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WTO sets date for MC9 meeting in Bali, Indonesia
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India beats China in export growth rate: WTO
PTI

New Delhi, July 29, 2012: India has overtaken China in exports growth rate recording an increase of 16.1% in 2011, topping the list of all major trading countries in the world, says a WTO report. "India had the fastest export growth among major traders in 2011, with shipments rising 16.1 per cent. Meanwhile, China had the second-fastest export growth of any major economy at 9.3% ," World Trade Report 2012 of WTO said.

In 2010, China topped the list with shipment growth rate of 28.4%, while India recorded an increase of 22%.According to experts, the Indian government's and exporters endeavour of diversification of export markets have benefitted the country's shipments.

"Mainly the diversification of markets to Middle East countries, South East Asia and China have yielded good results for Indian exports," Director of the country's prestigious Indian Institute of Foreign Trade (IIFT) K T Chacko said.

Federation of Indian Export Organisations (FIEO) president Rafeeq Ahmed also said market and product diversification strategy have yielded positive results.

After the economic slowdown in the India's traditional export markets - the US and Europe, the government had extended incentives to exporters to explore new markets, including in regions like Latin America and Africa.

In 2011, world merchandise trade volume grew by 5%, while "Asia's 6.6% increase led all regions", the report said.

Further, it said that in commercial services exports, the European Union tops the chart with $789 billion worth of shipments, 24.8% of the world total.It was followed by the US ($578 billion, 18.2%), China ($182 billion, 5.7%), India ($148 billion, 4.7%) and Japan ($143 billion, 4.5 %).

The EU, it said, also becomes the leading importer ($639 billion, 21.1% of the world total), followed by the US ($391 billion, 12.9%), China ($236 billion, 7.8%), Japan ($165 billion, 5.4%) and India ($130 billion, 4.3%).

However, the report has put India, Indonesia and Argentina among the main countries imposing maximum non-tariff measures."The recent increase in restrictive measures is attributable to a number of developments, including stricter import controls and licensing requirements in some countries, as well as import prohibitions imposed on some Japanese goods following the Fukushima nuclear accident in March 2011," it said.

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Exports slide by 5.45 % in June
The Hindu

New Delhi, August 1, 2012: With the slowdown in the U.S., eurozone, China and Japan continuing, Indian exports have come under tremendous pressure for the second consecutive month with shipments declining by 5.45 per cent in June to $25 billion.

Trade deficit

Handicrafts, jute, tea and cashew accompanied by coffee were some of the items hit by the decline in exports. Similarly, imports also witnessed a sharp fall of 13.46 per cent at $35.37 billion against $40.8 billion in June 2011, resulting in a narrowing of the trade deficit to $10.3 billion for the month.

The decline in the country's shipments comes amid India's economic growth slipping to a nine-year low of 6.5 per cent in 2011-12, and subdued industrial output in the first two months of the current fiscal. "The contraction in global demand and deceleration in manufacturing are primary reasons for decline in exports," President of the Federation of Indian Export Organisations (FIEO), Rafique Ahmed, said in a statement here.

According to official data released by the Commerce Ministry, exports during the April-June quarter of 2012-13 dipped by 1.7 per cent to $75.2 billion, from $76.5 billion in the same period last fiscal. Commerce Secretary S. R. Rao has already stated that markets in the Eurozone, the U.S., China and Japan are still not showing healthy growth, and these are indications of global recession.

For instance, imports during the first quarter of this fiscal dipped by 6.10 per cent to $115.25 billion from $122.74 billion in the April-June period of last fiscal. Trade deficit during the quarter stood at $40 billion. Top exporting commodities during the April-June quarter included rice, which increased by 104 per cent, iron ore (40 per cent), oil meal (38 per cent) and spices (35 per cent).

In value terms, exports of petroleum products ($12.9 billion), engineering goods ($14.6 billion), gems and jewellery ($10 billion) and pharmaceutical and readymade garments, too, showed strong growth. Imports of petroleum products touched $41.5 billion during April-June 2012. Other importing sectors which registered growth include gems and silver ($9.4 billion), machinery ($8.5 billion) and electronics ($7.1 billion).

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Centre mulls renegotiating bilateral investment pacts
Vrishti Beniwal, Business Standard

New Delhi, July 23, 2012: With Vodafone, Sistema and Loop Telecom, among others, serving notices on the Government of India for international arbitration on tax or licence disputes, the latter is considering renegotiating its Bilateral Investment Promotion & Protection Agreement (Bipa) with diverse countries, to introduce provisions barring investors from taking such recourse. The government also wants it stated clearly that a Bipa does not cover taxation.

The proposed move is aimed at putting an end to the confusion on whether an international court can override the decisions taken by an Indian court, especially the Supreme Court. A favourable ruling for the investor in an international court can put the government in a fix.

"A number of Bipa clauses need to be revised. If you are taking legal recourse under domestic law, then you can't seek protection under international law. It has to be either of the two," an official told Business Standard.

A Bipa was supposed to promote and protect, on a reciprocal basis, the interests of investors of either country. The official said taxation issues were already outside the ambit of a Bipa, but there was a need to say it more explicitly.

Inter-ministerial groups, comprising representatives from the finance, telecommunications, commerce and law ministries, are looking into all the notices served under a Bipa.

Article 4 of a Bipa agreement requires each government to treat investments from the treaty country on par with the treatment given to its own investors or investors of any other third country. It, however, says departures from this would be permissible on matters concerning taxation, among others.

The government has so far signed such pacts with 82 countries; more are being negotiated. All the new agreements are likely to have these clauses. Talks for a Bipa are currently on with Canada, Brazil, Iraq, Nepal, Norway, South Africa and the UAE.

Another official said while there was a need to review the pacts in the light of changed circumstances, the government would tread cautiously, keeping in mind the repercussions it could have on investors. The purpose of a Bipa is to increase the comfort level of investors, by assuring a minimum standard of treatment in all matters and provide for a way to settle disputes with the host country.

In April, British telecom company Vodafone's Dutch subsidiary served a notice of dispute on the government under the India-Netherlands Bipa. It asked the government to abandon the retrospective amendments in the Income Tax Act that could make it liable to pay a tax of over Rs 12,000 crore. The government had told Vodafone the notice was premature, as it had yet to serve a notice.

When the Supreme Court cancelled spectrum licences of 11 telecom companies in February, Sistema (Russia), Loop (Mauritius) and ByCell (Cyprus) served notices alleging a Bipa breach. Telenor also sent a notice under the Comprehensive Economic Cooperation Agreement with Singapore.

Besides, notices have also been served by Devas Employees (Mauritius) and The Children's Investment Fund Management (UK and Cyprus). One case of White Industries under the Bipa between India and Australia went against the government in September 2011.

One case of White Industries under the Bipa between India and Australia went against the government in September 2011.

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Govt opens doors to FDI from Pakistan, finally
Arun S. , Hindu Business Line

New Delhi, August 1, 2012: The Government has finally allowed foreign direct investment (FDI) from Pakistan in all sectors, barring defence, space and atomic energy. This is yet another move towards complete normalisation of ties with Pakistan.

The formal decision comes over three months after Commerce and Industry Minister Anand Sharma had said on April 13 that India had, in principle, agreed to allow FDI from Pakistan.
The Press Note, notified on Wednesday, states that the Government has reviewed the FDI policy and decided to permit Pakistani citizens and entities incorporated in that country to make investments in India, under the Government route, in sectors other than defence, space and atomic energy.

This would mean that such investments will have to get the Foreign Investment Promotion Board's (FIPB) approval. FIPB clearance is also meant to take care of security concerns.

Earlier, the Government had allowed FDI from Bangladesh under the approval route.

Official sources had earlier said that delay in the notification was affecting the progress of talks among South Asian countries on agreements on services trade and investment.

Islamabad had questioned India on how it could push for liberalisation of services and investment in South Asia when New Delhi was yet to accord non-discriminatory treatment to Pakistan on FDI.

The Department of Industrial Policy and Promotion and the Finance Ministry were in talks to decide whether the notification on changes in the FDI policy should precede changes in Foreign Exchange Management Act (FEMA), or vice-versa.

Now that the FDI policy amendments have been notified, the Government will have to amend FEMA, which bans such investments from Pakistan.

Earlier, Pakistan had decided to give India the most-favoured nation status by this year-end. Islamabad had also shifted trade with India from a restrictive 'positive list' system to an easier 'negative list', paving the way for more goods to be traded.

Talks are also on between the banking regulators of both the countries for allowing opening of bank branches.

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Indian delegation in Pak to discuss export of power
Shishir Gupta, Hindustan Times

New Delhi, August 2, 2012: Taking small but sure steps in India-Pakistan ties, New Delhi sent a power ministry official delegation to Islamabad on Wednesday to negotiate the export of 500 megawatts across the Wagah border and work out the modalities for transmission of electricity to bridge demand and supply gap on either side.

This month, both countries have already had official-level talks on Indian export of petro products and liquefied natural gas to energy-starved Pakistan.

Government sources said an Indian delegation led by joint secretary (transmission) will be holding second round of talks on August 1 with her Pakistani counterparts to work out an agreement for transfer of 500 megawatts of power from Indian northern grid to a nearest point across the Wagah border.

If the two sides work out an agreement on the modalities of transfer, then the same could be signed during external affairs minister SM Krishna's three-day visit to Pakistan from September 7.

However, it will take more than a year for this proposal to fructify after the agreement as transmission lines would have to be laid across the border so that both countries could tap into each other's grid in case of a shortfall. While the transmission line link is yet to be finalised, the shortest and cheapest would be linking Amritsar to a Pakistani grid point near Lahore with installation of transformers on either side of the border.

Although the bilateral ties have lost momentum due to political instability in Pakistan, a team from Islamabad visited GAIL, Delhi, offices this month to explore the opportunity to import liquefied natural gas from India either through pipelines or through tankers. Another Indian petroleum ministry delegation was in Islamabad this month for export of petro products and import of naptha from the other side.

Official sources said that while LNG export is workable, the hitch in petrol, diesel and lubricants export to Pakistan is of prior commitments of Islamabad with Gulf countries.

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India and Sri Lanka set eyes on clinching CEPA soon
The Hindu

New Delhi, August 1, 2012: India and Sri Lanka will work towards not only enhancing economic co-operation by doubling bilateral trade to $9 billion by 2017, but also for the early conclusion of the Comprehensive Economic Partnership Agreement (CEPA).

Three-day visit

Commerce and Industry Minister Anand Sharma will be in Colombo for three days from August 3. He will be meeting his counterpart Rishad Bathiudeen to discuss ways to widen the free trade agreement in goods and expanding it to include services and investments. He would also be attending the India Show. Mr. Sharma is also scheduled to meet Sri Lankan President Mahinda Rajapaksa. “Mr. Sharma’s visit would set the tone for doubling the bilateral trade to $9 billion by 2017 and also move forward the dialogue process for early conclusion of CEPA,” an official statement said.

At present, bilateral trade stands at $4.5 billion. CEPA is aimed at liberalising trade in services and investments by updating existing agreements on investment protection and avoidance of double taxation. Mr. Sharma will also discuss the scope of strengthening the economic and trade cooperation between the two countries, it said.

Over 108 Indian companies would showcase a wide range of products and services, including automobile, engineering, infrastructure, tourism, food processing, ICT, financial services, pharmaceuticals and education.

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India, Israel to Hold Talks on FTA on August 14
PTI

Mumbai, August 1, 2012: India and Israel will hold another round of negotiations on August 14-16 on signing the Free Trade Agreement (FTA) to achieve a bilateral trade figure of USD 10-15 billion per year, a senior official of Department of Commerce said today.

"There is another round of negotiations with Israel on signing the Free Trade Agreement on August 14-16 and talks are moving satisfactorily," Siddharth Singh, Joint Secretary, Ministry of Commerce told *PTI* here on the sidelines of an interactive meeting on 'Gaining from Free Trade Agreements: India's Perspective and Prospects' here.

Singh said that the Commerce Department is also negotiating with European Union, Thailand, Australia, New Zealand, Canada and several African countries for FTAs.

The final round of talks between India and the European Union may take place later this year, he said.

India has entered into FTA agreements with Singapore, Japan and South Korea in last six years period.

An FTA would help Indian companies expand into the EU, the country's biggest trading partner and the buyer of more than 40 billion euros (USD 50.14 billion) of Indian goods and services in 2010. Europe wants access to a vast, young market of 1.2 billion potential customers. Negotiations for the proposed FTA started in 2007.

"We are in the final leg of negotiations with Thailand and hopeful of concluding the same this year," Singh said.

The broad-based free trade agreement with Australia and New Zealand proposes to cover goods, services and investment.

The agreement is important for India as it hopes to get more work visas for its professionals, especially teachers, health-care providers, technicians, IT experts, architects and hospitality providers in Australia, New Zealand and Canada.

FTA agreements are needed as the country's exporters faces hurdles in exports as it gives preferential treatment for trade and seeks to get same treatments, Singh said.

"Our experience are good with FTA agreements signed with Singapore, Japan and South Korea," Singh said adding that the trade with Singapore has increased from USD 6.5 billion to USD 25 billion in 2011 and the trade with Korea and Japan had also increased significantly.

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New Zealand FTA Hits Speed Breaker
Amiti Sen, Economic Times

July 26, 2012, New Delhi: The proposed free trade agreement between India and New Zealand has hit a speed breaker due to the Centre's silence on opening the country's dairy and farm goods sector to imports. The broad-based free trade agreement that proposes to cover goods, services and investment was supposed to be concluded by March.

The agreement is important for India as it hopes to get more work visas for its professionals especially teachers, healthcare providers, technicians, IT experts, architects and hospitality providers.

The commerce department has told a negotiating team from New Zealand that visited New Delhi recently that it was yet to get a nod from the ministries of agriculture and food and therefore was not in a position to make any offers in the agriculture and dairy sectors.

"The New Zealand team was disappointed and nothing significant could happen at the meeting as its offers in areas important to New Delhi such as services is contingent upon what it gets in the farm and dairy sectors," a government official told ET.

New Zealand was also not happy with the safeguard measures India has proposed to guard its agriculture sector that will allow the country to increase import duties several times if there is a surge in imports. The India-New Zealand free trade negotiation that began in 2009 have already missed March 2012 deadline set when New Zealand Prime Minister John Key visited India last year. The eighth round of negotiations that took place in New Delhi in end June was supposed to move the talks towards conclusion but got stuck on dairy products.

"There is no way we could have made any offers in the dairy sector without taking in views of the agriculture and food ministries as it is a very sensitive sector," the official said.

India has not yet given any significant concession in dairy to any of its other FTA partners including Singapore, Japan, South Korea, Sri Lanka and the Asean.

The dairy industry, however, is central to New Zealand's economy and it is not willing to seal its offer in services without commitments in the area.

"We are absolutely aware of the sensitivities that you have in your agriculture sector. But there is scope to work around it," New Zealand trade minister Tim Groser had told ET earlier in an interview.

New Zealand could export high-end dairy products and also share technology, he said.

New Zealand, on its part, is willing to offer greater work opportunities to skilled workers. It has already started discussing reciprocal recognition of some professional degrees outside the FTA.

The two sides are hoping to increase bilateral trade from a little over $1 billion at present to more than $3 billion by 2012.

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EU wants more trade concessions from India
Nayanima Basu, Business Standard

New Delhi, July 19, 2012: Negotiations for greater market access in the services sector between India and the European Union (EU) under the India-EU investment and trade agreement have taken an adverse turn, making the November deadline for signing the deal implausible.

EU feels India has not offered it the same services sector concessions it offered Korea and Japan. India, however, says it has given the EU more than what was offered to its other trading partners.

EU has also clarified it cannot progress further, unless it bags a good deal in multi-brand retail, insurance, banking, postal & courier services, legal services and accountancy services. However, India has told Brussels while the government here is working towards policy reforms in the multi-brand retail, insurance and civil aviation segments, reforms in banking, postal and courier & legal services would not be possible, according to commerce department officials involved in the talks.

“Given the prevalent sensitivities and the situation of the economy, we are not in a position to give them (EU) any assurance, as the roadmap of reforms is not clear. But we have given them commitments in areas like single-brand retail, computer reservation services, environmental services and bank branches.

These have not been offered to any other trading partner. In certain cases, the departments concerned have gone back from commitments to Japan and Korea because of certain regulatory changes being contemplated. We are having a fresh look at these areas to see where improvement is possible,” a senior commerce department official told Business Standard.
The matter was extensively discussed during Commerce & Industry Minister Anand Sharma’s visit to Brussels in June, when he met EU Trade Commissioner Karel de Gucht.

India, on its part, has asked the EU to do away with the 20 per cent threshold in the safeguard clause introduced under the Mode-4 quota of services trade relating to the free movement of Indian professionals under a relaxed visa regime. Under services trade negotiations, India has also demanded it be recognised as a 'data-secured' country. As the EU doesn't recognise India as a 'data-secure' nation, Indian firms are not able to secure large-scale government contracts. The EU has decided to undertake an assessment to ascertain whether India meets its standards.

However, Indian officials fear after the study, there is a strong possibility of the EU regarding Indian laws on data security as unsatisfactory, diluting actual access in cross-border supply of services by India.

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You may have to pay just 10% duty on Porsche and BMW
Amiti Sen, Economic Times

New Delhi, July 30, 2012: Cars manufactured in the European Union, including luxury makes such as Porsche and BMW, could be available in India at prices only marginally higher than in Europe as the government is likely to agree to a 10% duty on a fixed quota of cars imported from the EU as part of a free-trade agreement being negotiated between the two sides.

India is considering allowing imports of 2.5 lakh cars on which only a 10% tariff will be levied, compared to the normal rate of 60%, marking the first significant challenge the heavily protected Indian automobile industry has had to face from imports. The imports will be spread over five years, starting with 40,000 cars in the first year and rising by 5,000 units every year thereafter.

"We may bring down tariff to a low level of 10% for a fixed quota of cars every year for five years. We think our industry can deal with this," a government official told ET.

New Delhi is also considering reducing import tariffs by half from 60% to 30% for cars outside the quota once the proposed India-EU free trade agreement is implemented.

The European Union is keen that India commit itself to extending the liberalized import regime for the quota of 2.5 lakh cars beyond five years, but New Delhi has said that it will review the situation after five years.

"We want to keep some room for maneuver if the need arises,' the official said. Greater market access for automobiles, wines & whiskies is on top of the EU's wish list for the FTA, formally called the bilateral trade and investment agreement.

In exchange, India expects to get more visas for its professionals, a relaxation of EU norms that require manufacturers keep elaborate database on chemicals used in their products.

India's wishlist also includes recognition as a data secure country for carrying out off-shore operations, a quality certificate for its herbal products and lower duties on labour intensive products such as leather and textiles.

The concessions on automobiles and alcohol, if they form part of the final agreement, will be unique as they are absent in similar agreements it has entered so far with countries like Singapore, Japan, Malaysia, South Korea, Sri Lanka and the ten-member Asean.

The Indian automobile industry has criticized the government's move to liberalise imports.

SIAM has warned that imports will deter investments as foreign car makers would prefer to export their cars to India rather than set up manufacturing facilities.

French carmaker Peugeot has put off its plans to invest in India, reportedly, in the hope of reaping benefits of lower duties once the India-EU FTA gets implemented.

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RBI fiat on forward bookings upsets cashew exporters
K. A. Martin, The Hindu

19 July 2012: Cashew exporters want Director-General of Foreign Trade (DGFT) to take up with the Finance Ministry the issue of a Reserve Bank of India circular on foreign currency forward bookings.

The RBI circular to banks providing export credit said that all forward currency bookings by exporters and importers should fully be on deliverable basis. Any exchange gain from the forward booking, in case of cancellation of an export order, should not be passed on to the exporter.

Cashew exporters submitted before the DGFT that single product exporters faced a big disadvantage as their only hedge against currency fluctuation was forward booking. Multiple-product exporters might not be affected by the RBI directive because credit availed for a particular shipment could be set off against another immediate shipment.

Alternatively, the exporters have suggested that forward foreign currency bookings and cancellation be allowed for exports and imports. They also submitted that the depreciation of the rupee was a result of the current international economic scenario and not because of speculation by the exporters.

Exporters have also sought benefits, in addition to the current incentive, under Vishesh Krishi Gram Udyog Yojana for value-added products such as roasted and salted cashew. The exporters' submission is that the share of value-added products in exports from the country is limited.

Value-added products accounted for just Rs.16 crore out of the total export earnings of Rs.2, 700 crore during 2010-11, they said.

Additional 2 per cent incentive under VKGUY would help encourage long-term investments in value addition, they added.

Another issue that was taken up by cashew exporters at their meeting with the DGFT was that of withdrawal of Market Development Assistance (MDA) for participation in fairs and delegations abroad. The exporters said that for a small export council such as theirs with a membership of 200 plus, MDA was important.

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Gold imports fall 35% in July on near-record prices
Bloomberg

Mumbai, July 29, 2012: Gold imports by India, the world's biggest buyer, probably declined as much as 35 per cent this month as near-record domestic prices trimmed demand, an industry group said.

Purchases may drop to 40 tonnes to 50 tonnes in July, Prithviraj Kothari, president of the Bombay Bullion Association, said without giving figures for last year. "Inflation is high, the equity market is negative and the real estate market is on the downside, so it all impacts the purchasing power."

Buying in India may fall for a second year as consumers cut spending and switch to cash because of concern about the economy, Ajay Mitra, managing director, Middle East and India at the World Gold Council said July 16. The economy grew 5.3 per cent in the first quarter, the slowest pace in nine years, and inflation exceeded seven per cent for a fifth month in June. Poor monsoon rains will also cut demand in a country where according to UBS AG rural areas account for about 60 per cent of gold buying.

"Demand may see some improvement by the first week of September because of festivals, but not in a great way," said Bachhraj Bamalwa, chairman of the All India Gems & Jewellery Trade Federation. The festival season, which runs from August end to November, is the peak demand period as buying gold is considered auspicious.

Weak monsoon

Prices rallied after the rupee depreciated against the dollar and the government doubled the import duty on the metal, Kothari said. The rupee fell to a record 57.3275 per dollar on June 22, lifting the cost of commodities priced in the greenback.

The country's monsoon, which accounts for more than 70 per cent of annual rainfall, may be below normal for the first time in three years at 92 per cent of a 50-year average, D S Pai, head of long-range forecasting division at the India Meteorological Department, said July 24. Rains were 21 per cent below average since June 1, the forecaster said on its website.

“Demand from rural India is very poor right now,” Bamalwa said. A weak monsoon and high prices will weigh on purchases, and total imports will be much lower this year, he said.

India imported a record 969 tonnes of gold last year, while domestic demand was 933.4 tonnes, down from 963.1 tonnes in 2010, according to the World Gold Council.

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Cheap steel imports to flood market
Probal Basak & Ishita Ayan Dutt, Business Standard

Kolkata, July 20, 2012: The Comprehensive Economic Partnership Agreement (Cepa) with Korea and Japan is turning out to be the latest trouble for the Indian steel industry, already grappling with mining and land issues.

Imports of hot rolled coil (HRC), a benchmark product, from Korea surged 125 per cent and from Japan, 72 per cent, in 2011-12 over the previous year. While the flood is likely to continue further, experts say this is not just hurting the domestic steel industry in a weak market, but, in the short term, could be a disincentive for foreign direct investment (FDI).

A slew of Japanese companies — Kobe, JFE, Sumitomo and Nippon — are either a part of the India story, in some way or other, or are actively looking at it, while South Korea’s Posco is still waiting in the wings. All these companies are in a way incentivised to sell the steel produce in their country and flood the Indian market. It will act as disincentive for these global steel majors to invest in producing steel in India.

“The trade pacts are not helping India, while affecting the industry adversely. Production and employment are taking place in those countries. We should encourage FDI instead,” said Jayant Acharya, director, commercial & marketing, JSW Steel.

Consider this: Maruti Suzuki India Ltd (MSIL) has been importing steel from Japan and Korea much before the bilateral agreement came into existence. But it would stand to lose significantly if steel is moved to the sensitive list for exclusion under the CEPA, as is being demanded by the steel companies. The impact of withdrawal from Korea would be Rs 7.7 crore and from Japan, Rs 10 crore.

“We have imported over 190,000 tonnes in 2010-11 and over 200,000 tonnes in 2011-12, which are about 29 per cent and 28 per cent of our total requirements. Import quantity is dependent on demand changes and not on the bilateral agreement,” said S Maitra, chief operating officer (supply chain), MSIL.

Steel industry representatives feel the onslaught of imports could lead to loss of jobs for Indians. “It might lead to idling of steel capacity. Most of the plants without captive iron ore are operating at much less than full capacity,” they pointed out.

In view of the pressure the industry is facing, the government had increased the import duty on most steel products from five per cent to seven per cent in the budget. However, it doesn’t quite affect the imports from Korea and Japan since under the provisions of Cepa the rate is subsidised at 3.125 per cent for Korea, while Japan attracts 3.3 per cent for 2012-13. The rate will reduce to zero by the beginning of 2017.

“I don’t understand why these countries should enjoy concessional rates,” asked Nitin Johri, director (finance) Bhushan Steel. Johri’s sentiments were echoed by Essar Steel Executive Director (strategy & business development) Vikram Amin. “There is a definite case to exclude steel products from the ambit of the Free Trade Agreement (FTA) with Korea and Japan. Considering the high value addition in the steel industry and employment generation potential, it makes immense sense to export steel rather than exporting iron ore and importing steel,” Amin said.

Though cumulative imports from these countries constitute more than 40 per cent of all flat steel imports into India, during November-December, the rise was as high as 400-600 per cent.

Industry representatives said, the Federation of Indian Chambers of Commerce and Industry (Ficci) has already taken up the matter with the government.

According to Acharya, it should be a level playing field. While cost of production in India is more or less at par with Korea or Japan, the financing cost is more conducive in those countries.

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Natco in patent war with BMS
Rupali Mukherjee, Times of India

Mumbai, August 1, 2012: Natco, which successfully managed to reduce prices of Bayer's cancer drug Nexavar by 97% through the country's first compulsory licence recently, is headed for another major confrontation. This time the tussle is with drug MNC Bristol-Myers Squibb (BMS) over Dasatinib, a crucial medicine used in chronic myeloid leukemia, and is expected to set yet another precedent for the Indian generics industry fighting against patent rights of MNCs. Natco's version of the drug costs around Rs 9,000 a month as against BMS' price of nearly Rs 1.5 lakh.

The key patent issue, which will come for hearing on Wednesday in the Delhi high court, will throw open a debate on granting "injunctions" against the generic industry, which in pharma parlance mean—orders to shut down the marketing and supply of low-priced generic medicines. Sources say Natco Pharma is also filing a contempt petition against BMS in the ongoing case over the Dasatinib drug. That's not all. On Wednesday, Natco Pharma will file a reply on the contempt petition filed by the drug MNC, rubbishing BMS' claims as "false assertions".

The case will be keenly watched by the pharma industry and public health experts, and may finally decide the availability of affordable Dasatinib, in the country. What seems to have triggered the current round of battle is Natco's recent launch of its version of Dasatinib after obtaining approval of the drug regulatory authority from Uttarakhand. BMS then managed to get an order cancelling the company's licence, which the generic company has now been able to undo, sources told TOI.

While Natco declined to offer comments on the issue, Bristol-Myers Squibb said it does not comment on ongoing litigation. Industry experts said the debate is now on the issue of injunctions and its interpretation. The crux of the dispute seems to be a Delhi HC order passed in June, which is being interpreted in different ways by the two companies. BMS is understood to have interpreted it as an injunction to refrain Natco from selling its drug, as it was "infringing" its patent. On the other hand, Natco is believed to have taken a stand that it is not an injunction as its drug is not infringing the BMS patent, sources say.

In their pursuit of intellectual property (IP) enforcement agenda, MNC drug companies normally want injunctions passed against generic firms. In such cases in the past, courts have considered the impact on access to treatment and balanced IP with health, before ordering an injunction. The June order by the court is part of the ongoing case which BMS filed against Natco in 2009, where it argued Natco had plans to make generic versions of Dasatinib.

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Indian drug firms lobby against EU’s new directive
Vidya Krishnan, Mint

July 24, 2012: Indian drug companies are lobbying against a move by the European Commission to check the import of counterfeit drugs through a directive that comes into effect in about a year from now.

According to the Pharmaceuticals Export Promotion Council of India (Pharmexcil) lobby group, the country’s drug exports to the European Union (EU) were worth $1.93 billion (around Rs.10,769 crore) in 2010-11. If India fails to get an EU equivalence certificate by 2 July 2013, when the rule is set to go into effect, 30% of this could be affected, the lobby group said.

Industry and government officials say they don’t have the manpower or the resources to be able to comply with the new directive.

Under the EU falsified medicines directive, each shipment of active pharmaceutical ingredient (API) or drug raw materials from India should be accompanied with a written confirmation, vouching that the quality of the exports conforms to EU standards. The legislation was adopted by the EU Council in May 2011 with the objective of preventing the entry of fake drugs.

Failure to provide this “equivalence certificate” would mean loss of business for India, said D.G. Shah, secretary general of the Indian Pharmaceutical Alliance (IPA) lobby group.

“The EU initiative is protectionist and while they are citing safety and public health as reasons, it is clear that they want to protect their domestic pharmaceutical companies from competition,” he said. “We can only hope that the Indian government will respond appropriately, keeping this in mind.”

The EU and the Indian drug companies have been in conflict before. In 2008, the Netherlands seized Indian drug consignments on the ground of patent infringement, triggering a trade dispute between India and the EU. The incident had prompted the Indian government to approach the World Trade Organization (WTO).

The term “falsified medicinal product” in the European Commission’s directive is of particular concern in India.

“While the directive is pertaining to API, the word ‘falsified’ could be used broadly to apply to generic drugs made in India,” said C.M. Gulati, editor of the *Monthly Index of Medical Specialities*, a journal on prescription drugs available in India. “If an Indian company makes a generic version of a drug patented by a multinational pharma company, it could come under this directive and be treated as a ‘falsified’ or spurious drug and be confiscated.”

At a meeting with industry representatives on Monday, the department of pharmaceuticals (DoP) sought a response from the Drug Controller General of India (DCGI) about the feasibility of training Indian drug inspectors on EU standards.

“We have sought DCGI’s position on the matter and we are concerned by the use of ‘falsified’. We have also proposed a meeting with representatives from the commerce and health ministries on the matter. We do not want to delay this any further as our exports will be adversely affected,” said Raja Sekhar Vundru, joint secretary, DoP.

The government appears to be convinced that the Indian drug companies have a case.
“We are looking at various alternatives, including approaching WTO...,” said a commerce ministry official who didn’t want to be named. A questionnaire sent by *Mint* to the European Commission did not elicit a response at the time of going to press.

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After aviation, India to oppose EU’s maritime carbon levies
Tarun Shukla & Neha Sethi, Mint

New Delhi, 23 July, 2012: India plans to oppose at an environment conference in Washington later this month the European Union’s (EU’s) proposal to levy carbon emissions taxes on aircraft and ships.
The aviation ministry will present India’s opposition to the EU’s emission trading scheme (ETS), said two government officials who declined to be named.

Consultations with the environment ministry on the matter ended last week.

The European Union earlier this year began considering a proposal to bring the maritime sector under the purview of its carbon emissions levy, though it has been facing resistance from several nations, including India, to a similar levy for airlines using its airspace.

The EU “proposes to regulate emissions arising from all ocean-going ships which touch their boundaries or ports by including their emissions in the EU-ETS,” said one of the officials mentioned earlier.

“This is a dangerous trend since while inclusion of aviation in the EU-ETS remains contentious, the EU is going ahead with the inclusion of the maritime sector also in the scheme,” the official said.

India’s shipping ministry has already written to the EU opposing its proposed emissions levy on ships entering EU waters, a ministry official said, also declining to be named.

The likely impact of the proposed new levy on Indian ships couldn’t be ascertained immediately.
The EU spokesman for climate action, Valero Ladron, said the EU is pursuing an international agreement on global measures to reduce greenhouse gas emissions from international maritime transport. Considerable efforts are being made primarily in the International Maritime Organization (IMO) and the United Nations Framework Convention on Climate Change (UNFCCC), he said.“In the light of these efforts, the EU is considering all the options to address maritime emissions. Bringing maritime into the EU-ETS is just one of the options that are being assessed. No decision has been taken yet,” he said.

The EU has maintained that the levy under its emissions trading scheme is not a tax and is challenging countries opposing its proposals.

An environment ministry official, who, too, did not want to be identified, said India will oppose in the IMO if the EU includes the maritime sector for emissions taxation. “It is not clear yet as to when they plan to put it in place. They have only started consultations. It hasn’t come to a stage where we need to think of steps to be taken, though just like the aviation sector, there are a series of steps which are possible,” this official said. “The EU is trying to take it out of the negotiations in UNFCCC by taking it to the IMO and they are trying to force it through that route,” the official added.

Prodipto Ghosh, distinguished fellow with New Delhi-based non-profit The Energy and Resources Institute, said the EU is setting a bad precedent. “The EU-ETS has already been very strongly resisted. Thirty five countries have agreed on countermeasures to be taken and to put sanctions on the EU.... If we allow them to do this in these sectors, then EU can propose to do this in other sectors such as mining, power, land transport, steel, etc., which are all energy-intensive sectors,” he said.

R.S. Vasan, head of strategy and security studies at the Centre for Asia Studies, said the EU’s proposal for the maritime sector is a concern for India because a lot of the country’s exports and imports are dependent on the sea. “But unlike China, the number of ships owned by India is a small percentage. So China is more at risk because it has more number of ships. Developing countries should come together and look at some precedents of instances where India and China have resisted before. They should resist this in organized forums and take their time to first upgrade technology,” Vasan said, adding that more often than not clean technology from the developed world is denied to the developing world.

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US, EU, Japan pile pressure to remove local content clause
Amiti Sen, Economic Times

July 20, 2012, New Delhi: India's major trade partners-the US, the EU and Japan-have stepped up pressure to remove local content requirement clause in the ambitious national solar mission project and manufacture of certain electronic products.

However, New Delhi is preparing to defend its policies strongly at the World Trade Organization right till the dispute panel level.

"There is a possibility that US may launch a formal dispute against India, especially for the domestic content clause in the National Solar Mission, but we will fight it," a commerce department official told ET.

The US, the EU and Japan recently asked for a special meeting of the Trade Related Investment Measures or Trims committee of the WTO to address concerns on domestic content requirement or compulsory local-sourcing clause in some policy measures in India, Brazil, Indonesia and Russia.

India's decision to grant preference to domestically manufactured electronic products on security grounds, taken earlier this year, and the 30% mandatory domestic sourcing requirement in the JNSSM were strongly criticised by the three members.

The US expressed concern about telecom licensees in India having to purchase telecom equipment locally and wanted to know if the domestic sourcing requirement covered all private agencies.

"The US wanted to know which clause of security exceptions was being invoked and how security concerns are addressed by domestic content and value addition requirement," the official said.

India maintained that security issues are sacrosanct for all WTO members, and a detailed discussion was not possible since these issues are sensitive and confidential and are dealt on the basis of advice from security agencies.

The EU asked for a timeline on when detailed guidelines of the IT policy was expected, but India refused to give any date.

"We do not expect much trouble on electronic goods sourcing as we are well within our rights to take such measures for security reasons," the official said.

The ground, however, may be a bit wobbly when it comes to defending the requirements under the JNSSM that asks all investors to compulsorily use solar modules manufactured in India and source at least 30% of input locally.

The Trims does not allow any member to impose sourcing restrictions without ample justification. New Delhi is now waiting for the next Trims committee meeting to see what the US, the EU and Japan plan to do on the matter. "We are prepared to fight it till the end, and we will do so," the official said.

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U.S. Blocks India's Request for WTO to Rule on Steel Duty
Jennifer M. Freedma, Bloomberg

July 23, 2012: The U.S. blocked a request by India for World Trade Organization judges to investigate the legality of American countervailing duties on some Indian steel products. A second request would be automatically accepted.

India complained at the Geneva-based WTO on April 24, saying U.S. anti-subsidy duties on certain hot-rolled carbon- steel flat products violate global trade rules. India is challenging a U.S. finding that Indian steel producers got an illegal subsidy by paying too little for iron ore from a state- owned producer.

The U.S. first imposed the tariff in December 2001 and extended it six years later. The duty is fixed at 102.7 percent, according to a notification submitted by the U.S. to the WTO. The two governments held consultations in an unsuccessful bid to resolve the dispute without resorting to a panel.

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Are India, US on the brink of trade war?
Nayanima Basu, Business Standard

New Delhi, August 2, 2012: After many years, the world's oldest and largest democracies, India and the US, have locked horns in an unprecedented manner over a series of trade disputes that have left a question mark on trade relations between the countries. The imbroglio, on issues such as poultry exports, duty on steel rods and professional visa fees, has seen both approach the World Trade Organization (WTO)'s Dispute Settlement Body (DSB) to put an end to the bitter dispute.

However, some experts believe the dispute is about more than what meets the eye. Others feel the situation is normal, one akin to any between strong trading partners. Over the last couple of years, as the US gradually saw a change of regime, trade ties between India and the US have seen a paradigm shift. A look at what is happening behind the curtains reveals significant factors influencing the US' stance with its leading Asian trade partners. A large part of it is political rhetoric aimed at winning the confidence of the US citizenry, which loves to see their leader raise a strong and stern voice in global matters.

In March, the US commerce department had imposed a 286 per cent countervailing duty on specific steel rods imported from India, arguing these products were heavily subsidised and, therefore, led to an unfair pricing mechanism. In 2010, the US had increased fees for professional visas — H1B and L1 — for applicants of firms in which more than half the employees were immigrants. India challenged both the moves in the WTO, while the US moved the WTO's DSB against India for restricting its poultry exports into the country.

"Since the economic downturn, lobbies in the US have been quite active in securing their interests. Often, in the name of securing jobs for American citizens, the prevailing mood in the administration is to aggressively secure incremental market access, ostensibly to remedy the bulging current account deficit. The former dimension has found expression through actions taken against service providers in India or select industries in China that have, or could have, a sizeable presence in the US market," says Biswajit Dhar, director-general of the New Delhi-based Research and Information System for Developing Countries. He adds action taken by the US administration on trade can, therefore, be quite independent of the political relations US shares with its partners.

According to a senior official from the ministry of commerce and industry, the US has become "extremely protectionist" in the last couple of years, and is linking just about everything to the coming Presidential elections in that country. "They are entirely playing to their domestic constituency. It is their way of jingoism," the official told Business Standard, on condition of anonymity.

In stark contrast to the rising friction in trade between the countries, US President Barack Obama's visit to India in November 2010 had seen much bonhomie between the nations. Obama had then scouted for greater access for US companies to the Indian market, signing deals worth billions of dollars.

Some trade analysts view the recent trade disputes as indirect fallout of the Doha round of global trade talks in the WTO, stalled for more than a decade. Recently, the US had urged emerging countries like India and China to take more responsibility in giving market access to goods and services from developed countries. But some say the US is simply jittery over India's success in the information technology sector. Some states in the US have also called for a ban on outsourcing.

Manoj Pant, professor at the Centre for International Trade and Development (School of International Studies, Jawaharlal Nehru University), believes the tensions are part of the continuing dispute in WTO meetings in which demands for a cut in duties and non-tariff barriers in developed countries, particularly the demand for reduction in agricultural subsidies, have been getting support. "It is well known that he (Obama) is employing this rhetoric as his popularity rating is falling and anti-outsourcing is his known position against Republican (Mitt) Romney. Remember, he had employed the same rhetoric before the last election," Pant said.

Protectionist tendencies in the US usually gain traction during presidential elections. Democrats are particularly known to whip up national sentiment and step up the offensive against foreign entities. This is evident from President Obama's campaign in which he spoke of bringing back "jobs that have moved overseas".

"These recent tensions are, to some extent, due to the ongoing financial crisis. The administration needs to play to the gallery and show it is strong. While it says it is fighting for the interest of its citizens, at the back of its mind, the measures are to win elections. I believe all these issues will be resolved once the elections are over," said Anwarul Hoda of the Indian Council for Research on International Economic Relations.

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Pressed into service
T S Vishwanath, Business Standard

July 19, 2012: A group of 18 countries at the World Trade Organisation (WTO) recently issued a joint statement stating that they look forward to entering a "new phase" of negotiations on services from September this year.

In a broad statement, these countries have said that "a significant number of Members have made great advances in opening up their markets, both autonomously as well as through more than 100 services trade agreements notified to the WTO … We believe it is time to bring this progress back to Geneva with the ultimate aim of reinforcing and strengthening the rules-based multilateral trading system."

The list of signatories includes some developed and developing countries, though India is not part of the group. The European Union (EU) and the US are both signatories to the statement.

The statement says the agreement should be comprehensive in scope, including substantial sectoral coverage; should include market access commitments that correspond as closely as possible to actual practice and provide opportunities for improved market access; and should contain new and enhanced rules developed through negotiations.

This statement is significant since negotiations on services have lagged most other discussions when countries were taking the Doha Round forward. Therefore, to signal that countries would be taking the services agenda forward in the coming months is a development that needs attention.

It is also important to note that according to preliminary estimates by the WTO and the United Nations Conference on Trade and Development (UNCTAD), in the first quarter of 2012, world exports of commercial services rose by three per cent year-on-year, following the same pattern recorded in the fourth quarter of 2011.

The joint statement also comes a few days after WTO Director General Pascal Lamy said at a meeting in Beijing: “it was time we put services at the heart of our trade opening agenda.” Lamy pointed out that for many developed countries, services account for more than 70 per cent of GDP; and that in many developing countries, this share has increased to around 50 per cent. He pressed China to drive a positive agenda in negotiations on services.

The joint statement is a reflection of the agenda that the US and the EU have been pushing with developing countries like India and China. There has been considerable pressure on India, for instance, to open up some areas of services for greater foreign participation — retail services, financial services and legal services. In all three sectors, there has been considerable political opposition within the country to opening up, and bilateral discussions have not yielded much result.

The WTO may help developed countries move this process forward in a meaningful fashion. As Lamy suggested to Beijing, when countries have an offensive agenda to open trade in services the WTO framework remains the best option.

If the services negotiations do gather momentum, as is suggested in the joint statement, then for the negotiations to bear fruit countries must look at regulations across the globe that hinder the flow of services. It is not just the opening up of the sector that is important. What is equally important is that the local regulations should not be stacked against foreign suppliers. Further, there is a very important introspection to be done by the US and the EU on whether they are keen to look at movement of professionals as part of the services negotiations.

There is considerable pressure within the US, for instance, to allow more Indians and Chinese to obtain green cards. Reports have said that over 300 technology companies from the Silicon valley and other places have petitioned the US Senate Subcommittee on Immigration, Refugees and Border Security to support a piece of legislation that seeks to remove the per-country limit in allotting green cards. Under the current law, 140,000 green cards are available, of which each country has a cap of seven per cent.

Given the current global economic environment, the services negotiations will need much support as work-related cross-border movement of professionals, which is an important demand for countries like India, could create concerns for some developed countries that are already under stress owing to unfavourable jobs data in their respective countries.

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Developed nations want emerging economies to take more responsibilities
Nayanima Basu, Business Standard

Interview with Harsha Vardhana Singh, Deputy Director General, WTO

July 19, 2012: Developed countries, especially the US, are seeking more market opening commitments from emerging economies like China and India, something that has stalled the Doha round of global trade talks under the World Trade Organization (WTO). In an interview with *Nayanima Basu*, on the sidelines of a Ficci seminar, Harsha Vardhana Singh, deputy director general, WTO, said he was hopeful of the issue getting solved by 2014, during the next minister-level meeting. Edited excerpts:

You said in your address to Ficci today the Doha round of talks was in a stalemate, as the US wanted more obligations from countries like China and India. Could you elaborate on this?

It is not just the US. The developed world feels, in which the US is a prominent part, emerging economies should take more responsibilities. So, when you look at it from the emerging economies' angle, these feel the level of poverty to be addressed and the development initiatives that are needed in their respective countries, it would not be reasonable for others to seek substantially higher levels of obligations than what these are offering and there is a gap in the perception.

Do you see this gap closing anytime soon during the upcoming ministerial meeting in 2014 and 2015, by which time you said you were hopeful of the Doha talks coming to a conclusion?

I hope so. But we need to see how the global system develops, how much of a political sensitivity, for reaching conclusions in a multilateral system, is of use and is beneficial to all of us. Right now, we are seeing market-restricting measures, which shows an increasing emphasis on domestic concerns without adequate recognition to the positive role played by a multilateral framework in this context. And, as I said, this multilateral agreement under WTO is important to address major problems today and is important for the future, too.

Now that the US is heading for another Presidential election, how difficult will it be to bring countries back on the negotiating table and complete the Doha round in a serious and credible manner?

They are there. There is seriousness expressed. The fact that progress is getting achieved in some areas shows the members' seriousness. But there are other issues to be addressed. Of course, a period before the election makes it somewhat politically uncertain on exactly the position that country will be taking. But, yes, there are discussions and progress. However, it is not spreading across the board.

How is the WTO viewing the recent spate of disputes taking place between the US, and India and China? Is it a fallout of what is happening at the Doha round of talks?

WTO has a credible method of readdressing these sorts of disputes, which reduces tensions. Bringing disputes to WTO are a normal part of the system. It is not as if we have got extremely high-level of disputes which have suddenly peaked. It is not that. These are normal ups and downs. There are different factors that give rise to such disputes. The important part is that there is a disciplined mechanism to settle these and avoid tensions.

Is there an attempt to bring in new issues like climate change clandestinely into the Doha Development Agenda, and do away with the older mandate?

Well, whatever is discussed in the negotiations is privy to those parties and I do not sit in those meetings. But at present, basically the discussion is on getting whatever we can or whatever the members can from the Doha mandate, as it exists and to the extent if there is any discussion of any type would be on a different platform. But within the Doha round the focus right now is to try and see whatever can be achieved in whichever sequence. The focus till now is that, but of course members keep discussing other issues which I am not privy to.

What is the progress on some of the main sticking points of the Doha talks like, reduction in agricultural subsidies and cotton?

We have moved a lot on domestic support for agriculture. But it gets linked with the single-undertaking. On cotton discussions have been going on. Last month the Cotton-4 ministers had visited US and it is now linked with the US' Farm Bill. In my understanding, to the extent market access issues are addressed, we should be reaching a conclusion in these other aspects. So, it is mainly the market access.

What is WTO doing in this era of increasing protectionism stance being taken by countries to address domestic concerns in the face of a financial crisis?

Three per cent of the world trade today depends on the restrictive measures taken. Concerns are being raised at the highest level in the WTO. Countries are taking note of this and they are taking a look at the factual basis and trying to see how it relates to coverage of various kinds of restraint. Countries are taking these market restrictive measures without looking at the overall perspective. So, they need to analyse the cumulative effect of this and should they be more careful.

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WTO sets date for MC9 meeting in Bali, Indonesia
Agence France-Presse 2012

28 July, Geneva: The Indonesian island of Bali is to be the venue of next World Trade Organization inter-ministerial meeting, the international trade arbiter said.

The decision to hold the ninth Ministerial Conference (MC9) in the first week in December 2013 was decided by the WTO General Council meeting in Geneva on July 25-26.

Making the announcement late Friday, chair of the General Council Ambassador Elin Johansen of Norway thanked Indonesia for its "kind offer", which she said was "a clear sign of its commitment towards this organization".

Members would discuss the precise dates of MC9 after the summer break, Johansen added. Representatives from Indonesia said that in the face of the global economic crisis the inter-ministerial meeting could galvanise and strengthen international trade.

It could also help relaunch negotiations on the stalled Doha accords, which focus on dismantling obstacles to trade for poor nations, Indonesia said.

"In the situation where crisis is still hampering the global economy, Indonesia continues to believe that the multilateral trading system has a significant role in fostering a fair global trade, sustaining the world economic growth, eradicating poverty and creating job opportunities," its delegation said.

"In this regard, the next MC9 will therefore be very important to re-energize the negotiation process and the progress achieved so far, and to strengthen the multilateral trading system."

It said Indonesia also hoped the exotic ambiance, the warm weather and the hospitality of the people of Bali "will rejuvenate and renew the constructive spirit" of the Doha negotiations.

The Doha round of global trade talks began in 2001 but have been dogged by disagreement, including how much the United States and the European Union should reduce farm aid and the extent to which emerging market giants such as India and China should cut tariffs on industrial products.

The Ministerial Conference is the highest decision-making body of the WTO and meets approximately every two years. The last one was held in Geneva in December.

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