INDIA'S TRADE NEWS AND VIEWS

9 May to 23 May 2013

[Exports rise in April, but gold imports widen trade deficit]
India's goods exports grew for the fourth straight month in April at 1.68 per cent to $24.16 billion, but gold imports more than doubled during the month widening the trade deficit...

[India's net services exports recover in second half of FY13]
India's net services exports recovered in the second half of the year ended 31 March from a contraction in the first six months to grow by 20.4% in 2012-13 …

[Exporters bet on better FY14]
There is optimism on export growth this year among those involved in the trade and experts are betting on a revival in demand in some of the newer markets and the older ones…

[MEA to draw a road map to attract more investments]
In an effort to push export promotion activities and help the country to arrest export slowdown, the MEA is going to draw a roadmap for Indian Missions abroad …

[Shot in the arm: Loans to exporters to be treated as priority sector lending]
In a boost for the struggling export sector that has been demanding access to cheaper credit, the finance ministry has decided to back an RBI panel's suggestion…

[Free trade pacts under review: Minister]
India is reviewing some of the existing Free Trade Agreements with other nations in an attempt to measure their impact on the country's trade…

[India takes up issue of growing trade deficit with Japan]
India has raised concerns with Japan over rising trade deficit with the country following implementation of the bilateral comprehensive economic partnership agreement (CEPA) about two years ago…

[Indo-Pak Free Trade Agreement: Govt seeks fresh road map from Pakistan]
Reacting with alacrity to the change of guard in Pakistan, India has urged the establishment there to take forward the Indo-Pak Free Trade Agreement…

[India-EU FTA talks fail to bridge gaps]
In a setback to talks for the long-pending India-EU free trade agreement (FTA), the chief negotiators' meet today failed to bridge "substantial gaps" on crucial issues…

[Data adequacy grant to India non-negotiable, says EU envoy]
Even as India is pushing hard to obtain the coveted Data Adequacy status from the EU under the ongoing talks for a bilateral trade deal, the 27-nation bloc has clearly stated it will not in any way negotiate…

[India, China fail to break fresh ground on trade]
After years of inaction, China got New Delhi to reopen the issue of a regional trade agreement, while promising to take steps to make the terms of trade more favourable for India…

[Our Chinese menu keeps growing]
Even as new Chinese Premier Li Keqiang is visiting for the first time since taking over the present portfolio, old problems continue to plague Indo-Chinese bilateral trade relations…

[India wants China to walk the talk on export pacts]
Commerce Secretary SR Rao will lead a group of senior officials for a three-day visit to China from May 27 to work on the specifics of the recent memoranda of understanding signed…

[Wasted opportunity: Year after Beijing lifts ban, Basmati exports yet to resume]
More than a year after China gave its nod to the import of Basmati rice from India, the export of the long-grained, aromatic rice has not yet commenced…

Food, agri export rejections cross 800 cases over five years

Over 800 cases have emerged of agricultural products and processed foods shipped from India being rejected in the last five years…

Coir exports to 112 countries reach all-time high of Rs1,116 cr in 2012-13

Coir exports from the nation during the last fiscal touched a record high of R1,116.02 crore despite reversals in the share of traditional items…

Govt imposes import duty on steel, aluminium, brass scraps

The government has imposed 2.5% import duty on various types of scraps - melting steel, stainless steel and aluminium scraps, and has withdrawn exemption of special additional customs duty on brass…

National Security Council backs go-local policy on telecom gear

The National Security Council has backed the Department of Telecom's proposed policy to encourage local manufacturing of telecom gear against the backdrop security concerns…

US bill on H1-B clears first hurdle

The US immigration bill that intends to restrict H-1B visa-dependent Indian IT firms' ability to hire more foreign workers, including people from India, crossed a key hurdle …

India worried over WTO's verdict on Ontario solar case

The WTO's recent ruling against Ontario's domestic content requirements for renewable energy projects is setback for India, which is defending a similar case filed against it by the US…

India wants copyright laws eased for visually impaired

Home to one-fourth of the world's visually-challenged persons, India will play a key role in negotiating a historic international treaty next month…

India under pressure at WTO to phase out textile export sops

Pressure is mounting on India at the World Trade Organisation (WTO) to pare subsidies and incentives given to its textiles sector…

India Seeks Change In Food Subsidy

The proposed food security law may attract penal action at the WTO for a possible breach of the subsidy cap allowed under these rules, prompting the government to seek an amendment to the norms…

More food for 'multilateral' thought

The agenda for the Bali Ministerial meeting of the World Trade Organisation (WTO) is warming up…

A tightrope walk ahead for WTO head Roberto Azevedo

Brazilian Roberto Azevedo's election as head of the World Trade Organisation (WTO) is an important victory for the developing world and the BRICS that have championed their cause…

UN chief picks ex-Kenyan minister to head UNCTAD

UN Secretary General Ban Ki-moon has nominated former Kenyan trade minister Mukhisa Kituyi to head the UN Conference on Trade and Development (UNCTAD)…

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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 rise in April, but gold imports widen trade deficit
Amiti Sen, Business Line (The Hindu)

New Delhi, 13 May 2013: India's goods exports grew for the fourth straight month in April at 1.68 per cent to $24.16 billion, but gold imports more than doubled during the month widening the trade deficit.

"The sharp rise in gold imports was not expected. Fall in gold prices could account for some increase in imports as it neutralises the increase in import duties, but it cannot explain such strong growth. The Government is doing something about it," Director-General of Foreign Trade Anup Pujari said addressing a press conference on Monday.

Gold imports during the month rose 138 per cent to $7.5 billion from $3.1 billion in April 2012.
With an improvement in the US economy and rise in exports to new markets such as Latin America, Africa and CIS, the Commerce Department has set an export target of $325 billion for 2013-14 which will be about eight per cent higher than $300.6 billion in 2012-13.

Exports last year had declined 1.6 per cent as a slowdown in the European economy had shrunk demand. Imports increased by a marginal 0.44 per cent to $491.48 billion creating a trade deficit of $190.91 billion.

While exports had bounced back into positive territory in January this year, the growth decelerated a bit in April. Items that contributed to rise in exports in April, albeit marginal, include gems & jewellery, rice, ready made garments, cotton and marine products.

Engineering goods, which is one of the top export items, posted a decline of 8.6 per cent.

"The export incentives announced last month will start showing results in some time," said Commerce Secretary S.R. Rao.

Imports during April increased 10.96 per cent to $41.95 billion, while trade deficit increased 21 per cent to $17.78 billion. "We are concerned about the growing trade deficit and the Government will come up with steps to contain it," Rao said.

He said that gold imports in future would also depend on how the economy shapes up and whether people find better investment avenues or not.

Increase in imports was also posted in metals & scrap, organic & inorganic chemicals, wood & wood products and non-ferrous metal.

[Back to top]

India's net services exports recover in second half of FY13
Asit Ranjan Mishra, Livemint

16 May 2013: India's net services exports recovered in the second half of the year ended 31 March from a contraction in the first six months to grow by 20.4% in 2012-13, easing the pressure on the country's record current account deficit.

Rising gold imports largely increased the current account deficit to 6.7% of gross domestic product (GDP) in the quarter ended December.

The deficit may moderate to 4.7% of GDP in 2013-14 from a projected 5.1% in the previous year, the Prime Minister's economic advisory council has predicted, advocating measures to encourage capital inflows to finance around $100 billion of the gap in the current fiscal year.

In the months between April and September, net services exports contracted 1.1% to $28 billion, with slower growth in exports and rise in imports. Net services exports, however, jumped by 45.4% to $34.9 billion in the second half between October and March.

The improving services exports will help in bridging the trade deficit gap, according to Crisil chief economist D.K. Joshi.

A surplus on account of India's services exports has been a cushioning factor for financing a large part of the merchandise trade deficit in recent years. During 2006-07 to 2011-12, surplus in services exports on average financed around 38% of merchandise trade deficit.

However, with a record $191 billion merchandise trade deficit in 2012-13, net services exports of $63 billion will be able to finance 33.8% of the trade deficit. In 2011-12, net services exports financed only 30.1% of the $183.3 billion trade deficit.

With merchandise exports picking up, softening gold and crude oil prices, Joshi said the current account deficit is expected to be around 4.5% of GDP in 2013-14, adding that financing of this level of shortfall will not be a problem with global risks reducing and central banks infusing additional liquidity into the system.

India's services exports expanded at 4.7% to $143.5 billion in 2012-13 compared to a contraction of 1.76% in merchandise exports to $300.6 billion. Services imports contracted 1.7% to $80.5 billion in the financial year ended 31 March, while merchandise imports marginally increased by 0.44% to $491.5 billion.

Merchandise trade data released by the commerce ministry showed export growth slowed to 1.68% in April after growing 6.97% in March while imports grew 10.96%, the highest in more than a year. The ministry has set an export target of $325 billion for the current fiscal year against $300.6 billion achieved in the previous year. The commerce ministry announced a series of fiscal measures in the annual supplement to the trade policy released in April to boost exports, which is expected to have a positive impact starting May.

India's services exports range from information technology (IT) to services provided by Indian doctors and nurses abroad. RBI's classification of service exports includes transport, travel, construction, insurance and pensions, financial services, telecommunications, computer and information services, and personal, cultural and recreational services. In terms of size, software is a key category, accounting for 43.7% of the total services exports in 2011-12.

The finance ministry's annual economic survey presented just before the budget said downward risks to export of services persist as global economic conditions remain less conducive. Researcher Gartner Inc. has projected that worldwide IT spending will increase by 4.2% in 2013 to $3.73 trillion.

[Back to top]

Exporters bet on better FY14
Nayanima Basu & Indivjal Dhasmana, Business Standard

New Delhi, 10 May 2013: There is optimism on export growth this year among those involved in the trade and experts are betting on a revival in demand in some of the newer markets and the older ones.

The government is projecting a 10 per cent growth after the unsatisfactory performance in 2012-13 but quite a few exporters are less conservative. In FY13, exports fell 4.4 per cent to $300.6 billion, pulled down mainly by engineering goods, manmade textiles and apparel. There is hope on these fronts this year.

“North America is recovering," said A Sakthivel, chairman, Apparel Export Promotion Council. “Our order book positions are better and we are receiving positive feedback of US economic revival, the biggest destination for Indian clothing exports. In the case of the EU (European Union), we are keeping our figure crossed, as recovery is very slow, especially in the 17 countries of the Euro zone. We are exploring new markets, trying to penetrate where India has signed Free Trade Agreements (FTA) and Preferential Trade Agreements, as these markets give us duty-free access.”

Last month, while announcing the stimulus package for exporters in the annual supplement to the Foreign Trade Policy 2009-2014, commerce secretary S R Rao had said exports might rise by 10 per cent in FY14 over FY13. However, exporters are confident of a rise of 20-25 per cent, at $360-365 bn.

“This would be because of change in the direction of trade,” averred Ajay Sahai, director general, Federation of Indian Export Organisations. “We have reduced our dependence on Europe over the years, a part of the globe which is struggling to revive. Besides, the US is improving. Also, our recently signed CEPA (Comprehensive Economic Partnership Agreements) and FTAs will help.”

In the March quarter of 2012-13, exports registered positive month-on-month growth for those three months, rising 0.8 per cent, 4.2 per cent and seven per cent, respectively, after outbound shipment had contracted for eight months in a row. According to the Prime Minister’s Economic Advisory Council, exports should continue this positive run in FY14, due to a rise in export of gems and jewellery, pharmaceuticals, chemicals and agricultural products. It did warn, though, that this was not certain. Besides, the PMEAC notes, exports from India are undergoing a shift in terms of destination, expected to support the positive growth outlook. Some of the significant changes are a decline in the share of Europe to less than 18 per cent (April-January 2013) from 21 per cent in 2006-07 and North America to 9.2 per cent during April-January 2013 from 11 per cent in 2006-07. The share of Africa increased to 17 per cent (April-January 2013) from 14 per cent in 2006-07; Latin America grew from three per cent to five per cent.

“The traction this year is definitely going to come from the newer markets. I think the target of 10 per cent is slightly aggressive. We feel exports this fiscal will increase within the range of three to five per cent and traction is going to come from the US and, to some extent, the Euro zone,” said Jyotinder Kaur, economist, Housing Development Finance Corporation. “The trade balance situation still looks grim but considering the narrowing of the gold and fuel import bill, we expect it to be around 10 per cent of the GDP.”

According to rating agency CRISIL, exports should recover slightly on account of the measures announced by the government last year under the Foreign Trade Policy, coupled with an improved global economic outlook.

[Back to top]

MEA to draw a road map to attract more investments
Huma Siddiqui, The Indian Express

New Delhi, 17 May 2013:In an effort to push export promotion activities and help the country to arrest export slowdown, the MEA is going to draw a roadmap for Indian Missions abroad in the identified core areas of export and investment so that all export promotion activities have a certain focus and are result oriented.

"This is part of the ministry's outreach programme—to be in constant touch with the industry chambers and to identify the core sectors so that all export promotion activities have a certain focus and are result oriented," a senior MEA officer told FE.

India's exports declined by 1.76 % to $ 300.6 billion in 2012-13. Trade deficit during the fiscal touched an all time high of $ 190.91 billion.

"The focus is now on regions like Latin America, Africa and emerging markets. The Indian missions abroad have always supported industry chambers. In this meeting we decided to now start focusing on specific products and countries, and attempt to expand our export market."

A delegation from the MEA led by Pinak Ranjan Chakravarty, Secretary (Economic Relations) had a meeting with apex business chambers including FICCI, CII, ASSOCHAM and PHD Chamber and representatives of 26 Export Promotion Councils (EPC).

It was agreed that regular meetings on investments, exports and sectoral issues would be held by the MEA so that these interactions are dynamic and lead to substantial outcomes.

"This meeting follows an earlier meeting chaired by foreign secretary Ranjan Mathai, wherein it had been decided that regular meetings would be held with the business chambers and other entities to identify focus areas for trade and investments."

According to MEA, "Providing market intelligence was one area in which missions' assistance was found useful and this could be further strengthened. The possibility of investment promotion and business development in the two key sectors of pharmaceuticals and electronics was discussed."

The meeting tried to identify the possible thrust regions and products for undertaking export promotion activities. EPCs gave recommendations and suggestions on the kind of activities which could be carried out by the missions. Providing market intelligence was one area in which missions' assistance was found useful and this could be further strengthened.

The possibility of investment promotion and business development in the two key sectors of pharmaceuticals and electronics was discussed. In this context, the main features and incentives under the National Manufacturing Policy and the National Electronics Policy were also outlined.

The EPCs identified certain areas and countries, which in their view, could be concentrated upon for market expansion activities. These included markets of Latin America, Eastern Europe, East Asia and South East Asia. And indicated some of the problems being faced by them in different sectors. The participants were assured that their suggestions would be looked into and conveyed to Indian missions abroad, where necessary.

[Back to top]

Shot in the arm: Loans to exporters to be treated as priority sector lending
Arun S, The Financial Express

New Delhi, 17 May 2013: In a boost for the struggling export sector that has been demanding access to cheaper credit, the finance ministry has decided to back an RBI panel's suggestion that all loans to exporters be treated as priority sector lending.

The finance ministry will shortly send its comments to the RBI, supporting all recommendations of the panel to ensure that exporters get easier access to credit at lower rates to improve their global competitiveness, a senior ministry official told FE.

An RBI technical committee had suggested in its report last month that export credit should be included in the priority sector lending for all commercial banks for 3-5 years subject to periodic review.

The panel had also called for introduction of a sub-target of 8% of the Aggregate Net Bank Credit (ANBC) or credit equivalent amount of off-balance sheet exposure, whichever is higher for exports. Besides, it said that in order to encourage flow of credit to MSME sector, the RBI should look into the feasibility of fixing a suitable sub-target. Alternatively, the committee also suggested inclusion of 'export credit' as an eligible sector for deployment of 50% of the respective bank's shortfall in priority sector, automatically allocated to export credit in the subsequent year, with the balance shortfall continue to be deployed in Rural Infrastructure Development Fund.

Currently, export credit is not a separate category in the total priority sector lending target of 40% of ANBC or credit equivalent amount of Off-Balance Sheet Exposure (whichever is higher) for all commercial banks. However, export credit to eligible activities under agriculture and MSME is considered for priority sector lending under those two categories.

According to the Economic Survey 2012-13, export credit — as a per cent of net bank credit — fell drastically from 9.8% as on March 24, 2000, to just 3.7% as on November 30, 2012.

The panel had pointed out that export credit was taken out of the purview of priority sector advances (PSA) for foreign banks with 20 branches and above, while for such banks with less than 20 branches, lending to export sector continue to be part of PSA (without any specific sub-target for exports).

It wants these banks to achieve the revised targets (32% of ANBC for foreign banks with less than 20 branches and 40% for banks with 20 or more branches) and sub-targets (of 8% of ANBC or credit equivalent amount of Off-balance Sheet Exposure) within five years from April 1, 2013. The panel observed that as on March 31, 2011 and 2012, ten and five foreign banks, respectively, did not achieve 12% target in respect of export credit (Within PSA , 12 % credit had to go to export sector).

In a bid to give certainty in availability of funds to the banks for managing their asset-liability positions as well as to build confidence among exporters, the ministry is also supportive of the RBI panel's recommendation of continuing for the next three years the facility of 50% of the outstanding export credit being eligible for refinance under the export credit refinance policy.

The government also favours the implementation of the panel's suggestion to extend the dollar-swap facility that banks have with the central bank for three more years with annual rollover.

[Back to top]

Free trade pacts under review: Minister
Business Line (The Hindu)

Hyderabad, 13 May 2013: India is reviewing some of the existing Free Trade Agreements with other nations in an attempt to measure their impact on the country's trade, said Union Minister of State for Commerce and Industry D. Purandeswari.

"We have not set any time frame to complete these reviews. The basic objective is to determine if there are any hurdles and what inputs need to be introduced for further trade growth," she told press persons on the sidelines of a seminar on Export Growth in Andhra Pradesh here today.

She said the reviewing of the FTAs would also help India in the on-going negotiations for new agreements with some of the emerging markets. “We are now sharpening focus on emerging markets for exports, with the traditional markets in the US and Europe still to recover to the desired level,” the Minister said.

Export target

Ajay Sahai, Director-General and CEO of Federation of Indian Export Organisations, said India’s exports were expected to grow at a higher level of 10-15 per cent in the current fiscal.

Export growth was marginal last fiscal, with the turnover touching $300 billion.

State-wise studies

The organisation has initiated a move to take up detailed studies of every State regarding their export markets, potential, products and competition.

It has started with Andhra Pradesh and the study is likely to be completed by September. This will be followed up with Uttar Pradesh, Madhya Pradesh and Jharkhand next year.

“The studies will elaborately cover the export potential of the State, the types of products that can be exported, the trade and non-trade barriers and competition from other countries,” Sahai said.

The Andhra Pradesh Minister for Major Industries and Export Promotion J. Geeta Reddy said the State was working on a new export policy to drive exports, especially in value-added products in the engineering, pharma and food processing sectors.

She said the State climbed to third place in exports, with a growth of 31.47 per cent in the last seven years.

[Back to top]

India takes up issue of growing trade deficit with Japan
Business Line (The Hindu)

New Delhi, 17 May 2013: India has raised concerns with Japan over the rising trade deficit with the country following implementation of the bilateral comprehensive economic partnership agreement (CEPA) about two years ago.

It has sought more market access for Indian pharmaceuticals and agriculture and marine produce to help bridge the deficit.

Commerce and Industry Minister Anand Sharma in a meeting with Japanese Foreign Minister Fumio Kishida in Tokyo on Friday, pointed out that while trade was growing satisfactorily after the implementation of the CEPA, the increasing trade deficit was an area of great concern.

“The Minister specially urged for market access for Indian agricultural and marine produce and Indian pharmaceuticals,” an official release said.

India’s trade deficit with Japan was at $3.6 billion in 2010-11 before the CEPA was implemented and it almost doubled in 2012-13 to $6.3 billion. Its export to Japan in 2012-13 was $6.26 billion compared with imports of $12.50 billion.

India is keen to access Japan's pharmaceuticals market, expected to touch $100 billion soon, as it holds a lot of scope for the country's generic producers. Japan, as part of the CEPA, had promised easier registration procedures for Indian drug producers, but not much has moved on the ground.

Corridor Project

Sharma also met Japanese Prime Minister Shinzo Abe and apprised him of the progress made in the implementation of the Delhi-Mumbai Industrial Corridor project, which was conceptualised during Abe's 2007 to India.

"Abe expressed satisfaction over the amount of work put into the project and mentioned that Japanese companies are looking forward to partner with India in project implementation," the release said.

Japan has already committed $4.5 billion in the first phase of project implementation, while India has committed an equal amount for development of infrastructure for creation of new industrial townships along the corridor. Japan has taken 26 per cent equity in the project.

The CEO of Japan Bank of International Cooperation (JBIC) Hiroshi Watanabe met Sharma and assured him of full financial support for the project and other infrastructure projects in India.

Sharma also met the Japanese Minister of Economy Trade and Industry Toshimitsu Motegi. The Minister's visit comes ahead of Prime Minister Manmohan Singh's visit to Japan, the release said.

[Back to top]

Indo-Pak Free Trade Agreement: Govt seeks fresh road map from Pakistan
Vikas Dhoot, The Economic Times

New Delhi, 15 May 2013: Reacting with alacrity to the change of guard in Pakistan, India has urged the establishment there to take forward the Indo-Pak Free Trade Agreement on which the two had reached concurrence in September 2012 but which had been held up by Pakistan's electoral process.

"We have told our Pakistani counterparts to chart out a fresh roadmap for moving forward on last September's agreement between our commerce secretaries, as it had got delayed due to their election process," Arvind Mehta, joint secretary in the commerce ministry, told ET.

The FTA with Pakistan is India's most ambitious trade pact offer to any country, with just 100 product tariff lines kept outside the trade basket, unlike other pacts where trade in around 900-1,000 products is excluded. Commerce ministry mandarins in charge of pushing the trade liberalization agenda with Pakistan have asked their counterparts to seek a fresh approval for the trade pact once the new Nawaz Sharif cabinet settles in.

"We are saying don't have a rethink on this, let's get on with it this time," Mehta said, adding, "we have urged them to reset the timelines which have slipped a bit, and take the necessary next steps such as getting the new cabinet's approval." The joint secretary is in charge of India's trade ties with its South Asian neighbours.

Pakistan's exports to India crossed $500 million for the first time in 2012-13, growing at the fastest rate ever, rising 28% from $401 million a year ago to over $513 million. India's exports to Pakistan grew by around 19% in 2012-13 to about $1.8 billion.

The Indian cabinet has already approved the consensus reached last September under which Pakistan was to grant India the Most Favoured Nation (MFN) status and lift border trade restrictions on the Wagah-Attari land route by December 2012, a deadline that would need to be re-assigned by the new regime in Pakistan.

These two deliverables from Pakistan are to trigger India's commitment to bring down its negative list under the South Asian Free Trade Agreement framework to 100 tariff lines from the present level of 614. Pakistan would then notify the dates over which it will whittle down its negative list from 936 tariff lines to 100 over a five-year period. By 2020, the maximum import duty on all other items was to be reduced to 5%.

India is hoping the two sides will also expedite action on other areas where convergence was achieved in 2012. These include the creation of an Indo-Pak Joint Business Council to guide the bilateral trade and investment dialogue and improving air connectivity between New Delhi and Islamabad. More efficient courier services and telecom linkages, including international roaming facilities are also to be explored.

"We have told Pakistan that granting the MFN status to India is not so much about boosting trade, but is an important political symbol that the two countries want to work together and improve trade ties which can help create an environment for joint investments and resolving other contentious issues over time," Mehta said.

The Commerce ministry pointed out that though the consensus reached last September, would be operationalised under the multilateral SAFTA, India and Pakistan would be the largest beneficiaries of the liberalised trade regime. "This is our most ambitious FTA," the official said.

[Back to top]

India-EU FTA talks fail to bridge gaps
PTI

New Delhi, 18 May 2013: In a setback to talks for the long-pending India-EU Free Trade Agreement (FTA), the chief negotiators' meet on Friday failed to bridge "substantial gaps" on crucial issues, including insurance and data security status for IT sector, creating a bleak possibility of a ministerial meet next month.

The two sides began negotiations to iron out differences on various vexed issues from 13 May, spearheaded by their chief negotiators who joined them on 15 May to reach a final position on the proposed trade pact.

However, the week-long talks ended with "substantial gaps" after which sources clearly indicating that there might not be a ministerial meet, as was scheduled for next month, since the brain-storming session could not achieve any major deliverables.

The sources noted that "a sense of urgency" as was witnessed in the previous rounds from the European side was "missing" this time and asserted "both sides failed to achieve any major breakthrough which was expected from this meet as this was treated as the penultimate round".

They also maintained that with "failure" of this round, now the inking of the agreement seems unlikely in the current regime in India, which will be soon poll bound.

While Indian side was led by additional secretary in the commerce ministry Rajeev Kher, Ignacio Garcia Bercero headed the European Union (EU) side.

Launched in June 2007, the negotiations for the proposed Broadbased Trade and Investment Agreement (BTIA) between India and the 27-nation European bloc has witnessed many hurdles with both sides having major differences on crucial issues.

While on the first day itself, the EU side made it clear that hiking FDI cap to 49% in the insurance sector was must for concluding the negotiations, Indians expressed its inability to do so without an approval from the Parliament.

From Indian side among other issues, granting data secure nation status to it by EU was very crucial as it will have a bearing on Indian IT companies wanting market access.

Besides demanding significant duty cuts in automobiles, EU is pressing for tax reduction in wines and spirits and dairy products and a strong intellectual property regime.

On the other hand, India wants liberalised visa norms for its professionals, data secure status and market access in services and pharmaceuticals sector.

India is among nations not considered data secure by the EU. The EU law mandates that European countries doing outsourcing business with countries that are not certified as data secure have to follow stringent contractual obligations which increases operating costs and affects competitiveness.
Last month, commerce and industry minister Anand Sharma met his EU counterpart Karel De Gucht in Brussels and had discussed the progress in BTIA. It was agreed that chief negotiators would remain engaged and a ministerial meeting was scheduled for June.

During the Berlin visit of Prime Minister Manmohan Singh last month, India and Germany had set a target of concluding the talks for India-EU free trade agreement this year.

The hope for concluding the FTA this year was voiced even as German Chancellor Angela Merkel candidly advocated that the two sides were yet to overcome “all the difficulties”, while pressing for increase in the foreign equity cap in India’s insurance sector and reduction in tariffs on import of automobiles from Europe.

The total trade between India and EU stood at $94.43 billion during April-February 2012-13. It had aggregated to $109.86 billion in the entire 2011-12 fiscal.

[Back to top]

Data adequacy grant to India non-negotiable, says EU envoy
Nayanima Basu, Business Standard

New Delhi, 17 May 2013: Even as India is pushing hard to obtain the coveted Data Adequacy status from the European Union under the ongoing talks for a bilateral trade deal, the 27-nation bloc has clearly stated it will not in any way negotiate the issue.

The Indian government considers it crucial that India gets this status, similar to the Safe Harbour agreement it has with the US, to get more access to the EU market for India's teeming professionals such as software engineers, nurses, doctors, lawyers, chefs and chartered accountants, among others.

"Data protection is our fundamental right and rights are not negotiated. I understand it is important for India to get the status but then this is not the forum for that. I know how significant it is for India to get access to the European countries for its IT (information technology) professionals. This also increases the cost for us but this cannot be done under the trade talks," EU ambassador to India João Cravinho told Business Standard, on the sidelines of a meeting here today.

The EU's Data Protection Directive, under Article 25, states the criteria for assessing adequacy of data protection in a third country. This directive is now expected to be replaced by the EU Data Protection Regulations, 2012. These say transfer of data outside the European Economic Area (EEA) can take place to only those countries ensuring an adequate level of protection. This is what makes the status so sought.

According to Nasscom, the apex body of India's IT sector, getting India declared as a data-secured country will increase revenues from the EU to the extent of $7 billion (Rs 38,350 crore) annually by way of increased offshoring and cost savings to companies leveraging India in their business model.

The EU ambassador also said that granting the status to any country outside the bloc required a long-drawn process, as each of the states' protection commissioners needed to approve the process. He highlighted the need for India to adhere to the recommendations made by the 'Group of Experts on Privacy' constituted by the Planning Commission under the chairmanship of the former chief justice of the high court of Delhi, Ajit Shah.

Presently, chief trade negotiators from both sides are meeting here to prepare the grounds for a possible formal conclusion of the talks between commerce and industry minister Anand Sharma and EU trade commissioner Karel de Gucht. The Indian side is led by Rajeev Kher from the ministry of commerce and industry.

The ambassador said the EU had not got anything significant from India in terms of reduction of duties on automobiles and wines and spirits.

The Government of India had been claiming that in these two sectors, it had offered much more to the EU than to any other country with whom India has broad-based trade agreements, encompassing goods, services and investment. The EU also has huge interest in getting more access in India's insurance sector, something Germany is much interested in.

Minister Anand Sharma had recently told Business Standard he'd try to hammer out some consensus on the issue. With crucial elections next year, India will not settle for anything less under this ambitious deal, the negotiations for which started in 2007. According to senior officials, the government might stall the talks if it failed to get the status from Europe.

The Data Security Council of India, along with Nasscom, is working with the department of commerce and the department of information technology & electronics on the issue of trans-border flow of data from the EU to India. In May 2010, the EU had commissioned a study to analyse the adequacy of protection of personal data provided in India.

It did not find the laws adequate here.

[Back to top]

India, China fail to break fresh ground on trade
The Times of India

New Delhi, 21 May 2013: After years of inaction, China on Monday got New Delhi to reopen the issue of a regional trade agreement, while promising to take steps to make the terms of trade more favourable for India after deficit that crossed the $40 billion mark in 2012-13.

During a meeting of trade ministers, it was agreed to set up three joint working groups. But these hardly break fresh ground as the two countries had decided to set up the groups in August 2012. The first one will deal with a five-year plan for trade and economic cooperation, the second will be on trade facilitation and data reconciliation and the third on trade in services. Commerce & industry minister Anand Sharma said that issues related with Regional Comprehensive Economic Partnership (RCEP) and a regional trade agreement would be discussed by one of the JWGs.

Although the two countries seemed to be making the right noises on improving trade relations, the agreements suggest that the exports from India would be primary goods. Barring a memorandum of understanding on pharmaceuticals, there were two on buffalo meat and fisheries along with an agreement on feed and feed ingredients. In contrast, China exports finished goods, including steel manufactured using high-grade Indian ore.

Despite the recommendation for a trade agreement between the two countries, the government had held firm against starting a dialogue with China even as it went on an FTA signing spree. While a high trade deficit with China was a big concern, the protests by the local industry were taken much more seriously than in other cases.

But Monday's discussions seem to have given China a toehold, although it is unlikely that India will agree to a dialogue on having a trade pact. "It would be suicidal. Even in case of RCEP, the China factor was debated at length," said a government official, who did not wish to be identified. RCEP is a mega trade agreement comprising 16 countries of the East Asian region including India. If talks are concluded it would result in the creation of the world's largest economic bloc. Sharma said that the three JWGs on increasing trade and economic relations are expected to submit their reports to both the governments by mid-September although the mandate and composition are yet to be finalized.

[Back to top]

Our Chinese menu keeps growing
Nayanima Basu, Business Standard

New Delhi, 20 May 2013: Even as new Chinese Premier Li Keqiang is visiting for the first time since taking over the present portfolio, old problems continue to plague Indo-Chinese bilateral trade relations.

Problem of a huge trade imbalance against India even as both exports and imports declined in 2012-13 year-on-year still remains a severe challenge even to this day. And no matter what measures the government claims to be taking, trade deficit against India continues to bloat, experts say.

Exports to China have increased 62.5% from $8.32 billion in 2006-07 to $13.52 billion in 2012-13 while imports rose 210.81% from $17.47 billion to $54.30 billion in the same period. As a result, the trade balance swelled 345.68% from $9.15 billion in FY07 to $40.78 billion in FY13. China accounts for a fifth of India total trade deficit of $190.9 billion with the world. If oil is excluded then it accounts for almost half.

India and China had established a joint study group in 2003 which was mandated to make a detailed analysis of the economic gains both countries will have if they traded on most favoured nation (MFN) tariffs. In March 2006 the group met for the first time under the aegis of the ministry of commerce and industry and China’s ministry of commerce. In 2006 during President Hu Jintao’s official visit to India, both sides announced the target to complete the study by 2007 under a joint declaration.

The report was submitted by the group to respective governments in 2007, which recommended both sides to have a Regional Trading Arrangement (RTA) but that was hushed up due to severe backlash from the Indian industry, which feared dumping and flooding of Indian markets by the Chinese companies. But imports from China continue to rise unabated.

According to experts, the problem lies with very limited knowledge about the Chinese market by Indian exporters. While Chinese export to India mainly consist of manufactured items that are required for India's ever-expanding telecom, power and manufacturing industries, India exports raw material and intermediary products.

"This shows the demand for China-made goods by the consumers here. This shows that the market needs something else. Our economy is tied with theirs, no matter how much perception problem we suffer from. And sooner or later we have to have a preferential trading arrangement with them for the larger interest of BRICS (Brazil, Russia, India, China and South Africa)," highlighted Biswajit Dhar, director general, Research and Information System for Developing Countries (RIS).

In the middle of 2011 the ministry of commerce and industry even launched a strategy paper with much fanfare to fight the trade imbalance problem with China but nothing happened after that. On the contrary, the trade deficit reached a new peak of $40 billion by the end of the fiscal which has now soared to $40.78 billion last fiscal.

Indian heavy industries significantly rely on raw materials and finished goods from China. The top five items of import from China are electrical machinery and equipment ($ 11.86 billion), mechanical machinery and appliances ($7.7 billion), project goods ($ 3.2 billion), organic chemicals ($3.85 billion) and iron & steel ($1.99 billion).

In the last couple of financial years, import of power and telecommunication equipment has seen a huge rise. In 2010-2011, import of mobile phones and other kinds of wireless phones have reached $4.07 billion, up 60.10% year-on-year from $2.54 billion in 2009-10, similarly, import of project goods topped $3.17 billion last fiscal from $2.06 billion in 2009-10, up 54.08%.

"There are very limited areas where we can increase our exports to China. The government has not been able to give the necessary push for the exporting community to explore the Chinese market in a detailed manner but rely on international studies. We do not encourage Chinese investments, which is another problem," said Mohammed Saqib, secretary general, India China Economic and Cultural Council.

Recently, during an interview with Business Standard, commerce and industry minister Anand Sharma admitted to the growing problem and that investments from that region had been low. However, investments from China continue to remain subjected to severe scrutiny.

Minister of external affairs Salman Khurshid, who recently visited China earlier this month, said how India is now planning to gain more access to the Chinese market through India's booming informational technology and pharmaceuticals, both of which has not been much successful so far.

In pharmaceuticals the problem remains with the delay in approvals as the industry there is in nascent stage coupled with the dominance of traditional Chinese medicines. A lot of potential indeed lies in the IT segment but that continues to reel under problems because the Chinese public procurement laws continue to be very rigid.

The services trade between India and China continues to remain very minimal. India has a presence in sectors such as IT, trading, banking and education by companies such as NIIT, Infosys, Wipro, Mahindra Satyam, Reliance Industries, State Bank of India, Canara Bank and Bank of Baroda.

Around 100 Chinese companies are present here mostly in the telecom and manufacturing sectors by ZTE, Huawei Technologies, TCL and Haier.

According to Dhar, India should encourage investment-led Chinese trade here as increasingly China is becoming a costly location so companies are looking at India to relocate their operations. "We have to address the issue on war footing," said Dhar.

[Back to top]

India wants China to walk the talk on export pacts
Amiti Sen, Business Line (The Hindu)

New Delhi, 22 May 2013: Commerce Secretary S.R. Rao will lead a group of senior officials for a three-day visit to China from May 27 to work on the specifics of the recent memoranda of understanding signed for export of bovine meat, oilmeal, fishery and pharmaceuticals.

He will also hold consultations with his Chinese counterparts on exporting more IT products, a Commerce Department official said.

“There is little we can do to stop imports from China, as there is a genuine demand from the Indian industry. Trade deficit can only be bridged by stepping up exports. It can be done provided China removes restrictions in products where India has competitive advantage,” the official said. The MoUs to increase exports were signed during Premier Li Keqiang’s recent visit to India.

Trade deficit between India and China widened to $40.8 billion in 2012-13 from $39.4 billion in 2011-12, despite a 10 per cent contraction in total trade during the year.

India, which mostly exports raw materials to China such as iron ore, copper and raw cotton, has been pressing for easing exports of pharmaceuticals, IT, buffalo meat, rapeseed meal and fishery since former Chinese Premier, Wen Jiabao’s visit in 2010, but not much progress has been made.

India was, therefore, pleasantly surprised when China agreed to sign MoUs to facilitate exports of key commodities during Li’s visit.

“Since the MoUs were signed in the presence of the Premier, we expect them to hold some weight. We are hoping that the Commerce Secretary will be able to convince the Chinese officials to come up with specifics in terms of certification and other processes required for exports,” the official said.

IT Prospects

Although no MoU was signed on IT, India is hopeful that the Chinese Government will give instructions to state enterprises to start doing business with Indian companies.

With China working on a health programme for its entire population, it is expected that demand for cheap generics will go up, which India can provide.

China is also one of the largest importers of bovine meat and fishery products and India can be a big supplier if the country scraps ‘irrelevant’ quality restrictions.

[Back to top]

Wasted opportunity: Year after Beijing lifts ban, Basmati exports yet to resume
Sandip Das, The Financial Express

New Delhi, 21 May 2013: More than a year after China gave its nod to the import of Basmati rice from India, the export of the long-grained, aromatic rice has not yet commenced. Indian exporters say that it would take a few years before India re-starts sending consignments of Basmati rice to China. However, trading sources said that a small quantity of Basmati rice destined for Hong Kong is finding its way into mainland China.

In April, 2012, Chinese authorities approved the import of Basmati rice from India with the condition that each consignment must carry a phytosanitary certificate, indicating food safety. Even Chinese officials had inspected the facilities of private rice exporters in India before giving approval to imports. China had banned imports of several Indian agricultural products, including Basmati rice, due to the presence of quarantine pests in processing and storage houses here. The approval had come after Indian rice passed through testing procedures of the Chinese official bodies.

Although Chinese prefer the fragrant sticky Jasmine rice from Thailand and Vietnam, the country has shown interest in both Basmati and non-Basmati rice from India. Exporters said that Indian companies are exploring possibilities of sending non-Basmati rice to China. “We are still studying the Chinese market,” an exporter said.

But many have already smelt the potential there. “There is a huge potential for export of non-Basmati rice to China,” All India Rice Exporters Association (AIREA) former president Vijay Setia told FE. In 2012, Pakistan exported about 5.8 lakh tonne of non-Basmati rice to China, becoming China’s second-biggest rice supplier after Vietnam. Meanwhile, the US department of agriculture recently stated that China's rice imports this year would surge to more than 3 million tonne (mt) from 2.34 mt a year earlier.

China presents a new market for Indian rice exports, which have seen a huge surge in volumes in the last few years despite hiccups in key markets like Iran due to payment-settlement issues.

As a part of market expansion for Basmati and non-Basmati rice, India is looking at China, Mexico and the Commonwealth of Independent States (CIS). The country's share of the global market for Basmati rice is close to 60%, while Pakistan accounts for the remaining 40%.

With the rising global demand in Africa and the European Union and the sustained consumer preference in West Asian countries like Iran and Saudi Arabia, India is all set to emerge as the biggest rice exporter globally with shipment of 10 mt during 2012-13. With this, India will emerge as the top rice exporter for the second time in a row. The total earnings from India's rice exports during 2012-13 is estimated at Rs33,000 crore.

India has emerged as the world’s largest exporter of rice during 2011-12 with close to 10 mt of exports. Thailand exported 6.9 mt of rice, falling behind Vietnam, which sold 7.8 mt of the commodity overseas.

[Back to top]

Food, agri export rejections cross 800 cases over five years
Shyamlal Yadav, The Indian Express

New Delhi, 15 May 2013: Over 800 cases have emerged of agricultural products and processed foods shipped from India being rejected in the last five years. The majority of such cases have been reported from the member states of the European Union (EU).

In addition, many countries have imposed restrictions on Indian peanuts, rice, poultry products, curry leaves, okra, groundnuts, cassia seeds for different reasons.

The Agriculture and Processed Food Products Export Development Authority (APEDA) has provided this information in response to an application filed by The Indian Express under the Right To Information Act.

The response says that EU has issued 763 notifications under Rapid Alert System for Food and Feed (RASFF) since 2008 and most of them were for rejecting the consignments.

The remaining rejections, complaints and restrictions were received from Taiwan, Japan, China, Indonesia, Malaysia, Thailand, Korea and United Arab Emirates (UAE) during same period.

Further, some countries have also imposed temporary bans on various products as well. The APEDA says that Russia has recently imposed temporary restriction on Indian peanut and rice; Kuwait, UAE, Qatar, Oman, Iraq, Bangladesh, Nepal, Sri Lanka and Saudi Arabia has banned import of poultry products due to bird flu; and curry leaves have been banned in the UAE since June 2010.

On the Russian action, a World Trade Organization notification dated February 22, 2013, explains the reason as: "The detection of repeated cases of the Capra beetle — a pest of quarantine concern for the Russian Federation, which is absent in the territory of Russia; and due to the absence of emergency actions from the competent authorities in India." Japan returned some consignments of Cassia seeds last year as "positive Aflatoxin was detected. As it might stick and be harmful for human body, it has been considered to be in violation of food sanitation law".

The rejections list seems longer than the information provided by APEDA. The EU maintains such data online their website says there were more than 2,071 notifications issued about the consignments of Indian agricultural and food products since 2002 and over 1,000 of them were for rejection of the consignments for reasons mostly related to their quality.

While APEDA is mandated for "fixing of standards and specifications for the scheduled products for the purpose of exports" among other things, a senior official in APEDA said, "We maintain the data of only those cases which are reported to us."

Cases of rejection have surfaced this year too. On March 21, UK rejected a consignment of red chilli powder since it contained Aflatoxins. On January 3, Germany rejected one consignment for "unsuitable organoleptic characteristics of frozen cooked shrimps". On January 10, Italy rejected one consignment of basmati rice. Several consignments of ground nuts were rejected by EU members as they contained Aflatoxins.

India too, has rejected several consignments of imported food. There is however, a lack of awareness of their quality, said K Chandramouli, chairman, Food Safety and Standards Authority of India (FSSAI), adding that the authority is working on an online database.

[Back to top]

Coir exports to 112 countries reach all-time high of Rs 1,116 cr in 2012-13
The Financial Express

Kochi, 17 May 2013: Coir exports from the nation during the last fiscal touched a record high of Rs1,116.02 crore despite reversals in the share of traditional items. According to data released by the state-run Coir Board, 4,29,500 tonnes of coir and coir products were exported in 2012-13 as against 4,10,854 tonnes during the preceding year. Value realised during FY12 stands at Rs1,052.6 crore. Volume has increased by 5% and value by 6% during the fiscal, board sources added.

Traditional items of exports like handloom mats and rugs have been seen declining in both volume and value during the last few years. About 76% of the total exports were contributed by non-traditional products, whereas handloom products like mats, matting, coir geo-textile put together, contributed only 24% of the total exports.

During the period April 2012-March 2013, 112 countries imported coir and coir products from India, Coir Board chairman G Balachandran said. “USA continues to be the major importer of coir and coir products with a share of 12.93% in volume and 22.79% in value. China became the major importer of coir in terms of volume with a share of 33.88%, but value realised stands lower at 19.38%. China continued to be the largest importer of coir fibre from India. Interestingly, the growth of export of raw materials like fibre and pith to China has declined when compared to previous years. It is reported that China is now sourcing coir raw materials from Vietnam and Thailand. This could put less pressure on raw material availability for Indian manufacturers.”

Despite the global recession, particularly in Europe, achievements in exports of coir have been quite encouraging, Balachandran said. Board sources feel that the market for such items will improve as the economy of Europe stabilises.

[Back to top]

Govt imposes import duty on steel, aluminium, brass scraps
PTI

New Delhi, 10 May 2013: The government has imposed 2.5 per cent import duty on various types of scraps - melting steel, stainless steel and aluminium scraps, and has withdrawn exemption of special additional customs duty on brass scrap.

The measures were taken through two different notifications issued on Wednesday by the Finance Ministry. It did not give reasons for making changes except saying that it is in public interest.

"In exercise of the powers conferred by sub-section (1) of section 25 of the Customs Act, 1962, the Central Government, being satisfied that it is necessary in the public interest so to do, hereby makes the following further amendments...," said the notification, imposing 2.5 per cent import duty on steel and aluminium scraps.

Since 2003, import duty on melting steel scrap was nil, while on stainless steel scrap, the duty was reduced to zero in the Budget of 2011.

Besides, withdrawal of exemption of special additional customs duty (SAD) on brass scrap means that importers of brass scrap will now have to pay 4 per cent SAD on imports.

According to industry data, India imports about 7 million tonnes (MT) of melting steel scrap and about 1 or 2 MT of stainless steel scrap. However, no such data could be secured for aluminium or brass scrap as it is scattered and belong to medium and small scale industries.

The scrap is used as raw material largely by medium and small scale industries. As per the industry estimates, secondary steel producers account for about 40 per cent of India's total steel production at about 32 million tonnes.

[Back to top]

National Security Council backs go-local policy on telecom gear
Thomas K Thomas, Business Line (The Hindu)

New Delhi, 14 May 2013: The National Security Council has backed the Department of Telecom’s proposed policy to encourage local manufacturing of telecom gear against the backdrop security concerns.

Citing a report from the Intelligence Bureau, which has warned against Chinese equipment manufacturers, the NSC has said that the best way to deal with the issue was to make sure that India speeds up the process for establishing manufacturing facilities within the country.

"There are IB reports on Chinese telecom majors such as Huawei Technologies and ZTE Corporation being part of the Chinese People's Liberation Army 863 programme of 1986," the NSC said in a paper titled 'Security implications of foreign equipment in critical infrastructure'. "Huawei in fact is one of the biggest vendors in Pakistan. This heightens security concerns," the paper added.

NSC said that though a number of countries, including the US and Australia, have blocked the Chinese vendors from supplying equipment, it may not be practical for India to impose any ban on any international player as it could lead to creation of monopolistic cartels in the market. Instead, it has proposed a two-pronged approach to deal with the issue including encouraging domestic manufacture of telecom equipment and strengthening measures to test and certify equipment to mitigate security vulnerabilities.

This is in line with the DoT's proposed policy that makes it mandatory for equipment suppliers to set up local manufacturing units.

Screen Equipment

According to the telecom department, the law enforcing agencies will be able to screen equipment for spyware if it is made in the country. But under this policy, even the European and American vendors will be forced to set up manufacturing facilities in India.

The Commerce Ministry has, therefore, raised objections on grounds that the policy would not conform to international trade treaties. The Prime Minister's Office had also asked DoT to explain how it proposes to link security concerns with the go-local policy. This is despite the fact that the NSC falls under the PMO's purview.

Indian law enforcement agencies have been expressing concern over the widespread use of imported equipment, especially from China. The primary fear is that Chinese agencies can embed spyware into these equipment which would not only allow them to snoop into conversations but also get the ability to shut down telecom networks in India. Companies including Huawei and ZTE have repeatedly denied the allegations of being spies for the Chinese government.

John Suffolk, Huawei's Global Security Officer, had told *Business Line* earlier that the company was ready for verification by an independent agency.

[Back to top]

US bill on H1-B clears first hurdle
Yashwant Raj, Hindustan Times

Washington, 22 May 2013: The US immigration bill that intends to restrict H-1B visa-dependent Indian IT firms' ability to hire more foreign workers, including people from India, crossed a key hurdle on Tuesday, making it through the senate committee. The bill now goes for a vote on the senate floor -- sometime in June -- which will be neither easy nor quick, with a slew of amendments expected.

If it passes, the House of Representatives will either take it up in its present shape or come up with its own version. The two versions will then be merged for the President's assent.

The bill seeks to make it difficult and costly for companies to bring in non-US workers on H-1B (temporary working permit for high skill workers) and L-1 (intra-company transfers) visas.
IT companies such as Wipro, Infosys and TCS, which depend on heavily on H-1B workers, will resultantly find it harder and costlier to operate here.

The bill almost doubles annual cap on H-1B workers from the current 65,000. This should be good news for Indian IT firms, but the bill also makes sure that heavy H-1B users such as the Indian firms are unable to hire more foreign workers, with a staggered system of escalating caps and costs.
For instance, no more than 75% workers can be on H-1B or L-1 in 2014, 65% in 2015 and 50% from 2016 -- those over those limits cannot bring more foreign workers.

Indian firms are clearly the target. Commerce secretary S R Rao has written to the US Trade Representative calling these restrictive provisions of the bill protectionist in nature.

Indian techies looking to work in the US could, however, expect to be hired by American companies that are forced to recruit overseas because of a shortage of workers here.

[Back to top]

India worried over WTO's verdict on Ontario solar case
Richa Mishra & Amiti Sen, Business Line (The Hindu)

New Delhi, 19 May 2013: The World Trade Organization's (WTO) recent ruling against Ontario's domestic content requirements for renewable energy projects is setback for India, which is defending a similar case filed against it by the US.

But the country has not given up hopes of a favourable verdict, as it believes that the finer details of its case are different.

"Our situation is very different from Ontario's. In our case, production is for Government procurement, which cannot be brought under WTO discipline. Besides, in phase-II of the solar mission, we propose to divide the 750 MW capacity put on offer into two. Some projects would mandate domestic content, and some would be open for use of imported products," a senior official from the Ministry for New & Renewable Energy told *Business Line*.

The Commerce Department, which represents the country at the WTO, is analysing the details of the Ontario verdict.

"We are at the moment going through the judgement as we want to be clear about how the WTO arrived at its decision. This will help us fight our case better," a Commerce Department official said.

In February, the US filed a complaint with the Dispute Settlement Body of WTO against domestic content requirement in the Jawaharlal Nehru National Solar Mission (JNSSM), which mandates that solar photovoltaic modules based on crystalline technology have to be sourced locally. As per WTO rules, members cannot impose such conditions on investors.

India has so far argued in the WTO that as the power produced under the mission will be bought by NTPC, a public sector unit, it amounted to Government procurement, which does not fall under the ambit of WTO rules.

India is not a signatory to the Government Procurement Agreement of WTO, a plurilateral agreement that has just a few countries as members.

The US is hopeful that by successfully fighting its case at the WTO, it will manage to foil India's plans of extending the local content requirement to solar thin films, most of which are supplied by US companies, in the second phase of the mission beginning this year.

The Indian industry is, understandably, worried that removal of domestic content requirement could lead to foreign manufacturers benefiting from it at the cost of local producers.

"The core issue remains that any dilution of the domestic content requirement under the solar mission sets up perverse behaviour in the market place due to current global supply dynamics where value leaks out to exporters in the US and Asia," said Ajay Goel, CEO, TATA Power Solar.

Most Indian manufacturers continue to operate at less than 25 per cent capacity utilisation and incur huge losses.

In 2013, analysts expect there would be close to 1 GW worth of project installations in India, out of which only 10-15 per cent will use domestically made cells and modules, even though the domestic industry has a capacity to provide 100 per cent of these installations.

According to Raj Prabhu, CEO, Mercom Capital Group, India should amicably settle its dispute with the US and should help the domestic industry in other ways.

"The focus should be on creating a conducive investment environment with an eye on demand creation," he added.

[Back to top]

India wants copyright laws eased for visually impaired
Anubhuti Vishnoi, The Indian Express

New Delhi, 13 May 2013: Home to one-fourth of the world's visually-challenged persons, India will play a key role in negotiating a historic international treaty next month that will ensure that the community's access to globally-published material is not stymied by rigid copyright rules.

The Extraordinary General Assembly of the World Intellectual Property Organization (WIPO) has called a diplomatic conference in June (17th-28 th) 2013 in Marrakesh, Morocco, to conclude the WIPO Treaty for Visually Impaired Persons/Persons with Print disabilities.

The treaty holds the promise of ushering in a "more flexible copyright regime adapted to current technological realities" and would benefit over 300 million blind or visually impaired/reading impaired persons. The move is pertinent because majority of world's visually-impaired persons live in developing or least developed countries and only a small fraction of published material is available in accessible formats like Braille, audio books, large print formats and digital and assistive books.

The treaty aims to create a global framework to allow visually impaired persons access all published material in accessible formats freely or at a reasonable price. In May 2012, India brought in the Copyright Amendment Act that permits a visually impaired person to convert any book into accessible formats without copyright permission from publishers. India is now advocating that this level-playing field be extended worldwide. The proposal is likely to hurt global publishers.

The Union Human Resource Development (HRD) ministry will soon seek Cabinet nod for the terms on which it will negotiate the international treaty. "It is imperative that international publishers also allow free conversion of books to accessible formats as the bulk of technical books across subjects still come from the West. That apart, in this digital age, Braille alone is not the answer. Both India and Africa have been trying to get this through", said an HRD official.

The official said that while Europe and the US agrees with the idea, they want to bring in far too many conditions as they feel that unconditional access could lead to dilution of their copyright. "But bringing in too many conditions and limitations will only create hurdles and defeat our very purpose. The Morocco conference will be critical and will have to find a fine balance," the official added.

Dr Sam Taraporevala, Director, Xavier's Resource Centre for the visually challenged and Vice President Committee on Policy Intervention Daisy Forum of India, has already written to the HRD minister Pallam Raju requesting him "to ensure India plays a key role in signing and ratifying the treaty".

[Back to top]

India under pressure at WTO to phase out textile export sops
Amiti Sen, Business Line (The Hindu)

New Delhi, 16 May 2013: Pressure is mounting on India at the World Trade Organization (WTO) to pare subsidies and incentives given to its textiles sector.

The European Union and Japan have joined hands with the US and Turkey to demand that India stop giving fresh subsidies and gradually phase out the existing ones as the textiles sector had already achieved export competitiveness.

India, however, maintains that many of the subsidies identified by the US and others are not subsidies and merely a reimbursement of input duties. It said before the phasing out happens, there has to be a common understanding on what the subsidies are.

The issue came up for discussion at a recent meeting of the WTO Committee on Subsidies and Countervailing Measures.

“We agree that the textiles sector in India has achieved export competitiveness, as defined by the WTO. But, we have some time to phase out subsidies and many of the incentives given to the sector cannot be classified as subsidies at all,” a Commerce Department official told *Business Line*.

In an indirect reference to the new package of incentives announced for exporters in the Foreign Trade Policy last month, the US said it was concerned about press reports on India providing new subsidies to its textile industry.

Textile export is important for India’s economy as the sector is the largest job provider in the country. With the downturn in global trade reducing demand for exports, the Government has been providing several incentives to exporters.

Turkey said export subsidies by India had created unfair competition for Turkish textile industry. It urged India not to implement new programmes, and said it was ready to discuss this issue with the country. Japan and the EU also expressed concern and said that the matter had to be sorted out soon so that there was a check on subsidised exports.

The WTO allows countries with per capita income below $1,000 to give export subsidies till exports are lower than 3.25 per cent of world trade in that particular commodity. India’s share in the global market for textiles crossed the limit in 2007, according to WTO records, and is almost four per cent at the moment.

Since countries are given eight years to remove the subsidies, India has time till 2015 to do so.

“There is also no clarity over whether India actually crossed the threshold in 2007. We have to reach an agreement even on this,” the official said.

India’s garments exports in 2012-13 declined 12.23 per cent to $8.4 billion while exports of cotton yarn, fabrics and made-ups increased 10 per cent to $7.5 billion.

[Back to top]

India Seeks Change In Food Subsidy
Pakistan and Gulf Economist

19 May 2013: The proposed food security law may attract penal action at the World Trade Organization for a possible breach of the subsidy cap allowed under these rules, prompting the government to seek an amendment to the norms.

Although a proposal from the G-33, spearheaded by Indonesia, China, Pakistan, the Philippines and India, had already been moved in the run-up to the ministerial meeting in Bali in December, the proposed food security legislation has increased the urgency.

At the heart of the problem is WTO's agreement on agriculture which mandates that procurement from poor farmers be capped at 10% of the value of production. With international prices on the rise, and local price fixed at 1986-88 levels, most developing countries with large populations are now staring at the prospect of breaching the ceiling.

Similarly, food sold through the public distribution system also faces restrictions. In case of India, the prospects appear stronger given that the food security law will increase the procurement requirement and increase the subsidy level.

"The food aid commitment is increasing and welfare of the people is a sovereign function of the government," said an official who did not want to be identified. While the G-33 had suggested that the norms need to be reviewed, developed countries led by the US have opposed the proposal, saying it will reopen a decision taken in 1994. Indian officials, however, said while the WTO wanted subsidy reduction by the rich, it was not meant to hit poor farmers, such as those in India.

"It's not our proposal alone. It represents the views of countries that account for nearly 40% of the world population. It's a problem that all of us will face," said an official.

But there is good news for India as some major players such as the European Union, Norway and Australia have shown flexibility, leaving the US virtually isolated.

India has taken a strong position saying it is unwilling to negotiate another issue on the Bali agenda - trade facilitation - which is being pushed by the developed countries, led by the US.

"During a meeting in Geneva last week, we said that we are willing to show flexibility. We can discuss the issue but the agenda has to be comprehensive," a senior official said.

[Back to top]

More food for 'multilateral' thought
T S Vishwanath, Business Standard

8 May 2013: The agenda for the Bali Ministerial meeting of the World Trade Organisation (WTO) is warming up. The three main deliverables that it hopes to deliver are: food security as proposed by the G33 grouping; trade facilitation that the developed world is keen to pursue; and the developmental agenda that would benefit the least developed nations.

What will be important is to ensure that a balance is arrived between these three issues so that all member nations find enough meat to support the multilateral negotiations for trade liberalisation under the WTO in the post-Bali process.

One critical area will be the food security proposal of the G33 countries, which also includes India. The proposal states that the procurement of food and its distribution, which benefits the resource-poor farmers, should not be counted as a prohibited or actionable subsidy. The US, however, disagrees. The American position is surprising since food stamps have been an integral part of the US food security strategy. Several other countries, including China, Philippines and Indonesia, have schemes to support the overall food security issue.

Reports by Bridges from Geneva state that the Chair of the WTO agricultural negotiations, New Zealand Ambassador John Adank, is looking at various options to bridge the divide between the G33 proposal and the position advocated by countries like the US.

The options, reportedly, include exploring whether the WTO member countries could agree to exempt a set of developing country farm programmes from subsidy limits; whether countries could agree to reiterate a commitment not to bring legal challenges to minimally trade-distorting support programmes under a possible "peace clause"; or agreeing to greater flexibility subject to certain conditions, such as better targeting of beneficiaries.

A smaller group of countries - the US, the European Union (EU), Australia, India, Pakistan and China - are now looking to find any middle ground that satisfies the needs of both sides. The smaller group has, reportedly, had some positive discussions and they are looking at ways to bridge the current divide.

It is understood that some developing countries, including India, have conveyed their intention to move forward on the trade facilitation programme only when the food security issue is settled. India has been keen on pushing this proposal forward in Geneva, since it is concerned that the food security Bill - which is awaiting Parliament approval, does go through - will take it close to the de minimis of 10 per cent of the country's value of production, which is set for the extent of subsidy a developing country can provide under the WTO rules. One of the possible solutions would be to take up the de minimis levels to a higher percentage.

From an Indian perspective, it will be important to push the food security Bill to ensure that the resource-poor farmers receive compensation through an administered price mechanism.

The EU and the US have been at the forefront in providing agricultural subsidies to farmers. In 2010, the US had provided trade-distorting support of $4 billion by supporting agricultural supporters. Non-trade-distorting support by the US totalled $120 billion for the same year. The EU had provided trade-distorting support worth Euro 9 billion in 2010, and about Euro 64 billion in non-trade-distorting support.

The EU had also provided Euro 5 billion towards production limiting programmes that help keep prices of some commodities high in the global markets.

The developmental agenda for the least developed countries becomes important, as the Doha Round was expected to help drive equity in world trade. Member countries need to get together to ensure that they are able to find a right mix of proposals that will benefit the least developed countries substantially.

The Bali Ministerial is billed to be a stepping stone for the revival of the multilateral process of trade negotiations, which has been dented after the Doha Round has failed to conclude in over 10 years of negotiations. It will be important for member countries to make concrete attempts to drive consensus on contentious issues. There is a lot at stake for the growing tribe of member countries in the WTO. The next few months of the run-up to the ministerial meet in December are critical to ensure that multilateralism prevails.

[Back to top]

A tightrope walk ahead for WTO head Roberto Azevedo
Vinay Pandey, The Economic Times

9 May 2013: Brazilian Roberto Azevedo's election as head of the World Trade Organization (WTO) is an important victory for the developing world and the BRICS that have championed their cause, coming at a time of great mistrust and divide between the rich and the poor over the stalled Doha Round trade talks. The developed world, led by the US, has pinned the blame on developing countries, calling them "obstructionist", a charge Azevedo has countered with gusto. He now faces the unenviable task of shedding years of hardened position without letting down the developing countries that have rallied together to put him in the chair occupied mostly by Europeans since the WTO was set up in 1995.

Multi-Task

Of course, no one expects the WTO's director-general to be partisan, Azevedo himself has said that he is not going to defend Brazilian interests, but his presence should at least ensure that issues raised by India and the rest of the developing world are not brushed aside, as has been the case earlier. That said, the tightrope is going to be difficult for even the career Brazilian diplomat with near two decades of experience in trade talks.

He will always be under pressure to be neutral, a task Thailand's Supachai Panitchpakdi, who headed the WTO between 2002 and 2005, found difficult and he often ended up antagonising developing countries for toeing the developed world's line. But all that comes later.

Azevedo's biggest challenge, even before he gets down to the task of tackling the issues that have stalled the Doha round since 2008, would be to refocus energy on multilateral trade talks, away from the rising preference among nations to explore trade ties with each other. The years of lack of progress and seemingly irreconcilable differences among the global powers have eroded faith in multilateralism and even the WTO itself, encouraging countries to embark on bilateral free trade negotiations.

The recession in the developed world, which has led to rising protectionism, has further weakened the commitment to the WTO because justifying new barriers would become difficult in talks to open trade further.

Before Bali

The danger is that once the big countries have secured their interests through bilateral deals, reviving multilateral trade order could almost become impossible, and the biggest casualty will be the smaller countries that need a free and fair global trade regime to progress.

Azevedo must clearly come up with his views on the crucial issues and what he wants to do with the organisation before the WTO's Bali ministerial in early December to generate some interest in the meet that seems destined for failure. Outgoing director-general Pascal Lamy's offer of "early harvest" solution, among others, to take the trade talks forward has not gone down well with the developing countries that have dismissed it as an attempt to "cherry-pick" issues that matter to the rich nations.

The US has already said that it does not expect much from Bali. Azevedo needs to engineer some positivity to get a better response from the key players in the talks. India and Brazil, and the rest of the developing world, meanwhile, would do well not to see Azevedo's election as a victory and harden their stance on issues that have held up progress. Instead, Azevedo's presence should impart a greater degree of trust in the WTO and create a genuine willingness to take the trade talks forward for the larger interests of many of the smaller nations that have backed him.

[Back to top]

UN chief picks ex-Kenyan minister to head UNCTAD
Xinhua

Nairobi, 16 May 2013: UN Secretary General Ban Ki-moon has nominated former Kenyan trade minister Mukhisa Kituyi to head the UN Conference on Trade and Development (UNCTAD).

A statement from the UN body said on Thursday that if the nomination is confirmed by the UN General Assembly, Kituyi will head the UN body for a term of four years beginning on Sept. 1.

"The United Nations Secretary-General Ban Ki-moon has nominated Mukhisa Kituyi of Kenya to serve as Secretary-General of UNCTAD for a term of four years beginning 1 September 2013," Ban said in a statement.

Kituyi who is the chief executive of the Kenya Institute of Governance is expected to succeed Supachai Panitchpakdi of Thailand who assumed the post on Sept. 1, 2005 and was reappointed in 2009.

The statement said Supachai who has been at the helm of the UN body for eight years, will conclude his second four-year term of office on Aug. 31.

The Kenyan former lawmaker is a graduate of Political Science and International Relations from Makerere University in Uganda is also a holder a PhD in Social Anthropology, a Master of Philosophy in Development Studies and a Diploma in Science, Comparative Production Systems, all from the University of Bergen, Norway.

[Back to top]