INDIA'S TRADE NEWS AND VIEWS

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Trade News and Views is a fortnightly e-bulletin that compiles and disseminates India-specific trade related news and featured articles. The stories covered do not necessarily represent the views of the Centre for WTO Studies (CWS) and have been put together solely for informational and outreach purposes.

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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.

Sharma to attend 8th WTO ministerial conference in Geneva
PTI

New Delhi, Dec 12: WTO members, including India, are expected to discuss ways to bridge differences to liberalise global trade through the Doha pact during the Ministerial Conference starting from December 15 in Geneva.

Commerce and Industry Minister Anand Sharma will be attending the three-day 'Eighth Ministerial Conference' of World Trade Organisation (WTO).

"There will be three Working Sessions centred on the following themes - Importance of the Multilateral Trading System and the WTO; Trade and Development; and Doha Development Agenda," an official statement said.

It said that on the last day, ministers will also adopt a number of decisions on intellectual property, electronic commerce, small economies, least developed countries' accession, a services waiver for least developed countries, and trade policy reviews.

The Doha Round of talks, which began in 2001, have missed several deadlines due to differences on the demand by the developed countries on the level of market opening in the developing nations. There are also discords on protection for farmers in the rich world.

Ministerial Conference is the highest decision-making body of the 153-member multi-lateral Organisation, which meets at least every two years.

The conference will take up the accessions of the Russia, Samoa and Montenegro, the statement said.

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G-20 trade ministers may meet ahead of WTO talks
PTI

New Delhi, December 14, 2011: Ahead of WTO Ministerial Conference in Geneva, trade ministers of G-20 countries are expected to meet on Wednesday to review the progress of talks on liberalising global trade through the Doha pact, an official said on Tuesday.

Commerce and Industry minister Anand Sharma will be attending the three-day 'Eighth Ministerial Conference' of World Trade Organisation (WTO), beginning from December 15.
The Ministerial Conference is the highest decision-making body of the 153-member multi-lateral organisation, which meets at least every two years.

The trade ministers of BRICS countries - Brazil, Russia, India, China and South Africa - and SAARC are also expected to deliberate on the delayed Doha Round of talks, the official said.

"Before the plenary, we will meet various developing nation members both as a group and bilaterally to coordinate positions of developing countries," Sharma said after reaching Geneva, the WTO headquarter.

The Doha Round of talks, which began in 2001, have missed several deadlines due to differences on the demand by the developed countries on the level of market opening in the developing nations. There are also discords on protection for farmers in the rich world.

Sharma is expected to hold bilateral meetings with Bangladesh and New Zealand. Besides, G-33 member nations are also likely to meet.

G-33 is a group of developing countries that coordinate on trade and economic issues.

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Export Grows 33.2% in April- November at US $ 192.7 billion: Commerce Secretary
Ministry of Commerce Press Release

12 Dec 2011, New Delhi: India's export for the month of November 2011 is US $ 22.3 billion. Imports for the same period are US $ 35.9 billion. Balance of trade for the month of November is US $ (-) 13.6 billion. April- November 2011 cumulative exports are US $ 192.7 billion, registering the growth of 33.2%. Cumulative imports for the same period is US $ 309.5 billion, registering the growth of 30.2%. Balance of trade for the April- November 2011 is US $ (-) 116.8 billion.

During April-November 2011, the following sectors have done well viz., petroleum & oil products exports US $ 39.5 billion registering the growth of 62.3%; engineering (US $ 40.7 billion) which registered the growth of 22.3% % over the last year. cotton fabs made ups 13.7% (US $ 4.4 billion); electronics 17% (US $ 5.83 billion); readymade garments 28% (US $ 8.4 billion); basic chemicals registered the growth of 34% (US $ 6.7 billion), drugs 21% (US $ 7.9 billion); gems & jewellery 56.5% (US $ 30.1 billion).

As regards to imports during April-November 2011, the growth estimates on the following sectors are: POL 42.7%% (US $ 94.1 billion); gold and silver 56% (US $ 41.4 billion); machinery 27% (US $ 22.8 billion); electronics 21% (US $ 22.3 billion); Vegetable oil 55% (US $ 6.7 billion); iron & steel 8% (US $ 7.7 billion); fertilizer 17% (US $ 6.6 billion); coal 61% (US $ 11.3 billion); organic & inorganic chemicals 23% (US $ 12.5 billion); ores and scraps (US $ 8.7 billion) registering the growth of 41%.

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$33 billion export target set for textiles sector
Special Correspondent, Livemint

2 December 2011: With industrial production taking a dip and the labour-intensive textiles sector witnessing a slowdown, the Government on Monday announced that Commerce, Industry and

Textiles Minister Anand Sharma would hold consultations with the industry representatives on how to deal with the emerging situation.

An official spokesman said here that in the backdrop of negative growth in industrial production, the government had decided to hold consultations on December 19 with industry leaders. Mr. Sharma will hold government-industry consultation on the issue on December 19 after his return from the WTO Ministerial, an official statement said here. Industrial output registered a negative growth of 5.1 per cent in October, the lowest in over two years, mainly due to rising interest rate, high prices and global uncertainties.

Speaking in the Lok Sabha, Mr. Sharma expressed serious concern over the slowdown in the textiles sector and said the government was apprised of the situation and working on solutions to meet the new challenges due to global economic slowdown.

Mr. Sharma said that despite the damp economic global trend, the Government had set an export target of $33 billion for the textiles sector next year against the current year target of $28 billion.

The textiles sector had witnessed a slowdown due to various factors, including poor global economic situation, he said.

Mr. Sharma said the Government had constituted six high-level inter-ministerial committees with representation from various ministries and departments, including the Planning Commission, to review and evaluate the performance of the textiles industry.

On the issue of dumping of Chinese silk, Mr. Sharma said the government had not received any complaint of dumping of Chinese raw silk in the Indian market and maintained that natural calamities in China had reduced production of silk in that country. The issue was raised by Basudeb Acharya (CPM).

The Minister maintained that Chinese silk was helping weavers in India as the production of raw silk had come down. He said the establishment of 21 new integrated textile parks was approved in October this year at a cost of Rs. 2,100 crore to create world-class infrastructure for the textiles industry. On the issue of handloom census, Mr. Sharma said the handloom sector was facing competition from the mechanised sector and also from cheap imported fabrics.

He said the flow of credit to the handloom sector had been characterised by high costs and low disbursement levels. Mr. Sharma said the Cabinet Committee on Economic Affairs recently approved a Rs.3,884 crore loan waiver package for the handloom sector. He said the package would reopen choked credit lines for handloom weavers and their societies and would benefit three lakh handloom weavers.

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CBDT, DRI & ED Told to Probe Exports to Bahamas & Cyprus
Economic Times

12 December 2011: The finance ministry has asked three of its investigating arms to probe all exports to tax havens Bahamas and Cyprus, an official in the ministry told ET on the condition of anonymity. The ministry is concerned about the sudden surge in exports to the tax havens and has asked the agencies to ascertain whether the exports are genuine, said the official, who declined to be identified given the sensitivity of the matter.

A communication asking for a co-ordinated probe was sent from the revenue department to the Central Board of Direct Taxes (CBDT), the Directorate of Revenue Intelligence (DRI) and the Enforcement Directorate (ED).

In the last two years, exports to Bahamas, a so-called tax haven, from India have surged from $2.2 million in 2008-09 to $2.2 billion in 2010-11. The sudden increase in exports has raised suspicions that a chunk of the transactions could be fraudulent. The revenue department has asked the agencies to verify the transactions since it has come to light that in some cases, the export figures do not match the inward in port figures of the two tax havens, an official in one of the agencies told ET. He declined to specify how many such transactions have come to light, stating that the investigations were sensitive and at a preliminary stage. The agency has written to the concerned countries for more detailed information on its imports from India to as part of its investigations, he said.

Concerns have been raised within the government on whether these transactions are a way of bringing back black money into the country through export over-invoicing. This happens by billing the overseas buyer several times more than the actual worth of the goods. In many cases, the so-called overseas buyers are shell companies or do not exist.

The Bahamas is one of the jurisdictions to have signed a tax information exchange agreement with India. Some of the others include Bermuda, Isle of Man, British Virgin Islands and Cayman Islands. Countries signing such a pact are required to share information if the other country has reasonable ground to believe that there has been a tax offence.

For the last few months, analysts have questioned India's export numbers which have shown robust growth at a time the US and Europe the two biggest markets are facing slowdown. While some have attributed this to inept data handling, a recent report by Kotak Institutional Equities Research has harped on the possibility of black money inflow.

The report, authored by Sanjeev Prasad, Sunita Baldawa and Amit Kumar, draws no definitive conclusions , but said, "We can attribute some part of these gaps to data limitations but the large difference between official data and our observations begs a better and more sophisticated explanation."

It highlights how export data of major engineering companies, including automobiles and metals, does not match the steep increase in official export numbers. For instance, according to official data, engineering exports grew 79% year on-year in 2010-11 while the export numbers compiled from figures reported by engineering companies that in BSE 500 show a mere 11% increase. This gap could be as much as $28 billion and if this cannot be explained as a miracle export story of small, unsung companies, then the data mismatch casts a shadow on the GDP growth, according to the Kotak report.

On Friday, the government admitted it accidently inflated this year's export figures by $9 billion. The cause of this was a glitch in the computer system that collates the trade data, Commerce secretary Rahul Khullar said. The commerce secretary also said that growth rates for individual sectors were also distorted. For example, the performance of the engineering goods sector had been exaggerated because certain shipments had been incorrectly classified while exports of petroleum products had been underestimated. The ministry had consistently emphasised that the data released each month was provisional, and it had been open about concerns that the figures were unreliable.

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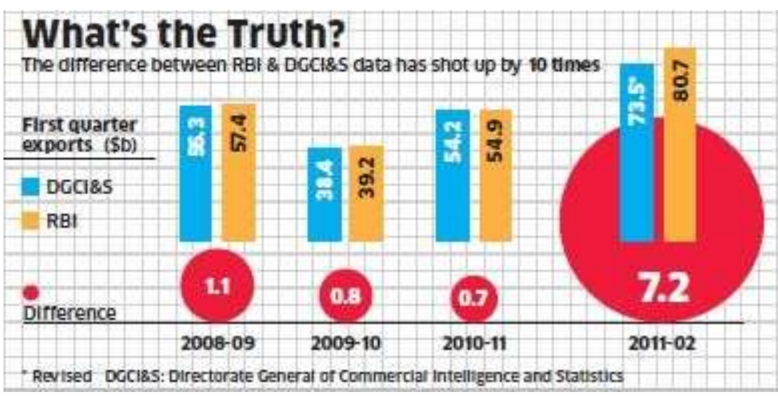
Q1 Exports: RBI data exceeds Commerce Ministry figures by $7.2 billion

Deepshikha Sikarwar & Amiti Sen, ET Bureau

15 December 2011, NEW DELHI: The recent downward revision of the country's export figures has created a $7.2-billion difference between the shipment data collected by the commerce department and the export income inflows compiled by the Reserve Bank of India (RBI) during the same period, posing another uncomfortable riddle for the government and raising the possibility of a second round of data revision.

Last week, the government lowered the April-October export numbers by $8.8 billion to $171 billion from $179.8 billion, citing human and computer errors for the original overstatement.



This revision, which largely pertained to the April-June quarter, had come after doubts were raised about excessively rosy export data in the backdrop of a global economy that was slowing down rapidly. But the discrepancy that has now arisen between the commerce department and Reserve Bank data could cause further embarrassment to the government.

The central bank's data is considered to be more reliable as it is based on actual payment basis. The government may, therefore, have to restate the revised figures again or find a plausible explanation to rule out the possibility of exports mispricing to bring back black money.

"The concerned officials are looking at the exports numbers again," said a government official, adding that another revision was possible. Unlike the first round, this time the revision will have to be in the upward direction if the export data has to be reconciled with the RBI figures.

A senior commerce department official said he would not read too much in the variance in data. "There is always a time lag between physical exports and payments. The money that is getting remitted this month could account for exports that happened last month or five months back.

There is no study available that would link remittances to exports that take place," Director General of Foreign Trade Anup Pujari told ET.

But the $7.2-billion difference is starkly out of sync with earlier trends. In the last couple of years, the difference in the exports numbers compiled by the RBI and the commerce department has been less than $1 billion in the first quarter. "Variation in the data is very wide... there seems to be some indication of overinvoicing," said Abheek Barua, chief economist, HDFC Bank.

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Rising imports widen trade deficit with China

Nayanima Basu, Business Standard

New Delhi, December 5, 2011: The trade deficit with China continues to soar at a blistering pace even as India is looking at aggressively increasing and strategising the reach of its products into the Chinese markets. The trade deficit which was $19 billion in 2009-10 rose to $23.87 billion in the last financial year. Analysts say there are indications that by the end of current financial year it might widen to a whopping $40 billion.

In the last couple of financial years, import of power and telecommunication equipments has seen a huge rise. In 2010-2011, import of mobile phones and other kinds of wireless phones reached $4.07 billion, up 60.1 per cent year-on-year from $2.54 billion in 2009-10. Similarly, import of project goods rose to $3.17 billion last financial year from $2.06 billion in 2009-10, up 54.08 per cent.

"We mainly import cell phones, project goods, digital products, chemicals, urea and machinery parts. However, what is rather unknown is that Chinese imports to India are quite diversified with a whole range of products accounting for a very small proportion of total imports from China, but in aggregate, they added to up to huge sum of imports," said Ram Upendra Das, senior member of a New Delhi-based think tank Research and Information System for Developing Countries (RIS).

Experts also said the 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 equipments ($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).

"We have undertaken the task to reduce our power deficit through massive sector reforms which have encouraged many companies to enter into power sector. These companies are placing order on China for supply of power equipments which besides cost effective are also delivered timely.

Similarly, we are seeing major revolution in telecommunication sectors with increasing teledensity and higher use of mobile phones. In the first four months of the current financial year, our deficit with China has almost touched $13 billion which is giving indication that the deficit may swell to $40 billion by the end of current financial year," said Ramu S Deora, president, Federation of Indian Export Organisations and chairman of G Amphray Laboratories.

Deora also said there needs to be a "sea change" in India's strategy in order to increase exports to China. He also added that India needs to look at a more "aggressive strategy" to reach every corner of the Chinese markets and build a credible consumer base. He said with change in demographic profile, China is all set to exit from labour intensive sectors of exports leaving the field open for India and other low-cost manufacturing countries.

"We can revisit our strategy for exports of garments, textiles, leather, organic and inorganic chemicals also to China," he added.

Experts also believe that India has also not been able to access the Chinese markets in areas where it has considerable market expertise such as pharmaceuticals and information technology.

"Lack of adequate research and development in such industries in India has led to increased imports of these products from China to meet the growing domestic demand. It is crucial for our domestic industries, especially those like OEM's, in which India has considerable global competitiveness, to expand its portfolio and global outreach," said Pradeep Mehta, secretary general of CUTS International.

China has become successful in changing the way Indian consumers think today. From bright and shiny 'Ganesha' idols to creative Diwali lights, Chinese goods have become a part and parcel of Indians today in almost all the urban markets across the country.

According to Das of RIS, this is happening all the more because importers are placing large number of orders with the Chinese due to a competitive pricing which, in turn, is inducing demand. "They are present in small shares but in a large number of areas and they have achieved this competitiveness due to massive manufacturing competence and they know how to influence buyers thinking," Das emphasised.

Anwarul Hoda, professor, Indian Council for Research on International Economic Relations (ICRIER) believes that unless India charts out a long-term strategy to face the influx of Chinese goods into Indian markets, the trade deficit would continue to balloon.

In an effort to tame the ballooning deficit, Ministry of Commerce and Industry is working on a China specific strategy paper to identify the areas in which it can leverage Indian shipments to China. Some of the key focus areas that have been identified by the strategy paper are information technology, drugs and pharmaceuticals, textiles, chemicals, carpets, woven fabrics and leather products among others. The strategy paper would also deal with measures on how to gain more access of the Chinese market in terms of services trade with a liberal visa regime, according to commerce department officials who are involved in the process.

"There can be a variety of ways to increase our exports. These may include from bilateral negotiations for tariff reductions to forging production network links with southeast Asian countries to access their market, to establish joint ventures with Chinese companies for exports to joint ventures with developed countries in the Chinese market as tariff jumping FDI," Das said.

According to Mehta, since India and China form a significant part of the BRICS Grouping also, raising trade barriers would not be viewed as a viable option.Mehta said that since China is now increasingly focusing on boosting domestic consumption due to the ongoing financial turmoil, India should look forward to increase exports to cater to the likely increase in domestic consumption.

Both countries have decided to increase bilateral trade to $100 billion by 2015. In order to achieve this target Prime Minister Manmohan Singh has selected Anil Dhirubhai Ambani Group (ADAG) chairman Anil Ambani to head the much ambitious India-China CEOs Forum.

The CEOs Forum, which was announced during the visit of Chinese prime minister Wen Jiabao here in December last year, would also comprise who's who of the Indian industry as its members. Some of the prominent names in this are Anand Mahindra, Tulsi Tanti, N Chandrasekharan, Yusuf Hamied, Prashant Ruia, R Seshasayee, Baba Kalyani and Gautam Adani.

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Anti-dumping duty imposed on opal glassware from China, UAE
PTI

New Delhi, Dec 6: India has imposed anti-dumping duty on cheap imports of opal glassware from China and the United Arab Emirates for a period of five years.

The duty would be in the range of 41. 6 - 110. 17 per cent of the landed cost of consignments from China, while UAE-imported opal glassware would attract duty at 36.73 per cent of the cost.

Opal glassware is a milky white glass used in lighting fixtures and tableware.

"The anti-dumping duty imposed shall be levied for a period of five years (unless revoked, superseded or amended earlier) from the date of imposition of the provisional anti-dumping duty, that is, August 9, 2011, and shall be payable in Indian currency," the Department of Revenue has said.

The levy was imposed after the designated authority, the Directorate General of Anti-Dumping and Allied Duties (DGAD), a nodal agency under the Commerce Ministry, recommended its imposition following an investigation.

In its probe, the DGAD concluded that the domestic industry had suffered a material injury on account of dumping of the product by both nations.

Earlier, in August, the DGAD had imposed provisional anti-dumping duty on opal glassware from China and the UAE for six months.

Anti-dumping duty is recommended by the Commerce Ministry, while the Finance Ministry imposes the same.

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Before knocking on WTO doors, India seeks talks with US on steel duty
Amiti Sen, ET Bureau

Dec 3, 2011,NEW DELHI: India has decided to seek consultations with the US on the 'wrongful' imposition of penal duties on its steel exports, a first step that a country takes before dragging another to the dispute settlement mechanism of the World Trade Organsiation or WTO.

The US imposes steep penal levies in the form of countervailing and anti-dumping duties on Indian steel companies such as Essar, Tata, Jindal and Sail making exports from these companies unviable.

Earlier this week the US initiated fresh investigation against steel pipes from India despite New Delhi objecting to such duties on other steel products on the ground that the basis for calculating domestic prices of steel for imposing penalties was faulty. Commerce secretary Rahul Khullar, who is on an official visit to Washington, is likely to ask the US to begin consultations with India on the issue, a government official told ET.

"We have had our legal firms examine the issue and we are sure that the basis for their calculation of the penal levies is faulty," the official said.

Once bilateral consultations begin, India will give its legal views to the US on the issue and if the talks are unsuccesful, it could take the next step of discussing the issue at the WTO. If bilateral consultations at all levels fail, a country can then ask for setting up of a dispute settlement panel to settle the issue.

"The US is continuing its practice of faulty pricing calculations and if not checked India will never be able to export any steel products to the country," said a representative from a steel company that has stopped all exports to the US.

The US has been imposing countervailing duties or CVD, a levy to neutralise government subsidies, on steel for the last decade. Duties on Indian companies range from about 18% on Essar to over 500% for companies such as Tata and Jindal.

It also imposes antidumping duties, a penal levy on imports that are sold at higher prices in the home market of the exporter, of over 20%. India wants to challenge the US department of commerce's assumption that the iron ore sourced by Indian steel makers from NMDC is supplied at subsidised rate because it is a public body.

"This is a wrong assumption as NMDC always sells at the prevailing market prices which is determined by their exports to Japan and South Korea," the official said.

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India goes to WTO against US dubbing export schemes as subsidies
Anindita Dey, Business Standard

Mumbai December 02, 2011**:** India has moved the World Trade Organisation (WTO) over a recent US decision to categorise 50-odd export promotion schemes as subsidies.

Washington's decision will come into effect from next year on all Indian exports as notified by the United States to WTO, government sources said on Thursday.

"Before that," informed a commerce ministry official, "the government has sought consultations with the US under the framework of trade diplomacy of WTO. Therein, we would discuss the issues for clarification," he told Business Standard.

American's move, he said, was "absurd". For, it has dubbed every export scheme as subsidy. "This can attract double duty -- of anti-dumping (AD) as well as CVD (countervailing duty)," he pointed out.

Another official explained that such a move could have a "devastating impact" on the Indian trade with the US. The recessionary trend in Europe has already pulled exports down. US is an important trade partner of India. So, even if the government extends market-focused schemes for Indian exporters to tap new markets in Africa and Asia.

India is the 12th largest goods-trading partner of the US. The goods trade was worth $48.8 billion (two ways) last year. America's goods-trade deficit with India was $10.3 billion in 2010, with goods exports at $19.2 billion and goods imports at $29.5 billion. In 2009, the trade in services with India (exports and imports) totalled $22.3 billion.

Officials say the problem lies with the US government's "extremely broad" definition of CVD. It includes all export incentives given by the central or any state governments under any scheme, the Special Economic Zones Act and any rule on procurement from public sector units or loans from public sector banks.

For negotiations, the government is banking heavily on the judgement of the WTO Appellate Body (WAB) issued early this year.

It favoured China in a case where the US had imposed CVD on certain exports to that East Asian nation, on the ground that direct loans from state-owned commercial banks and organisations implied controlled pricing.

The WAB judgement stated that a government control on pricing could be assumed only if the entity was vested with necessary governmental authority; it isn't sufficient to be merely owned or controlled by government.

Similarly, the US had aggressively used CVD on Indian steel some time ago. In addition to the AD, a 21.95 per cent CVD was put on Essar Steel's products since 2008. Then, in January this year, after a review of US steel imports from India, a whopping 586.43 per cent CVD was put on exports of Tata Steel.

In this case, commerce ministry officials argued that NMDC was an independent entity, where the government had no role in fixing the price.

The imposition of CVD and AD would “substantially accelerate” the costs for the American importer of Indian goods in his country, the ministry official said.

CVD is primarily used to counter the impact of subsidies given by exporting countries to their exporters.

It is permissible for use, as protection under WTO rules, as is the imposition of AD, used by a country to counter the impact of imports on domestic producers of a particular commodity.

Dumping is selling in its own home market a commodity at a price higher than that of its import.

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Government, IT industry demand parity for Indian business in US
Economic Times

NEW DELHI,13 December: The government and the IT industry are understood to have demanded parity between Indian and local businesses in America at the 11th US-India ICT Working Group meeting held here today.

Both Indian and US services firm are supplying similar services in the US market but because of PL 111-230, Indian service suppliers are being meted different treatment, a Department of Commerce official is believed to have said, according to sources who attended the meeting.

"This is violation of US commitment under mode 3," the official is believed to have said at the meeting.

Public Law 111-230 was signed by US President Barack Obama, under which a visa seeker is required to submit an additional fee of USD 2,000 for certain H-1B petitions and USD 2,250 for certain L-1A and L-1B petitions.

The official said at the meeting that this regulation, under mode 4, nullifies and impairs US commitments to the WTO.

James Zadroga levies 2 per cent tax and levies on services procured from certain WTO countries and not from other WTO countries. Again this is an issue which erodes basic WTO principles, the official is believed to have said.

Under the James Zadroga 9/11 Health and Compensation Act last year America had imposed 2 per cent tax on US government procurement from foreign companies and also extended the present visa fee on certain categories from 2014 to 2015.

The official highlighted that Indian professionals working in the US are suffering because of mis-match in the US domestic regulation.

"Your regulation for social security and visa makes difficult for professionals to survive who contributes from his salary month after month but is not entitled to commensurate benefit that according to us is more of ethical issues," the official noted.

Similar issues were raised by representative from Nasscom, the software services industry body.

"Ohio has banned offshore IT projects. There is 2 per cent excise tax on goods and services purchased by foreign suppliers. Our market is open and we want similar access for Indian companies into other markets," said a Nasscom official.

Indian industry and government representative requested their counterparts in the US present in the meet to take note of the issue and resolve as early as possible.

"Knowledge is global and workforce is global. They plenty to talk about immigration (rules)on both sides, in both countries. Because of the importance of economic relationship we firmly recommend high level dialogue," said representative of United States India Buisness Council (USIBC).

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Indian basmati rice consignments held in US being cleared
Press Trust of India

New Delhi December 02, 2011:The US government is in the process of clearing Indian consignments of basmati rice held at its ports for traces of pesticide called tricyclazole, a senior official of the agri-export promotion body, the Agricultural and Processed Food Products Exports Development Authority (Apeda) said.

Tricyclazole is a widely used pesticide in rice-growing countries, including India, Thailand, Japan and China.

“The US has cleared the maximum containers of basmati rice. It is in the process of examining the remaining few. The problem is easing," the official added.
As some containers of basmati rice had presence of a pesticide named tricyclazole, the US Food and Drug Administration (USFDA) had detained all consignments without physical examination, he said.

Tricyclazone, a pesticide manufactured by a US company, is, however, not registered and not found in the pesticide list that USFDA checks while detecting pesticide residues in the imported food items. If not a registered pesticide, the USFDA considers it illegal and not safe for human consumption.

According to the government sources, out of 150 containers (20 tonnes each) of basmati rice from India that have been detained since July at various ports of the US, 85 per cent have been cleared.

Noting that domestic exporters have been facing hurdles in shipping basmati rice to the US due to the pesticide issue, the Apeda official said: “There is no panic situation. The issue is being resolved."

Meanwhile, the All India Rice Exporters Association (AIREA) has taken up the issue with the US authority and has requested it to consider registration of tricyclazole.

“About 10-15 per cent of our detained containers have traces of tricyclazole, which is not registered in the US. We have informed them the traces of tricyclazole found in our containers are much lower as compared to other countries," AIREA President Vijay Sethia said.

The presence of tricyclazole in the aromatic grains are within safety levels of 0.02-0.04 ppm (parts per million) set by the Indian government. In comparison, Japan and Europe allows a maximum pesticide residual level of one and three ppm, respectively, he said.

India exports around 80,000 tonnes of basmati rice to the US annually. 50,000 tonnes has been shipped this year.

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India, EU reach an understanding over not detaining generic drugs from India
India Pharma News

9 December 2011, New Delhi: Jyotiraditya M. Scindia, Minister of State for Commerce & Industry informing Rajya Sabha, the upper house of the Indian Parliament, said that India and European Union (EU) reached an 'Understanding' to guide border enforcement of intellectual property in the EU and thus will not detain Indian generic medicines while in transit through EU.

It may be noted that India had initiated dispute settlement consultations on May 11, 2010 at the World Trade Organisation (WTO) with the European Union (EU) after several rounds of discussions directly with EU could not produce any results. The issue was taken up by India when generic medicines while in transit through EU were detained invoking the EC's Regulation 1383/2003 against goods suspected of infringing intellectual property rights (IPRs).

As per the understanding reached between the two parties, EU has agreed to replace Regulation 1383/2003 with a new regulation. The European Commission has already approved a proposal for a new regulation and said that the proposed new regulation is being reflected upon in EU's Parliament.

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Deadline for comments on IPR streamlining extended
PTI

New Delhi, December 05, 2011: The deadline for comments on proposed streamlining of the intellectual property rights (IPR) filing process by setting up separate establishments to handle trademark and patent applications has been extended by the government till December 31, 2011.

At present, both trademark and patent applications are handled by a single body, the Controller General of Patents, Designs, Trade Marks and Geographical Indications.

Last month, the Department of Industrial Policy and Promotion (DIPP) had floated a discussion paper on the proposal, seeking comments from stakeholders by November 30.

"The date of receipt of views and suggestions on the discussion paper on the proposal to review the organisational structure of the Office of Controller General of Patents, Designs, Trade Marks and Geographical Indications extended from November 30, 2011 to December 31, 2011," the department today said.

The DIPP said the objective of the exercise is to enhance the efficiency of the CGPDTM through organisational restructuring.

The DIPP had said it is considering whether to make autonomous establishments for handling trademarks and patents, which would generate their own revenues and sustain themselves.

Following the implementation of WTO norms on IPRs, there has been a significant increase in the number of applications filed for trademarks, patents and designs in the country and a consequent increase in the volume of connected statutory proceedings.

"The work on a single authority of the CGPDTM arising out of all these statutes has become unmanageably heavy," the paper said.

With just 26 trademarks examiners and 1.42 lakh filings in 2009-10, every official needed to handle 5,459 filings on average, far more than the 3,800 applications handled by a Chinese examiner, it had said.

In comparison, the Indian situation is more demanding.

"Since this is an impossible task, pendency is natural and has been increasing," the paper had said.

Autonomy would ease operational problems and give the flexibility to hire technically qualified personnel, the DIPP said.

As per the proposal, the CGPDTM would be divided into two entities. One would handle trademarks and GI registry and the other would cater to patents and designs.

As per the DIPP, over 4.40 lakh applications for trademarks and 76,000 for patents were pending in 2009-10.

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Indian government in U-turn on retail reform
Ben Sheppard, AFP

NEW DELHI, December 7, 2011: India on Wednesday suspended plans to open its $470 billion retail sector to foreign supermarkets such as Wal-Mart, in a major U-turn forced by an outcry from small shopkeepers and opposition MPs.

The climbdown was a grave embarrassment for Prime Minister Manmohan Singh's government, which had announced the retail reform with great fanfare just two weeks ago.

The arrival of international chains such as Wal-Mart, Carrefour and Tesco in India was expected to herald a consumer revolution with shoppers moving from small, neighbourhood stores to large, out-of-town supermarkets.

But anger over the planned reforms united "mom and pop" store owners, trade unions, influential state leaders and opposition lawmakers who have paralysed parliament over the issue.

"The decision to permit 51 percent (foreign direct investment) in multi-brand retail will be suspended till a consensus is developed through consultations," Finance Minister Pranab Mukherjee told parliament.

The Federation of Indian Chambers of Commerce and Industry (FICCI), the country's leading business body, described the government's reversal as "deeply disappointing".

"It is a highly regressive move," it said in a statement. "For the economy as a whole it is imperative that the reforms like these should take place."

Observers added that the capitulation would fuel criticism of indecision and policy drift within Singh's administration amid worsening economic data and a series of corruption scandals.

"This is a huge setback and will not go down well with foreign investors," said P. Phani Sekhar, fund manager with Mumbai's Angel Broking.

Sushma Swaraj, parliamentary leader of the main opposition Bharatiya Janata Party (BJP), which had spearheaded opposition to the reform, mocked the government benches as she welcomed Mukherjee's announcement.

"Bowing down to the popular sentiment is not a defeat for the government," Swaraj said. "That the government bowed down before popular sentiment is a great victory for democracy."

The U-turn was confirmed earlier Wednesday at an all-party meeting aimed at breaking the parliamentary logjam.

In his statement to parliament, Mukherjee said he hoped the house would now make the most of the 10 remaining days of the current session to pass a host of pending bills, including key legislation on corruption and food subsidies.

The suspended reform would have allowed foreign firms to hold a 51 percent stake in "multi-brand" chains, posing the threat of sharp competition to traditional shops.

Kishore Kharawala, general secretary of the National Association of Small Traders which helped organise a one-day strike against the reforms last week, welcomed the government's retreat.

"Any decision which goes towards protection of national interests is welcome," Kharawala told AFP in Mumbai. "We will continue to oppose the policy if the government tries to introduce it again."

Premier Singh and many industry leaders had argued that a modern retail system would benefit consumers, create new jobs and enable farmers to reduce wastage.

The sector is worth an estimated $470 billion in annual sales, with high growth potential as India's 1.2 billion people move towards a more Western-style consumer economy.

An Associated Chambers of Commerce and Industry of India (ASSOCHAM) survey, published at the weekend, had suggested that 90 percent of consumers believed the measure would lead to more choice and lower prices.

More than 75 percent of farmers said direct dealings with retailers would cut out middle-men, help to get better value for products and lessen huge losses of perishable items.

But the poll of 2,000 people in 10 major cities also indicated that 80 percent of convenience store owners were opposed, saying that "big box" stores were not as flexible in terms of home delivery and credit services.

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New telecom policy to have reservation for local manufacturers
The Economic Times

10 December 2011: ET had reported last month that India has decided to give preferences, including tax cuts, to indigenously manufactured telecoms equipment, despite concerns raised by the United States and the European Union, which had said that such concessions would violate WTO commitments.

Last month, the department (DoT) committee, examining the issue, had concluded that these concessions as well as reservations for local mobile equipment manufacturers were necessary from a national security perspective. This committee has cleared the proposal that mandates domestic operators to source 65% of their annual hardware and network-related equipment from Indian companies by 2020.

The reservations for domestically-manufactured equipment will be part of the new telecoms policy 2011,that is scheduled to be unveiled by December this year.

Earlier this year, sector regulator Trai had proposed that mobile phone companies be mandated to source 80% of their network equipment and other related infrastructure from domestic manufacturers by 2020. But this also includes network and other hardware produced by the manufacturing units of foreign vendors located in India.

Trai had also recommended that companies owned by Indians and located here get 65% of all telecom network orders by 2020. Put simply, the regulator had sought that manufacturing arms of international vendors such as Ericsson, Huawei, Nokia, Siemens and Alcatel-Lucent amongst others to account for only 15% of all equipment orders by 2020.

Trai also sought that these proposals be implemented in a phased manner. For instance , it had said that by 2015, mobile phone companies be mandated to source 45% of all telecoms equipment domestically. Off this, Trai wants Indian companies to account for 25%.

In addition to recommending that domestically manufactured products be given preferential market access, it had also proposed a slew of incentives to kick-start telecoms equipment manufacturing in India.

The five-member DoT committee has endorsed Trai's proposals.

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DGFT may free up imports of canalized items
Asit Ranjan Mishra, Livemint

2 December, New Delhi: The Directorate General of Foreign Trade (DGFT) is considering scrapping provisions which mandate that some goods be imported through state trading agencies, in a measure that could ease trade policy and remove constraints on supply.

Such items could include aviation turbine fuel (ATF) and skimmed milk powder, said a DGFT official, speaking on condition of anonymity. Any changes will be announced as part of the foreign trade policy to be unveiled in March or April, the person said.

DGFT is currently undertaking a comprehensive review of the export-import policy that could see a change in the so-called list of canalized items, which can be imported only by state agencies. All importers have to place orders with the canalizing agency for supply of the goods.

The move comes amid a demand by Kingfisher Airlines Ltd chairman Vijay Mallya that his ailing carrier be allowed to directly import ATF so that the company can save on high sales tax charged by state governments.

"ATF should not be the only commodity to be reviewed. There are many other commodities which could be imported only by state agencies. It will be a good idea to review all of them at a time," the official said. "What is the benefit that we get keeping them under restricted imports? Efficiency is more important."

Lifting the restriction on other items on the canalized list could have an anti-inflationary effect, said some experts, who cited skimmed milk powder, which has to be imported through state-run National Dairy Development Board when there is a domestic shortage of milk.

Since milk prices have gone up significantly in recent times, DGFT may consider removing skimmed milk powder from the list to boost domestic supply, trade analyst T.N.C. Rajagopalan said. Milk prices rose 11% in October from a year ago.

With income levels in rural India rising, demand for items such as milk, pulses and fruits is increasing, he said. "This is a supply-side problem that needs to be addressed," he added.
While there have been previous demands to allow the import of skimmed milk powder by private traders, these have been rejected over fears that milk producers in the country would be hit.
While annual production of milk is increasing by 5%, consumption is rising by 6%, putting heavy pressure on prices, said Anwarul Hoda, professor at the Indian Council for Research on International Economic Relations.

If ATF is removed from the list of canalized items, any airline can directly import jet fuel. To be sure, only state-owned oil marketing companies (OMCs) currently have the airport infrastructure required to fuel planes in the country.

"The request from Kingfisher only crystallized the view that the list of canalized items should be reviewed," the government official said.

While it will take time to amend the Foreign Trade (Development and Regulation) Act, 1992, under which DGFT functions, the change in rules can be notified in the forthcoming foreign trade policy, he said.

DGFT has to do a tough balancing act while revising the canalized items' list, said Rajagopalan.

“They’ve to maintain the right balance between the interests of domestic producers and streamlining supply,” he said. “It will be difficult to take out items like some petroleum goods and urea, where there is a government subsidy component.”

Rationalization of the list would be welcome, said Hoda.

“With economic liberalization, huge numbers of items have already been removed from this list,” he said. “Now mostly agricultural products and edible oils are there in the list.”
The DGFT official said Mallya has already met commerce minister Anand Sharma, commerce secretary Rahul Khullar and director general of foreign trade Anup Kumar Pujari to press his case.

Kingfisher has cancelled about 50 flights daily until December amid a severe cash crunch. These flights are likely to be fully restored only in the next three-four months, according to chief executive Sanjay Aggarwal. The airline had debt of about Rs7,000 crore at the end of the 2010-11 fiscal.

At present, only state-run enterprises such as Indian Oil Corp. Ltd (IOC) are allowed to import ATF. The direct import of ATF could lead to savings of as much as 10% in operating costs, according to a Federation of Indian Airlines estimate. Fuel, which accounts for over 50% of an airline’s operating cost, is taxed at 4-30% by states.

Private airline operators have asked the Centre to bring ATF under the proposed goods and services tax to ensure that levies are uniform across the country. In the last fiscal, Indian oil companies sold 5.078 million tonnes of ATF, an increase of 9.7% over 2009-10.

An oil ministry official, who did not want to be named, said it was for DGFT to take a call. However, another oil ministry official had said earlier that it was not in favour of easing the terms on which jet fuel was supplied to Kingfisher, which doesn’t get credit from state-owned OMCs. IOC, Bharat Petroleum Corp. Ltd and Hindustan Petroleum Corp. Ltd, all state-run, supply jet fuel on a cash-and-carry basis to the debt-burdened airline.

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India ready to block any move to put farm tariffs at WTO meet
Amiti Sen, The Economic Times 2011

12 December, NEW DELHI: India will resist any attempt by developed countries to take away the right of World Trade Organisation (WTO)-member nations to restrict export of food items and raise import tariffs beyond existing levels.

Trade ministers of WTO-member countries are meeting in Geneva on Thursday to try and identify issues that can be discussed till the US presidential elections are over next year.

The meeting is also likely to take up proposals to "cherry-pick" issues from the negotiating agenda of the decade-old Doha round of global trade talks and sign a plurilateral pact. India will oppose this too, a senior government official has said.

"We have already indicated to the WTO that we are not in favour of any of these issues. However, we have to watch out at the ministerial against any attempt by developed countries to put the items on the negotiating table," India's chief negotiator at the WTO, Rajeev Kher, told ET.

The Doha round of trade talks, launched a decade ago to help poor nations benefit from global trade, is almost paralysed because of differences between the US and large developing countries such as India, China and Brazil on removal of tariffs on some industrial goods.

Kher said these proposals are harmful for countries such as India as there are a large number of farm items in which import duties at present are negligible, which gives freedom to the country to increase duties to higher levels whenever required.

"If we freeze duties at the applied levels, we will lose our flexibility to increase it in future," Kher said, adding that developing countries also need to impose food export restrictions when required.

Australia, the EU and the US are at the forefront of the seemingly "innocuous" proposals that would require developing countries to take on commitments that go beyond the Doha agenda.

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WTO Ministerial Contrasts Doha Gloom With Glimmers of Hope
Wall Street Journal

December 14, 2011, BRUSSELS (Dow Jones)--The rainy grey weather over Geneva matches the mood of the first ministerial meeting of the World Trade Organization since 2009, with ministers turning their attention to other areas amid little hope of resurrecting the stagnant Doha round of trade talks.

"This ministerial is like a Russian doll, the deeper you go, the less and less you get," says Simon Evenett, a professor at the University of St. Gallen in Switzerland. "In fact the only part of the doll that looks like anything is Russia's accession."

Trade ministers and representatives from the 153 member countries will gather in the Swiss city for the ministerial meeting Thursday, with the closing session scheduled for Saturday evening.

The Russian Federation will officially join the international organization on Friday, the last of the Group of 20 leading and emerging nations to do so after it took 18 years to agree to concessions on tariffs and other trade policies. Samoa and Montenegro will also join, the only concrete events on an agenda where ministers will mull the future of the Doha Development Agenda, the trade talks started after the Sept. 11 attacks with the aim of making global trade rules fairer for poorer countries.

"Ministers deeply regret that, despite full engagement and intensified efforts...the negotiations are at an impasse," a note circulated ahead of the meeting said. "It is unlikely that all elements of the Doha Development Round could be concluded simultaneously in the near future."

They must now decide how to make progress on this thorny issue, with one option being an overhaul of the entire framework for making decisions. Currently, all 153 WTO members have to agree before new rules can come into force, but a change could mean faster progress in the future.

"We need to explore new negotiating approaches to end the stagnation on the Doha Round," Ambassador Michael Punke, U.S. permanent representative to the WTO, told Dow Jones Newswires.

Another option would be to break talks down into areas where members can reach consensus and forge ahead with those, without waiting to agree on all elements at once--known as the "single undertaking"--as originally planned. Others suggest restarting talks from scratch with a different agenda, given the fundamental changes in the global economy such as the emergence of Brazil, Russia, India and China over the last decade.

"There's a lot of baggage, maybe some fresh diplomatic eyes would be good," the University of St. Gallen's Evenett said. "Do we have to stick with existing agenda which is defined by the legacy of 1990s?"

The deadlock is also costly. Completing Doha could generate a boost to the global economy of some $160 billion, Bernard Hoekman, director of the international trade department at the World Bank, wrote in a recent paper.

But there are still some glimmers of hope.

Ministers are expected to sign off on a new government procurement agreement, or GPA, under which members open up public procurement of goods, services and capital infrastructure. In most countries, government procurement accounts for 15% to 20% of gross domestic product, according to the WTO.

Ministers are meeting to discuss outstanding issues ahead of the main ministerial and hope to conclude a new agreement, which Nicholas Niggli, the Swiss diplomat chairing GPA negotiations, said could open up opportunities "representing tens of billions of dollars/euros annually."

There are 42 member countries of the GPA with another nine, including China, negotiating to join.

Some delegates may also want to discuss using the WTO to resolve disputes over currencies, a debate driven by Brazilian anger over China's policy of keeping the yuan pegged to the U.S. dollar. However, this isn't on the official agenda.

Brazilian Trade and Industry Minister Fernando Pimentel said last month that exchange-rate factors are devastating the productive structure of Latin American countries. At the same time, China is mulling where to invest its $3.2 trillion of foreign-exchange reserves, a senior civil servant said in Brussels.

Ministers will also discuss how to bring the world's least-developed countries into the organization, with the ministers set to agree on tools, such as trade-for-aid programs, and a subcommittee to coordinate special treatment and assistance in order to develop them.

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A reform meet turned ritual

Biswajit Dhar, Livemint

For WTO to retain credibility as an effective institution, members need to find ways of delivering on its promises

5 Dec 2011: Ministers from the member states of the World Trade Organization (WTO) will congregate in Geneva for the eighth ministerial conference next week.

In the past, the biennial WTO ministerial conferences used to be prominent events, for decisions taken there had significant implications for global economic governance. But with the Doha Round of multilateral trade negotiations lying virtually in a state of coma, next week's event will be no more than a ritual. The ministerial conference is taking place since the Marrakesh agreement establishing WTO stipulates that there "shall be a ministerial conference composed of representatives of all the members, which shall meet at least once every two years".

The eighth WTO ministerial conference is being held 10 years after the members of the institution had decided in the Qatari capital of Doha to launch a new round of multilateral trade negotiations that would help deepen and widen the trade liberalization agenda. Thus, members decided to initiate negotiations for lowering tariffs and other forms of trade barriers in both goods and services, and to adopt a new set of rules that would not only help in reducing the cost of doing business, but would also reduce the policy-induced barriers. This trade reform agenda was expected to meet the development aspirations of the lesser players in the global economy and, therefore, the agenda provided for the inclusion of special measures that would enable them to do so.

The negotiating agenda also included a range of issues on which developing countries and their more advanced counterparts stamped their ownership. While the former pushed for the reform of the regime of intellectual property rights to ensure that medicines are available at affordable prices, the latter sought inclusion of areas that were hitherto outside the remit of WTO, including investment, competition and government procurement.

During the 10 years of Doha Round negotiations, WTO has faced pressures both from within and outside. The pressures from within mounted as the members struggled to meet the time schedules that would have enabled the round to be completed in four years. On hindsight, the tight time schedule was the biggest enemy of the Doha Round. Even in the best of times, trade policy reforms would have taken much longer than the four years that had been stipulated. But few seem to have recognized that the Doha Round was being launched as the global economy was recovering from the twin shocks of the Asian financial meltdown and the events following 9/11.

As a result, countries were much more circumspect in giving up the policy instruments that would have enabled them to provide an additional dose of protection to their domestic players in these times of uncertainty. Such tendencies were displayed most prominently by the US and the European Union which were called upon to provide additional market access to developing countries and to, thus, enable the latter to increase their presence in the global markets.
From the point of view of developing countries, the Doha negotiations made little progress in key areas of agriculture and services. In the former, the biggest roadblock was the reduction of the high doses of farm subsidies which, ironically, became even bigger as the negotiations were being conducted.

Liberalization of the services sector was being eyed by many developing countries as an opportunity for them to make big inroads in the global markets through enhanced opportunities for their professionals. But much to their disappointment, the developed countries decided to adopt a cautious approach in the early years of the Doha Round in the matter of opening up of the services sector. With economic uncertainties setting in, services negotiations came to a virtual standstill.

What has made matters worse for the multilateral trade system governed by WTO is that many of its member states have continued to pursue the trade liberalization agenda through ever-increasing reliance on bilateral and regional free trade agreements. Developing countries were slow to get off the blocks, but in recent years, a majority of these countries have got involved in free trade negotiations. India typifies this development—until 2003, India showed its unflinching faith in the multilateral process, but in the more recent years, it has been one of the most active in pursuing bilateral trade deals.

It is quite clear that for WTO to retain its credibility as an effective institution, the member states of the organization would have to find ways of delivering on its promises. This realization seems to have finally dawned on at least a section of its membership; importantly, the most prominent ones belonging to the Group of Twenty. In their recently concluded summit in Cannes, the leaders surmised that the Doha Round will not be completed if the negotiations are conducted in the same manner as in the past. The leaders have emphasized the need to pursue fresh, credible approaches to furthering negotiations.

Backed by this political support from the leaders of the most influential countries, the forthcoming ministerial conference needs to reflect on the ways in which the credibility of WTO as a strong multilateral organization is kept intact. For all its weaknesses with which it is saddled at present, WTO remains as an institution that can help in the orderly conduct of trade and prevent catastrophic trade wars from breaking out.

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Think before you meet
T S Vishwanath, Business Standard

The upcoming Geneva Ministerial holds the key to keeping WTO relevant

December 08, 2011: The Ministerial meeting of the World Trade Organisation (WTO) is just over a week away. Unlike in the past, there seems to be very little excitement about the outcome of the meeting that is to be held in Geneva.

The lack of enthusiasm is obvious, given the fact that as of now there seems to be very little on the agenda for taking the Doha Round forward. Most analysts are clear that it will be very difficult to move forward on the Development Round launched a decade ago at Doha (Qatar) unless some of the large developed countries build political consensus within their boundaries to support the conclusion of the negotiations.

The mood of the member countries on the current impasse in the talks was reflected in a recent statement by Pascal Lamy, director general of WTO. He said there is a need for some "soul-searching" to address the failure of coordination in global trade issues. "There is a big problem in the way international trade cooperation works, or more precisely, does not work," Lamy said at a conference.

The difficulty in moving forward by countries was reflected last month at a meeting of the leaders of G20 and Asia Pacific Economic Cooperation forum; it was acknowledged that the Doha negotiations won't be completed under the current path. The leaders reiterated the oft-repeated call for a fresh approach to achieve at least some aspects of the agenda.
An important development at the Ministerial in Geneva would be the inclusion of Russia into the WTO fold. Moscow joins Vanuatu and the Samoa Islands in entering the multilateral trade body. Interestingly, the support for the WTO process across the globe can be understood when one looks at the debate within Vanuatu, which has ratified its accession to the WTO. Church leaders in the country are reportedly opposed to the move to join the WTO. The general secretary for the Vanuatu Christian Council has reportedly said that they do not support the ratification. Besides, there has been a call for much wider consultation with the people throughout Vanuatu. Some senior clergy members have said the Church does not have a clear direction on their next move and that they don't really understand what WTO is and what the consequences of signing the deal will mean.

The eighth Ministerial at Geneva will be chaired by Nigeria's Trade Minister, Olusegun Olutoyin Aganga. Though a formal ministerial declaration may not fructify, the Chair is likely to issue a statement on behalf of the members at the end of the Ministerial, which is likely to list out areas where some progress has been achieved over the years in the Doha Round. Further, the member countries will reiterate their commitment to the multilateral process and seek to end protectionism. They are also expected to pay lip service to the need to focus on development to push the case for small and vulnerable economies. They may also make a statement on cotton.
It is clear from the current impasse that WTO as a body that can create new trade rules to increase market access for countries is losing sheen. However, the multilateral body remains an

important player in ensuring that trade rules keep multilateral trade fair. The dispute settlement body of the WTO has been instrumental in some very important decisions impacting global trade. Similarly, the trade review process of countries is an important instrument to monitor and measure the level of trade openness in countries.

Good work has been done in several areas in terms of taking the negotiations forward under the Doha Round. This includes nearly all areas of negotiations covering agriculture, industrial goods and services besides some of the other important areas under the Round.

Given the current state of the global economy, two issues that the WTO may want to fast-forward are trade facilitation and non-tariff barriers. Addressing these will improve trade flows across the globe. This will also bring down the cost of doing business and help the large number of small and medium sectors play a more important part in global trade.

The current state of play at the WTO shows there is a need to reinvent the process of negotiations. This calls for some political consensus. The Ministerial at Geneva will provide the setting needed for global trade ministers to step back and take some important decisions to ensure that the multilateral trade body remains a significant platform to keep global trade fair and free.

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India still needs a WTO
Suman Bery, Business Standard

The Doha Round has been left behind, but India's trade requires a solid institutional structure

December 13, 2011: The ministerial meeting of the World Trade Organisation (WTO) later this week is likely to acknowledge that, after ten long years of trying, negotiations under the Doha Development Mandate are unlikely to reach closure in their present form. Such meetings of trade and commerce ministers take place every two years, and represent important opportunities to provide political guidance to the WTO. Despite the generally low expectations from the upcoming ministerial meeting, it does provide a useful opportunity to reflect on India's role and stake in the global trading system.

In a forthright message to ministers a month ago, which followed the meeting of G20 leaders in Cannes, WTO Director-General Pascal Lamy indicated that the deepest divide in completing the Doha round is over market access for industrial products. As he notes, underlying the current impasse are different views as to what constitutes a fair distribution of rights and obligations within the trading system. In the view of some, "emerging economies have attained a level of competitiveness and efficiency in key sectors that warrants treating reciprocity as parity in obligations," while others emphasise that emerging economies still face formidable development challenges in many areas of their economies. He concludes: "It is clear that progress in multilateral trade negotiations, as is the case in climate change negotiations, will require a political response to this political question." And while this concern is largely directed at China, now the world's largest exporter of goods, other large emerging markets such as India and Brazil will face equivalent pressure.

Lamy also points out that negotiations are only a part (although no doubt the most visible part) of the work of the WTO. Other elements include implementation of agreements, dispute settlement, monitoring and surveillance, and capacity-building. This framework deserves at least part of the credit for the relatively low resort to protection in the present economic crisis. An important issue facing leading members of the WTO, including India, is whether these other roles will continue to retain their potency if the WTO ceases to be a principal venue for negotiating market access.

This is not by any means to argue that India, or emerging markets as a group, carry the principal responsibility for the progressive marginalisation of the WTO; far from it. Even as the WTO came into existence in 1995 to replace its highly successful predecessor, the General Agreement on Tariffs and Trade (GATT), the US had just signed the North American Free Trade Agreement (NAFTA), partly to counter the steady expansion of the European Union (EU). With the major exceptions of agriculture, textiles and automobiles, tariffs on other traded goods were already very low, shifting attention of the rich countries to behind-the-border measures inhibiting goods trade, and to intangibles such as trade in services and intellectual property.

For the moment, and for most countries, including India, the negotiating action has moved elsewhere — mainly to various forms of preferential trade arrangements (PTAs), either bilateral (for example India-Japan) or plurilateral (India-Asean; India-EU). In common with other Asian countries (including Japan), India was a confirmed multilateralist and has only entered into the PTA game seriously since the middle of the last decade. The impact of these PTAs on the multilateral system is a hotly-debated topic, with protagonists on both sides: those who argue that such agreements pave the way for broader and deeper liberalisation, and those who assert that they distort the pattern of global trade and are inherently discriminatory.

In its World Trade Report 2011 published earlier this year, the WTO reviewed the experience with such arrangements, and came to some surprising conclusions, at least to a non-specialist like me. It argued that border measures (such as tariffs) are in general so low that they are increasingly less relevant as the motivation for such PTAs. Rather, PTAs are increasingly being used to provide stability and comfort in such areas as regulation, or intellectual property protection, which are a prerequisite for deeper integration than just trade.

Since it has proved difficult to make progress on these issues on a multilateral, most-favoured nation basis, countries are resorting to agreements outside the WTO to achieve these goals. The most recent example of this is the US initiative to participate in the so-called Trans-Pacific Partnership, which is explicitly designed to address a more ambitious liberalisation agenda than is possible within the WTO. Initially a pact between relatively small members of the Asia-Pacific Economic Community – Singapore, Chile, Brunei and New Zealand – the negotiations have widened to include the United States, Malaysia, Peru, Vietnam, Australia and, most recently, Japan. It is too early to judge how successful these negotiations will prove to be, and indeed whether once concluded the agreement will be passed by the US Congress. But the signal being sent by the US is unmistakable: it is serious about establishing a template in Asia that will deepen market access and integration in both directions, and more reluctant powers, notably India and China, could be at a disadvantage as their economies evolve in more sophisticated directions.

India faces an equally daunting challenge with respect to China's role in Asia. On the basis of multilateral, most-favoured-nation (MFN) disciplines, supported by excellent infrastructure and a favourable exchange rate, Asia's production networks have been reshaped over the last decade to feed into final assembly in China. India's manufacturing employment would be enormously boosted were it to become better integrated into such Asian networks; indeed this is one of the hopes of the national manufacturing policy that was recently approved. This process would stand a better chance if there were a solid institutional structure to underpin it, but for political reasons a bilateral accord seems unlikely any time soon. India may be better served in joining some Asean-linked accord (such as the proposed Comprehensive Economic Partnership for East Asia), despite being overshadowed by China in such a forum.

What then of the WTO? As a middle-ranking trading power that is likely to expand its footprint, India's long-term interests are best served by a strong, empowered WTO. Our politicians had done little to prepare Indian public opinion for the need for compromise and negotiation when a deal was on offer in 2008, so there was no domestic basis for accepting it. If such an opportunity recurs, we should seize it.

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