introduced in December 2005.

The Minister said the introduction of the system for import helped to bring in additional revenue of Rs 2,211 crore. It also reduced the dwell time, or the duration for which cargo remains in transit storage while awaiting clearance.

“The revenue department claims that the dwell time for imports has come down drastically after the launch of RMS in imports. Likewise, RMS in exports is intended to bring down the dwell time so that the cargo meant for exports moves up quickly, leaves the shores of India towards its ultimate destination,” Chidambaram said.

Resource Management

The primary objective of this system is to strike an optimal balance between facilitation and enforcement and to promote a culture of compliance. It is intended to improve the management of the resources of the department to enhance the efficiency and effectiveness in meeting stakeholder expectations and to bring the Customs processes at par with the best international practices.

The exponential growth in trade volumes means that the traditional approach of scrutinising every document and examining every consignment will simply not work, as it would neither be desirable nor possible to constantly increase the resources with the increasing workload. Also, there is a need to reduce the dwell-time of cargo at the ports and airports and to reduce the transaction costs in order to enhance the competitiveness of Indian businesses, by expediting release of cargo where compliance is high. This necessitated introduction of the new system.

With this the present practice of routine assessment, concurrent audit and examination of almost all Bills of Entry will be discontinued and the focus will be on quality assessment, examination and Post Clearance Audit of Bills of Entry selected by the system.

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India, UK have ‘resilient’ trade ties
Business Line (The Hindu)

New Delhi/Kolkata, 14 November 2013: Prime Minister Manmohan Singh and British Prime Minister David Cameron, on Thursday, expressed satisfaction that trade ties between the two countries had been resilient despite the continuing global economic slowdown and difficulties in the Euro Zone.

Investments

At a meeting here on Thursday, the two leaders felt that investments on both sides had also progressed satisfactorily, official sources said. Cameron arrived in Delhi late on Wednesday night and left for Kolkata. He is headed to Colombo to attend the Commonwealth Heads of Governments meet.

Trade Pact

The two Prime Ministers discussed the Bangalore-Mumbai Economic Corridor (BMEC) and were happy at the progress that had been made, sources said. The terms of reference for the feasibility study of BMEC have been finalised as also the request for proposals. The importance of the India-EU Broad Based Trade and Investment Agreement (BTIA) also came up in the discussions, sources indicated.

Later in the day, at IIM Calcutta, Cameron said Britain was looking for more business, trade and investment opportunities. “We are looking at stronger educational links with some institutions, such as IIM-C,” he said in an interaction with students in Kolkata. However, he added that India needed to open up more and called for a steady opening up process.

Cameron also met West Bengal Chief Minister Mamata Banerjee and discussed infrastructure and business opportunities for British firms. A group of businessmen are said to have accompanied the British Prime Minister at this meeting.

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India lures Pak with duty carrot for MFN status
Financial Express

New Delhi, 16 November 2013: With Islamabad delaying the most favoured nation (MFN) status to India, New Delhi has offered reciprocal market access to Pakistan at 0-5% duty rate - similar to what is being given to Bangladesh — if it is granted this status.

“If Pakistan grants non-discriminatory access to India, we will provide a reciprocal market access to Pakistan at a 0-5 % duty rate, similar to what is being given to Bangladesh. Pakistan should recognize that by delaying non-discriminatory access to India, it was losing out to Bangladesh,” said Arvind Mehta, joint secretary in the commerce and industry ministry at a Ficci event on Friday.

India had granted the MFN status or non-discriminatory access to Pakistan in 1996. Under the WTO norms, member-countries are mandated to give this status to each other on a reciprocal basis. The two countries had decided to normalise bilateral trading relations in 2011. In fact, both the partners are eyeing bilateral trade exceeding $7-8 billion per annum from the current $2.7 billion. Also, the Pakistani business community have urged for a liberalised visa regime to boost bilateral trade.

“MFN status must be given to India. This is what I am urging our government. We want to see the trade flourish between the two countries and it can flourish if there will be a free movement of people and for that visa regime should be eased by both the governments,” added Federation of Pakistan Chambers of Commerce and Industry president, Zubair Ahmed Malik.

Since January 2013, Pakistan and India, being NLDC (non-least developed country) members of SAFTA, have reduced their tariffs in the 0-5% range. However, India imposes 8% duty on 264 items. The sensitive list consists of items on which no tariff concessions are offered. There are currently 614 items on India’s sensitive list applicable to Pakistan. Pakistan’s sensitive list applicable to India includes 936 items.

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Thai-India FTA signing soon
Petchanet Pratruangkrai, The Nation

7 November 2013: Thailand and India are scheduled to sign their long-awaited comprehensive free-trade agreement (FTA) at the World Trade Organization meeting next month after reaching an agreement on service-sector liberalization. The agreement would see an increase in bilateral investment in the countries' service businesses.

Deputy Commerce Minister Yanyong Phuangrach said the Thai Cabinet recently approved the comprehensive pact covering trade in goods, services and investment, which he said should benefit Thai businesses greatly as India had agreed to open its services market to Thai investors.

The agreement is expected to be signed by the two countries' leaders at the WTO summit in Indonesia in December. The pact will be Thailand's seven bilateral FTA, alongside those with Japan, Australia, New

Zealand, Peru, China and Chile. Thailand is also negotiating a comprehensive pact with the European Union and four nations under the European Free Trade Association (EFTA).

Yanyong said Thailand should benefit greatly from India's service-sector liberalization, with many Thai enterprises having potential to expand their business in India to take advantage of the opportunities offered by the country's huge population and strong economic growth.

Under the FTA, Thai investors in India will be well protected under the latter country's investment law, the minister said.

Opening seven sectors

Jintana Chaiyawonnagal, deputy director-general of the Trade Negotiations Department, said Thailand has committed to open up seven sectors to Indian firms, but they would not be able to hold more than 49 per cent of shares in a company. This is less than Thailand allows other Asean members, who may hold up to a 70-per-cent share

The sectors are services, communications, construction and engineering, distribution, tourism, entertainment and transportation.

Jintana said Thai enterprises should not be worried about liberalisation, as Thai firms have a strong competitive edge at home, while the businesses that India is opening up to Thai firms are ones in which Thais are proficient.

India is opening up its tourism, hotel, restaurant, meeting, entertainment, legal, construction, and hospital sectors to Thai investors.

Thailand and India have already implemented an Early Harvest Scheme, under which tariffs have been waived on more than 80 items since 2004.

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India gets on the highway to growth in Southeast Asia
Nayanima Basu, Business Standard

New Delhi, 19 November 2013**:** As India readies to sign the free trade agreement on services and investment with the Association of Southeast Asian Nations (Asean), taking bilateral trade relations to the next level of a comprehensive economic partnership agreement, the focus is on the laying out of a massive road connectivity plan to tie the region together to boost economic objectives.

To start with, India has proposed extending the trilateral highway project connecting India, Myanmar and Thailand to neighbouring Cambodia and Vietnam. The idea is to set up special economic zones along this highway and provide seamless connectivity through these countries by 2016, by when the projects are expected to become operational. Right now, work is on to repair and strengthen 71 bridges that link this stretch.

To ensure greater success of this highway project, Prime Minister Manmohan Singh proposed an Asean-India Transit Transport Agreement (AITTA) at the India-Asean Summit in Brunei Darussalam last month. Once the agreement comes into force -likely by 2015- vehicles from association countries will be able to cross international borders without much documentation.

Total bilateral trade between Asean and India reached $75.6 billion in 2012, surpassing the target of $70 billion. Now, with the implementation of the India-Asean comprehensive economic partnership, the target for two-way trade has been set at $100 billion by 2015, for which an integrated transport network would be the key.

At present, the market is fragmented and the patchy road network is a stumbling block for free flow of goods and services. This, along with administrative and technical barriers, increases costs and leads to transportation delays, says a study by New Delhi-based think tank Research and Information System for Developing Countries on Asean-India connectivity.

While road links are being developed, the proposed AITTA will make crossing the border easier. "AITTA will allow vehicles to move seamlessly across international borders or regional and international trade transportation purposes. AITTA should be in position before the trilateral highway is operationalised in 2016. Potentially, it can be a game changer which will allow us to reap the full benefit of India-Asean free trade agreement, regional comprehensive economic partnership and enhanced connectivity," says Ashok Kantha, secretary (East), ministry of external affairs.

The master plan on Asean road connectivity was adopted at the India-Asean Summit in 2010. The benefits from the highways, which are scheduled to be completed by 2016, are manifold. They would improve connectivity, bring India closer to Asean, reduce trade costs, help exploit the country's comparative advantage in certain products, expand markets, as well as reduce poverty and improve the quality of life for the people in the region. A smooth road network would also provide substantial benefits to other countries, particularly to landlocked and island nations by giving them low-cost access to a wider market outside, the report said.

India already has a goods agreement in place. It came into force in August 2011 and provides tariff-free access to a range of products, including textiles, pharmaceuticals, chemicals, engineering goods, processed food and auto parts. The likely addition of services and investments to this list of free-trade items in the not too distant future would open up new opportunities for Indian IT and healthcare professionals, designers and researchers.

In addition, India is also contemplating expansion of rail network into Myanmar. The rail head terminates at Jiribam in Manipur. A project to connect Jiribam to the capital Imphal is under way and is slated to be completed by 2017, while proposals on connecting Moreh (Imphal) to Tamu-Kalay (Myanmar) is being considered by the external affairs ministry.

At the same time, work is also on for developing soft infrastructure such as trade facilitation centres and telecommunication, necessary for any economy to function and thrive. Boosting maritime connectivity is on the agenda as well. India has proposed the establishment of a Maritime Transport Working Group between India, Myanmar, Thailand, Cambodia and Vietnam to examine the feasibility of shorter shipping routes. This idea was initially mooted by Thailand which wants a more direct sea transport route to India via the Dawei port in Myanmar, which is a deep sea port. Right now ships have to be routed via Singapore to reach India.

"It is important that we identify economic activities that can be pegged to these corridors, which could attract private sectors from both Asean and India, including from India's Northeast," says a foreign ministry official.

Another project that India has shown interest in is the Mekong-India Economic Corridor (an offshoot of the trilateral highway) to link Myanmar, Thailand, Cambodia and Vietnam with India. The corridor-which might be funded by Asian Development Bank -will extend from Ho Chi Minh City in Vietnam to

Dawei in Myanmar via Bangkok (Thailand) and Phnom Penh (Cambodia) and then on to Chennai in India.

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India, China & South Korea on same page in RCEP talks
Kirtika Suneja, Financial Express

New Delhi, 18 November 2013: India has found allies in China and South Korea on the crucial issue of scheduling of commitments in the proposed Regional Comprehensive Economic Partnership (RCEP) agreement, where a majority of countries involved are asking for one schedule of commitments from Asean nations and treating them as one entity as opposed to New Delhi's demand for different schedules.

Ever since the RCEP negotiations were launched in November 2012, India has sought differential commitments for trade in goods, services and investment for the participating countries as all of them have different markets.

“Generally, there should be one schedule but we want differentiation and flexibility. China and Korea also have the same position as us because we are the larger markets of the region. India is playing a significant role by not agreeing to one schedule,” said an official involved in the negotiations.

Differential schedules mean India's offer to one Asean nation will be different to what it offers to another Southeast nation instead of treating all Asean countries at par and vice versa.

RCEP is an ambitious partnership, involving ten Asean countries and six FTA partners namely India, China, Japan, Korea, Australia and New Zealand. It is meant to be a comprehensive arrangement involving agreements in areas such as trade in goods, services and investment, economic and technical cooperation, intellectual property, competition, dispute settlement and other issues to be identified during the course of negotiations.

“This differential schedule will protect Indian markets from Chinese imports as India would have the liberty to offer larger access to other countries and not so much to China,” said an expert.

“More than differential schedules, the real benefits of RCEP for India arise from patents on traditional knowledge and that is what India should negotiate for,” said Abhijit Das, head and professor, Centre for WTO Studies at Indian Institute of Foreign Trade.

In fact, analysts said because of this stance, the ambitious agreement may miss its December 2015 deadline.

“There is a sense of disappointment in partner countries as India does not have a strategy and is not willing to give anything. India's wish-list is restricted to mode 4, which is not sustainable. We need an aggressive agenda on the RCEP front,” said Biswajit Dhar, director-general, Research and Information System for Developing Countries.

However, on the issue of delays, the commerce ministry official said: “We are only discussing the contours of the agreement and it is premature to talk of delays.”

The first round of RCEP negotiations was held from 9-13 May in Brunei Darussalam. Negotiations for the RCEP FTA continued to make good progress at Round 2 in Brisbane in September. The next round will be held in Kuala Lumpur, Malaysia, from January 20-24.

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New global trade pacts may cut out India, China
Swaminathan S Anklesaria Aiyar, Times of India

10 November 2013: A new global trading system is being erected, almost unnoticed in India. One of its unstated aims is to check China's rise through economic discrimination. But it could end up discriminating against India too.

Two major new international trade pacts are under negotiation. One is the Trans Pacific Partnership (TPP), creating a free trade area (FTA) of North America and East Asia (including Japan, Australia, New Zealand, Vietnam and some others). For the first time, a once-protectionist Japan plans to join the US in a region of free trade and investment. The unstated but clear Japanese signal is that China must be checked. For this, it is willing to consider dismantling its traditional trade and investment barriers.

The second big FTA under negotiation is the Transatlantic Trade and Investment Partnership (TTIP), covering the US and the European Union. Historically, Europe has felt threatened by US multinationals, technology, and farm produce. The European Common Market came up with a common external tariff, aimed at binding together European members and standing up to competition from the US. But Europe's recent economic stagnation, plus the rising threat from China, has concentrated minds wonderfully. Europe is now ready to consider a grand bargain with the US, mutually opening up investment, trade and services.

Earlier, the three economic giants — the US, Europe and Japan — saw one another as global rivals. Each sought to conclude FTAs with neighbours and selected developing countries, creating trade blocks within which each had tariff advantages. Now, for the first time, the three big players are seeking FTAs with one another.

What has changed? The rise of China, of course. Now, officials in Washington DC, Brussels and Tokyo will deny heatedly that either the TPP or TTIP is aimed against China. They will claim to be merely carrying forward the logic of globalization and global integration, a trend that has steadily deepened since World War II. But the strategic anti-China aim is clear.

Besides, the World Trade Organization (WTO), the original global forum for promoting global integration, has become gridlocked, with little inclination to move forward. The WTO works on the basis of consensus, so any country can veto any deal. India has used its veto in the WTO to block various proposals in the Doha Round of negotiations. So have some African countries. Hence the Doha Round has achieved nothing concrete despite 13 years of talk.

Faced with this, the US and European Union have lost interest in multilateral deals within WTO. They have opted for FTAs with a limited number of partners willing to strike deals containing the clauses vetoed in WTO by India and other countries. In FTAs, the US has been able to get free capital flows, tough patent laws and stiff environmental conditions that it would not be able to get in WTO. So to a lesser extent has the European Union.

Thus the world has shifted from multilateral deals (where all members agree to common conditions) to FTAs (where small groups extend mutual preferences, cutting out outsiders). India too has tried cutting deals with neighbours, but with few clear benefits, and some disadvantages. India has held preliminary talks on FTAs with the European Union and US, but these have run into serious headwinds.

Why? India is a more reluctant globalized than trade rivals. In WTO, India always opposed free capital flows, free foreign bidding for Indian government contracts, untrammelled investment rights for foreign investors, liberal patent laws and lowered protection for agriculture. It is reluctant to give way on these issues in FTAs with the US or Europe.

But rival developing countries with fewer inhibitions have entered into dozens of FTAs with such conditions. This has given them a trade edge over India, one reason why Indian exports have risen so slowly over the last three years despite massive currency depreciation.

The richest countries are now moving to create giant economic agreements of their own. These, along with existing FTAs, will cover most international trade. This will cut out China. It may also cut out India, seriously disadvantaging it.

To avoid this, India will have to dilute many historical concerns in order to strike serious bargains with the US and European Union. It also needs to make the multilateral WTO system more relevant by helping clinch the Doha Round by diluting its old positions. A lot of political will is required for this.

The TTP and ITTP will take years to be clinched. European and Japanese groups (notably farmers) fearing US competition will oppose these pacts. But the anti-China lobby will probably triumph. So, India must act to avoid potential isolation in global trade and investment.

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Row over export of fresh vegetables to Saudi Arabia
Dilip Kumar Jha, Business Standard

Mumbai, 9 November 2013: Saudi Arabia, the fifth-largest importer of fresh vegetables from India, has said pesticide residues in the commodity are higher than permissible levels. It has threatened to take strong action in the near future.

In an advisory to the Agricultural and Processed Food Products Export Development Authority (Apeda), the government of Saudi Arabia said high levels of pesticide residues were detected in two consignments of green chilli. "It has been brought to the notice of authorities of KSA (Kingdom of Saudi Arabia) that in some recent consignments of vegetables from India, there have been interceptions of higher than permissible levels of residues of pesticides. If the situation persists, the government of KSA will take strong action in the near future," the advisory said.

Saudi Arabia accounts for Rs 92 crore of annual imports of fresh vegetables from India. With Rs 284 crore of imports, Pakistan was the largest importer in 2012-13, followed by the UAE (Rs 255 crore) and the UK (Rs 151 crore). With Rs 143 crore of fresh vegetable imports, Nepal was fourth on the list.

“Volume is not a worry. The only worry is the action, as prescribed by the Saudi Arabian authorities. If they ban vegetable imports from India, other countries in West Asia may follow, impacting India's overall vegetables exports severely,” said Vinod Kaul, deputy general manager and head (horticulture), Apeda.

Though Saudi Arabian authorities haven't specified the permissible limit of pesticide residue, it is usually understood the specifications by the European Union are applicable. Specifications by Codex, as well as other global norms, are also understood to be applicable on fresh vegetable exports to Saudi Arabia.

In an advisory to exporters, Apeda has advised adherence to the import requirements of Saudi Arabia, adding products should be tested before exports. “As a region, West Asia is very important to us. We, therefore, do not want any strong action by Saudi Arabia, and its repercussion on other countries in the region. Hence, we have advised our members to test export oriented goods carefully before shipping," said Kaul.

West Asia accounts for about a third of India's overall fresh vegetable exports. In 2012-13, total exports of fresh vegetables stood at Rs 1,334 crore, a rise of 2.7 per cent compared with Rs 1,299 crore in 2011-12.

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Vegetable oils imports remain stable at about Rs 55,000 cr in 2012-13
PTI

New Delhi, 18 November 2013: India's vegetable oils imports remained stable at about Rs 55,000 crore in 2012-13 marketing year ended last month despite five per cent growth in volume as global prices softened, according to industry body SEA.

Vegetable oil import rose by 4.77 per cent at record 10.68 million tonnes during 2012-13 marketing year (November- October) against 10.19 million tonnes (MT) in previous year due to stagnant domestic production and rising consumption.

"We imported vegetable oils worth Rs 55,000 crore in 2012-13 oil year, which is similar to the previous year's level. Global rates were lower by 15 per cent, compensating increase in volume," Solvent Extractors' Association Executive Director B V Mehta told PTI.

India meets more than 50 per cent of their domestic demand through imports. Palm oil is being imported from Malaysia and Indonesia, while soyabean oil from Argentina and Brazil.

Edible oil imports rose to 10.39 MT in 2012-13 from 9.98 MT in the previous year. Imports of non-edible oils increased to 2,93,534 tonnes, from 2,11,098 tonnes, during the period under review.

Besides rising demand and stagnant domestic output, SEA attributed the rise in imports of vegetable oils to inverted duty structure by Indonesia and Malaysia that led to sharp jump in imports of refined palm oil.

Domestic production of vegetable oils was stagnant at 8.09 MT compared to 8.15 MT in previous year.

"Local consumption of edible oils further increased due to increase in per capita consumption (3 per cent) and population growth (1.76 per cent). Also lower price of vegetable oils boosted the consumption," the association had said in a statement last week.

Import of refined palmolein during April to October'13 jumped to over 1.6 million tonne compared to 7,50,000 tonne during the same period of last year.

"Import of edible oil has sharply increased and nearly doubled in six years due to stagnant oilseed production and rising demand. Refined RBD Palmolein tripled in last six years," SEA said.

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Soyameal exports up four-fold to 1.94 lt in October
PTI

New Delhi, 12 November 201: Soyameal exports have jumped nearly four-fold at 1.94 lakh tonne (lt) in October as crushing operations of soyabean started early in the current marketing year, according to industry data. "Export of soybean meal during October was 1.94 lt as compared to 0.51 lt in October 2012 showing an increase of 280.4%," Soyabean Processors' Association of India (SOPA) said in a statement.

SOPA spokesperson and co-ordinator Rajesh Agrawal attributed the sharp jump in soyameal exports to early start of crushing operations in 2013-14 marketing year that started last month.

Japan was the major importer last month with a quantity of 1.04 lt, followed by Iran.

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Guar gum halts dream run of farm exports as Basmati gains ground
Sandip Das, Financial Express

New Delhi, 11 November 2013: Exports of farm items, which grew more than five times in the six years to FY13, faster than the country's overall exports during the period, posted only 17% annual growth in the first half of this fiscal at Rs 66,387 crore, considerably slower than 40% growth registered in FY13 and 96% in FY12.

The significant decline in growth is largely due to a sharp negative growth in the export of guar gum, conventionally a major item in the country's agriculture exports basket, and the overall slowdown in exports in the initial months of the year.

Export of guar gum, which has seen robust demand from US-based oil exploration companies in recent years, fell 52% to Rs 7,218 crore in H1FY14 from the year-ago period.

What continues to drive "agricultural and processed food" exports are rice (basmati and non-basmati), meat products, wheat, fruits and vegetables. India's agricultural and processed foods exports rose 17% to Rs 66,387 crore during the first half of the current fiscal compared to same period last year.

In US dollar terms, Indian agricultural goods exports grew 9% to $11.3 billion in H1 this fiscal. The data excludes marine products and plantation crops like tea, coffee and tobacco.

As per latest data by Agricultural and Processed Food Products Exports Development Authority (APEDA), the biggest share of India's agricultural exports this fiscal has been of aromatic long-grained Basmati rice. The country earned more than Rs 14,118 crore in H1 from Basmati rice shipment, up 57% compared to the same period last fiscal, while in US dollar terms, Basmati exports grew 47%. India, the top Basmati rice exporter in the world, shipped aromatic rice worth more than Rs 17,000 crore in FY13. "Basmati rice exports to Iran have risen sharply in the past seven months of the current fiscal. This has pushed up shipment of Basmati rice from the country," said Vijay Setia, an exporter and former president of All India Rice Exporters' Association (AIREA). About 40% of India's basmati rice exports (in volume terms) go to Iran.

The shipment of non-Basmati rice rose by more than 39% to Rs 8,810 crore in the current fiscal. A commerce ministry official said rice exports have been rising steadily since the government lifted a four-year-long ban on non-Basmati rice exports in September 2011.

Official sources said the country realised close to Rs 30,000 crore during the last fiscal from rice exports, while it has already realised close Rs 23,000 crore in the first half of FY14.

Meat products exports also saw sharp rise of 56% to Rs 11,887 crore in H1 this fiscal. The realisation from wheat exports saw 56 % growth to Rs 5,681 crore in H1FY14. This was partly helped by a low base as a ban on wheat exports existed in the initial months of last year. Wheat exports last year stood at Rs 10,500 crore.

Other commodities that saw substantial increase in exports in the first two quarters include dairy products (Rs 1,634 crore), pulses (Rs 1,018 crore), fresh fruits (Rs 1,784 crore) and fresh vegetables (Rs 1,970 crore).

“Factors such as adhering to global quality standards, improvement in quality of packaging and transportation and devaluation of rupee against dollar contributed to rise in agricultural goods exports,” a commerce ministry official said.

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

Meanwhile, APEDA has identified 20-odd clusters located across the country for maintaining healthy growth in the country's food products exports in the future.

These clusters include Basmati rice (Haryana & Punjab), buffalo meat (western Uttar Pradesh), grape and grape wine (Nasik region, Maharashtra), pomegranate (Satara and Pune regions of Maharashtra), dehydrated onions and garlic (Gujarat), poultry or egg (Namakkal) and mango pulp (Uttar Pradesh and Maharashtra).

Fifteen countries, including Saudi Arabia, Iran, UAE, UK, Bangladesh and South Africa, account for more than 63% of India’s exports of fruits, vegetables and other agri-products.

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Sugar industry says exports crucial to reverse current bearish trend
Vishwanath Kulkarni, Business Line (The Hindu)

New Delhi, 10 November 2013: While the Food and Agriculture Organization (FAO) has struck a bullish note on sugar in its recent outlook, the Indian industry is striking a different note.

The industry feels that unless 3-4 million tonnes are shipped out of the country, sugar prices are unlikely to stabilise, reversing the downtrend.

FAO last week said that global sugar prices would rise in the coming days on unfavourable weather conditions impacting harvest in Brazil, the largest sugar producer.

Global Prices

“Sugar quotations increased by 9 per cent from July to October 2013. Although early in the season, the size of the production surplus remains uncertain, indications are that it will be much smaller than early estimates and not as large as the past two years. If these early assessments prove true as the season progresses, it will certainly lend some upward support to world sugar quotations," it said.

Global raw sugar prices averaged 19.31 cents a pound during January-June, down 20 per cent over the corresponding period a year ago. However, in September, prices averaged at around 17.4 cents a pound and rose to around 18.7 cents a pound in October.

FAO estimates the global sugar output for 2013-14 at 180.2 million tonnes, marginally higher than last year. It expects bulk of the growth in global output to come from developing countries, such as India, Thailand and Pakistan.

However, FAO said: "India's competitiveness on the international market is being constrained by rising production costs and falling world prices, which may limit further gains in world markets". It has pegged India's sugar output at 25.5 million tonnes for the 2013-14 season, while forecasting exports at 2.1 million tonnes.

Unviable Exports

The Indian industry has begun the 2013-14 season with a huge opening balance of 8.5 million tonnes, which is weighing on sugar prices that are in the bearish phase.

Mills are under pressure to liquidate stocks – that's resulting in excess market supplies dragging the price. "Exports are currently not viable from India, but sugar can be pushed out, provided there is some support from the Government, say, in terms of transport subsidy for both inland and oceanic freight," said Abinash Verma, Director-General of Indian Sugar Mills Association.

The Government had provided export subsidy in 2006-07 to ship out about 60 lakh tonnes of sugar. Mills in coastal areas then received a subsidy of Rs 1,350 a tonne, while those in the hinterland got Rs 1,450. "A subsidy of Rs 1,000-1,500 is good enough to help us export the surplus sugar," said Verma. Also, the Government could help millers by providing interest-free loans to tide over the current crisis.

Earlier, the Government had extended such interest-free loans in 2007-08 to an extent of Rs 3,500 crore. Sugar mills currently owe about close to Rs 4,000 crore to farmers for cane purchases made last year.

Crushing for the current season is yet to start, as mills are seeking clarity on cane pricing, while farmers are demanding a higher price for their produce. An estimated half a million tonne raw sugar from the new crop has already been contracted for exports, mainly from Maharashtra.

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Government cuts tariff on imported gold for 2nd straight day
PTI

New Delhi, 14 November 2013: Government today slashed the import tariff value on gold for the second straight day to $414 per 10 grams and silver to $672 per kg, in line with weak global prices of the precious metals.

The import tariff value, which is the base price at which the customs duty is determined to prevent under-invoicing, was revised downward for gold only yesterday.

According to the notification issued by the Central Board of Excise and Customs (CBEC), the tariff value on imported gold has been brought down to $414 per 10 grams from $417 per 10 grams yesterday. Similarly, the import tariff value on silver has been cut to $672 per kg from $738 per kg in the review period.

However, the tariff value has been hiked on imported brass scrap and some vegetable oils. The import tariff value on RBD palmolein has been raised to $960 per tonne from $899 per tonne that prevailed till yesterday, while crude soyabean oil to $1,023 per tonne from $1,006 per tonne. The tariff value has been changed because of volatility in global prices of these imported items.

In case of gold and silver, international prices are showing a declining trend with rates of yellow metal in the Singapore market ruling down at $1,289 an ounce. However, domestic gold prices closed at Rs 31,720 per 10 grams and silver at Rs 48,000 per kg in the national capital today.

India, the world's largest consumer of gold, imported 393.68 tonnes of the yellow metal during the April-September period of this year, as per official data.

The government has taken several steps to reduce gold imports, including hike in custom duties.

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Foreign tourist arrivals up 6% in October
Business Line (The Hindu)

New Delhi, 13 November 2013: Foreign tourist arrivals in October stood at 5.89 lakh, up 5.94 per cent from the year-ago period.

In October 2012, the country saw 5.56 lakh foreign tourists arriving, 0.6 per cent less than the year-ago number of 5.6 lakh, according to Tourism Ministry data. The number of international tourists who visited India in the year till October stood at 53.3 lakh, up 4 per cent from 51.24 lakh in the corresponding period last year. Foreign exchange earnings from tourism rose 4.40 per cent to Rs 8,513 crore last month, compared with Rs 8,154 crore in October 2012.

Last month, the number of visas issued on arrival grew 31 per cent to 1,911. These visas were issued for the nationals of 11 countries, with the highest for Japan, followed by New Zealand, the Philippines and Singapore.

The Government had launched the 'visa on arrival' scheme in January 2010 for tourists from five countries— Finland, Japan, Luxembourg, New Zealand and Singapore. In 2011, the scheme was extended to six more countries – Cambodia, Indonesia, Vietnam, the Philippines, Laos and Myanmar.

During the January-October period, the government had issued about 15,770 visas under this scheme, up 28.5 per cent compared with the same period last year.

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Foreign Banks India Ltd
The Hindu

7 November 2013: By promising a more liberal policy for opening branches in return for converting themselves into companies registered in India, the RBI has given foreign banks a chance to expand their

presence in the country even while subjecting them to greater regulatory oversight. Currently, foreign banks operate in India solely through branches of their parents incorporated in jurisdictions where Indian regulations have limited applicability. While that has given these banks greater leeway in terms of disclosure requirements or usage of funds — even to the extent of privileging home country depositors in any settlement claims — it has severely constricted their growth opportunities in India. The 334 branches of 43 international banks now account for just 3.9 per cent of the total deposits and 5.8 of outstanding advances and investments of all scheduled commercial banks in India. This has partly to do with the restrictions on branch expansion; the World Trade Organisation (WTO) rules oblige India to grant permits for only 12 new offices for foreign banks every year.

The RBI's new scheme for setting up wholly-owned subsidiaries (WOS) by foreign banks in India dangles a carrot by way of extending them "near national treatment" in opening new branches. As locally incorporated banks, the WOS will be allowed to establish offices anywhere in the country — barring certain "sensitive locations" — without having to seek the RBI's prior approval. While they would have to follow rules such as ensuring that at least a quarter of their new branches are in unbanked rural centres or meeting prescribed priority sector lending targets, these aren't very different from those imposed on other Indian banks. The stick is that the liberal branch licensing norms are conditional upon the banks bringing their entire operations in India under separate locally-incorporated WOS. If the banks choose to carry on business through the branch mode, their branch expansion would continue to be governed by India's commitments under the WTO framework.

The above carrot-and-stick approach policy makes sense, when major foreign banks are themselves keen on grabbing a bigger slice of the market for financial products in a $2 trillion (and growing) economy. Indian consumers stand to gain from their expanded operations and greater competition. But consumer interest will also be served by ring-fencing or making a clear delineation of their assets and liabilities from those of the foreign parents; especially important in the aftermath of the 2008 global financial crisis. Domestic incorporation of foreign banks can help contain the contagion effects from crises that originate elsewhere, for which the depositors here aren't responsible.

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Govt to Push for Exclusion of Electronics from FTAs
J Srikant, Economic Times

New Delhi, 13 November 2013: After refusing to participate in talks to allow more electronic merchandise to be traded dutyfree among WTO nations, India now wants to make sure no electronic hardware is included in future free trade agreements (FTAs) that the country signs.

The move forms part of a larger push by the government to encourage domestic manufacturing of electronic goods, which is slated to replace oil as the single biggest item on India's import bill by 2020."We will look at all future FTAs and push for the removal of all those electronic products which are not included in Information Technology Agreement list," said a senior government official.

The agreement that he referred to was first signed in 1996 allowing for certain preagreed list of electronic merchandise to be traded dutyfree between WTO member nations.

The US and Europe are now lobbying for expanding the list as they look to get better access to emerging markets like India."Allowing import of more electronic products under FTAs will be detrimental to domestic manufacturing and will defeat the whole purpose of India not joining the ITA expansion talks," he added.

India is currently engaged in some 22 trade negotiations including India-Australia Joint FTA, a Framework Agreement with Thailand, Comprehensive Economic Cooperation Agreement with Indonesia and a few other with countries such as Mongolia, Maldives and New Zealand.

The country has 19 trade agreements in place already.

Some industry associations in the country welcomed the government stand.

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Beware the peace clause
Ashok Gulati and Anwar ul Hoda, Financial Express

11 November 2013: A 'peace clause' proposal on agricultural subsidies by developing countries is on the agenda of the Bali Ministerial Meeting of the WTO being held from December 3-6. The G33, which is a coalition of 46 developing countries including India, China, and Indonesia, had submitted a proposal asking for exemption of purchases from low-income and resource-poor farmers for public stockholding of grains for food security needs, even when these purchases were at a price higher than the fixed external reference price (ERP) committed by members in the WTO Agreement on Agriculture (AoA).

AoA envisages a reduction in the levels of domestic subsidies (the aggregate measurement of support or AMS) of the members from the levels notified by them for the period 1986-88. For those members whose subsidies' level was less than the de minimis level of 10% of the value of agricultural production, on both product-specific and non-product-specific basis, there is a requirement not to exceed this limit. The G33 proposal implies, in effect, that these purchases are not to be counted for determining whether the 10% limit on product-specific subsidies is being adhered to.

The developed countries' response to the proposal was initially negative, but they softened when the G33 made it known that without a movement on the public-stockholding-for-food-security proposal, no progress could be expected on the key proposal on trade facilitation, being given high priority by the developed countries. The developed countries are now willing to engage in negotiations on the proposal, and in the meantime they have offered a 'peace clause', whereby they will not raise any dispute if any developing countries appear to be in breach of the commitment on domestic subsidies.

Why is the G33 asking for an exemption of support for public-stockholding of grains? Perhaps there is a fear that very soon individual developing countries will breach the de minimis level of 10% of the AMS because of annual increases in the minimum support price (MSP). What is the reality in this regard, and what could be the alternative and, perhaps, better options that India could pursue to deal with this problem?

In the case of product-specific support, the AoA stipulates that the subsidy in a particular year is to be estimated on the basis of the difference between the administered price (MSP) and the fixed external reference price (ERP, 1986-88) notified by each member at the outset and incorporated in the original schedule. The fixed external reference price was the unit price of actual imports in an importing country and of actual exports in an exporting country. Price support in India exists primarily for wheat and rice, as it is only in these commodities that there are procurement operations on a regular basis. In the original schedule, India had notified its ERP in rupee, while in subsequent notifications it changed the currency to dollar. The WTO Agreement mandates that for determining whether the member concerned is abiding by its commitments, the constituent data and methodology of the original notification must be used. This implies that for the estimation of the current level of subsidies (current AMS), the same currency must be used as in the original notification.

Separately, another article (Article 18.4) of the Agreement provides that in the review of the implementation of the commitments “members shall give due consideration to the influence of excessive rates of inflation on the ability of any member to abide by its domestic support commitments”.

In a recent paper on India’s Agricultural Trade Policies and Sustainable Development Goals, (ICTSD, September, 2013), we estimated that in 2010-11, the MSP of rice and wheat was below the inflation-adjusted ERP and the cushion of 10% provided by the WTO Agreement was not used at all. It is true that the rules require members to give ‘due consideration’ and there may be questions on what is ‘excessive rates of inflation’. But the important point that is raised is whether, for India at least, there is any basis for taking a prima facie view that the country may have breached the WTO commitments. And if that is not the case, then where is the need of a ‘peace clause’?

There is a structural flaw in the AoA in as much as it gives the freedom to those members who have notified high levels of subsidies in agriculture to continue to subsidise up to the notified level. On the other hand, countries like India, which had lower level of subsidies, are constrained by the 10% limit. Considering the unprecedented increase in international food prices, it is unimaginable that a WTO member can be put under an obligation to offer price support at the nominal prices prevailing in 1986-88. Also, in interpreting “due consideration” envisaged in Article 18.4, we see no reason to allow less than full adjustment for the high rates of inflation. Considering all these aspects, one cannot conclude that any member is already or is likely to be in breach of its obligations, and for this reason the talk of a ‘peace clause’ is premature.

In the discussions on the subject, the developed countries have taken the view that the developing countries must first notify their product-specific support and then the Committee on Agriculture will take a view on whether the inflation is excessive and what is ‘due consideration’. There cannot be two opinions that developing countries must fulfil their transparency obligation by making notifications in time. However, to say that the Committee will take a decision on a case-by-case basis is the antithesis of the rule-based trading system embodied in the WTO Agreement.

The Committee must decide in advance what should be considered as ‘excessive rates of inflation’ and how much allowance should be given for it while taking a view on the notifications of current levels of subsidy. This is the crux of the issue and it is on this that G33 must concentrate.

For India, irrespective of these negotiations, there is also a need to think about policy instruments that can serve the cause of food security for the poor with minimal trade distortions. And the best way to do that is through income support to the poor; say, conditional cash transfers, which are discussed in detail in our paper mentioned above. That would make the discussions on ‘peace clause’ irrelevant.

Gulati is chairman, CACP, and Hoda is the chair professor of ICRIER’s Trade Policy and WTO Research Programme. Views are personal

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WTO: India hardens stance on food subsidies to protect farmers
Amiti Sen, Business Line (The Hindu)

14 November 2013: Says ‘peace clause’ should not come with time limit India has decided to harden its stance at the World Trade Organization to protect its food subsidies against penalties.

It now insists that the 'peace clause' offered by rich countries, allowing it to protect its farm subsidies for a short period, should not come with a time limit. Instead it should extend till WTO rules are amended to permit higher subsidy levels, a Commerce Ministry official told Business Line.

"By insisting that the peace clause should continue till WTO rules are amended we have ensured that developed countries do not go back on their word once they have got what they want in trade facilitation at the forthcoming Bali Ministerial meet," the official said.

The WTO rules allow a member to give farm subsidies up to 10 per cent of total value of agriculture production which India might breach soon after full implementation of its Food Security legislation.

New Delhi's decision not to settle for a 2-3 years peace clause could make it more difficult for WTO members to reach an agreement on a small package of trade issues at the meeting of Trade Ministers in Bali early next month, as there is not much convergence in other identified areas as well.

Developing countries

India is negotiating with developed country members on the issue of food subsidies as part of the G-33 group of developing countries that support a large number of poor farmers.

WTO members are trying to reach an agreement in Bali on a handful of issues that include agriculture subsidies, trade facilitation by ensuring smooth movement of goods across borders and certain matters that would benefit Least Developed Countries such as elimination of cotton subsidies. The limited pact is aimed at giving a much needed boost to the languishing Doha Round of trade negotiations launched way back in November 2001.

While WTO Director General Roberto Azevedo, on Tuesday, painted a gloomy picture of what lay ahead and appealed to all members to make a last-ditch attempt to make the Bali Ministerial a success, New Delhi is firm on protecting the interests of its farmers.

Last month, India had tentatively agreed to a 'peace clause' offered by rich countries which laid down that no action will be taken against members for breaching subsidy limits for a given period. But, it came without a guarantee that WTO rules would be amended in a specified period drawing criticism from several quarters.

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Food subsidies need protection from coercive WTO rules: Sharma
Puja Mehra, The Hindu

21 November 2013: Unless India's minimum support prices for farmers and food subsidies are safeguarded against the rules of the World Trade Organisation, the Ninth WTO Ministerial scheduled for next month in Bali could fail, Commerce and Industry Minister Anand Sharma has warned.

Mr. Sharma told WTO Director-General Roberto Azevedo on the phone on Tuesday that an outcome in Bali that addressed only the proposals of the developed countries would not be acceptable to India, according to sources in the government.

The Minister has sought an urgent meeting of the Cabinet Committee on WTO as the country's administered MSP was at "serious risk of breaching" the WTO's permissible subsidy levels. "Our estimation shows that India will exceed de minimis," top Commerce Ministry officials told *The Hindu*.

Over the past weeks, India was locked in hectic negotiations in Geneva with the rich countries to find a way to permanently safeguard its food security and food subsidies from WTO disciplines. One of the most fiercely contested proposals in the Bali package is the one on permissible levels of subsidies in agriculture.

India has not managed to have its preferred position included in the draft for Bali. Proposed amendments will be reviewed on the morning of December 5, after which the final text will be submitted for the Ministerial.

Though the draft did not offer a permanent solution, it did propose a peace clause that offered India a breathing space on its MSP and food procurement programme until the 11th Ministerial, the officials said adding that the clause provided that no country would be able to initiate action against another that was in breach of the WTO caps.

"The peace clause averts the possibility of India's food security law running foul of the WTO's Agreement on Agriculture but not against the Agreement on Subsidies and Countervailing Measures for which negotiations are going on in Geneva," an official said.

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Azevêdo Extends WTO Negotiating Deadline in Bid to Secure Bali Deal
Bridges Weekly Trade News Digest

14 November 2013: Negotiators in Geneva have just a few days left to finish putting together a "Bali package" ahead of next month's WTO ministerial conference, after Director-General Roberto Azevêdo announced on Tuesday that he would be extending their original 12 November deadline.

The trade chief was originally expected to announce at Tuesday's meeting of the Trade Negotiations Committee (TNC) whether a deal in Bali would actually be achievable. While members are far closer to a deal than they were a few months ago, Azevêdo confirmed this week, they are still toeing a dangerously fine line between success and failure, with the outcome of the past two months of negotiating too close to call.

"It was my sincere hope that by today I would be in a position to tell you that, although we have some difficulties ahead, we are in pretty good shape," he said. "But I do not think I can tell you that."

Instead, the Director-General announced that he would be giving negotiators an additional few days to sort out their differences, which traverse all three areas of the proposed Bali package - trade facilitation, agriculture, and development. The upcoming week, he said, will be a "last-ditch" effort to rescue the talks before the organisation's ministerial conference kicks off on 3 December.

"If we insist on today's hard deadline then, at this point, we don't have a package," Azevêdo said in announcing the extension. "However, I do not believe that that is what members want."

Sources say that meetings over the next few days are likely to take place in a range of configurations, from the recent "Room W" meetings of ambassadors led by the Director-General to informal TNC gatherings and small group consultations.

A meeting of the WTO's General Council, which is the organisation's highest decision-making body outside of the ministerial conference, has now been set for 21 November, at which point it should be clear whether or not Geneva-based officials will have a package to transmit to their ministers. A formal TNC is likely to be held before then, in line with WTO procedures.

Race to the finish

The Bali ministerial comes as the organisation faces growing questions over its role, in a changing trade climate where preferential agreements - such as the Trans-Pacific Partnership or the Trans-Atlantic Trade and Investment Partnership - have been increasingly capturing the limelight. Should a deal be confirmed for Bali, it would mark the first major advance in the Doha Round negotiations in several years.

The Bali package, as proposed, includes a small subset of the Doha agenda. Its key feature would be an agreement on trade facilitation, a topic that was formally added to the Doha negotiating mandate in 2004. The proposed Bali deal would also include select elements relating to agriculture, along with a few issues of relevance to the organisation's developing and least developed country members.

As the December meeting has drawn closer, however, difficulties have emerged, leading the so-called "Bali package" to be slowly whittled down over the past few months as negotiators try to put together a "realistic" - though potentially less ambitious - outcome. Proposals relating to special and differential treatment (S&DT), such as the "Cancun-28″ and six Agreement-specific S&DT proposals, were eventually dropped from the proposed deal. Meanwhile, other topics that initially looked easily resolved have met with unexpected hurdles, while long-standing disagreements in other areas have proven difficult to overcome.

WTO members and the Director-General alike have stressed that Bali cannot be a "negotiating ministerial," and that all outstanding issues must be resolved in Geneva, leaving only political topics for the December conference.

"Let me be clear: we cannot work right up until the wire," the trade chief said on Tuesday. "The duration of the flight [to Bali] would be enough time for positions to become entrenched. It would be the surest way to kill this agreement."

Customs cooperation "closed," though broader TF difficulties remain

Negotiators have been working late into the evening, and through weekends, in an effort to reduce the myriad brackets remaining in the trade facilitation (TF) draft text, which has been billed as the pinnacle of the Bali package. Some of those efforts, sources say, have lately paid dividends, with members able to close the controversial issue of customs cooperation early this week.

Customs cooperation involves how to exchange information between importing and exporting authorities of member countries, in order to address fraud. The topic has been difficult because of concerns such as how to handle the increased volume of requests for such data. Given its sensitive nature, it has lately been treated as its own "pillar," even though it falls under the broader "Section I" heading of the trade facilitation draft text.

"It is not perfect, but the core of an agreement is there," Azevêdo said on Monday in announcing the result. "This achievement is all the more notable for the fact that it was achieved so quickly."

Various other hurdles remain in Section I, he added, though Section II - which deals with implementation flexibilities for developing countries - remains the "hardest nut to crack."

Developing countries have long said that they need definite assurances that they will receive the support needed to implement some of the new commitments being negotiated in Section I. Otherwise, they say, putting these into practice could prove both difficult and costly.

Developed countries, meanwhile, have stressed that Section I commitments must be binding in order for the deal to provide the hoped-for increases in trade flows.

A proposal by the ACP Group - the coalition representing African, Caribbean, and Pacific countries - on technical assistance is one of the topics that has been under discussion as a possible solution to the Section II standoff. Sources say that the proposal involves establishing an expert panel that would look at situations where technical assistance has been provided, in order to evaluate claims that more is needed in order for a country to meet its TF commitments.

Agriculture

The agriculture dimension of the Bali package involves three proposals: two from the G-20 coalition of developing countries, and one from a separate developing country group known as the G-33.

With regards to the G-33 proposal, which deals with allowing food purchases at administered prices in developing countries as part of public stockholding programmes, members have spent the last several weeks fine-tuning the details of a so-called "peace clause." This legal mechanism would commit members to not bring legal disputes in this area against countries that wish to use the above-mentioned flexibility.

Though there has been a level of "constructive engagement" in recent discussions, Azevêdo said, questions remain over how long this "interim solution" will be in place and what safeguards other countries would be able to use in order to protect their own producers from trade distortions. A term of four years has been discussed by members, while others insist that this is too long, sources close to the talks told Bridges.

However, the G-20 proposal on how members manage their tariff rate quotas (TRQs) - which are used by some countries to charge higher tariffs on goods being imported after an initial quota has been filled - is "a different story," Azevêdo reported.

The TRQ proposal had initially been welcomed as one of the more "calibrated" agriculture proposals on the table. Since then, a stand-off between the US and China has emerged on the special and differential treatment (S&DT) provisions for developing countries outlined in this proposal, specifically on how reforms will be enforced.

"China fully respects the sensitivity of other members on their red lines," China's deputy international trade representative Yu Jianhu said on Tuesday, according to a copy of his statement seen by Bridges. "We hope all others do the same to China. The text of the S&D provision on TRQ should not be reopened for negotiation."

Members remain divided on the ambition sought by the G-20 in a proposal on export competition. The group has called for an elimination of export subsidies as envisioned in earlier Doha Round documents, while those providing the payments insist that these need to be dealt with as part of a broader trade deal.

Development issues

Development-related issues involving the organisation’s poorest members are “progressing well,” Azevêdo said on Tuesday. The Director-General had reported last month that convergence had emerged on two draft decisions regarding least developed countries (LDCs), specifically on how to “operationalise” the services waiver agreed at the previous ministerial conference in 2011, and on rules-of-origin.

Despite these advances, discussions on the C-4 cotton proposal are reportedly still ongoing, sources say, while the impasse on duty-free quota-free market access remains. Negotiations have also continued on the Monitoring Mechanism, Azevêdo said, with only one or two paragraphs still left outstanding. The Mechanism, if agreed, would review the functioning of provisions in WTO rules for S&DT treatment in favour of developing countries and potentially suggest improvements.

Some delegates have cautioned privately, however, that whether the Mechanism will ultimately make it into the Bali package is still unclear, with some raising the possibility of it being treated instead post-ministerial, along with some of the other S&DT issues that did not make it into the package.

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