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***Centre for WTO Studies**, 7th Floor, IIFT Bhawan, B-21, Qutab Institutional Area, New Delhi - 110016*
Tel: 91-11-26965124, 26965300, 26966360 Ext-725,710 Fax: 91-11-26853956 Email: cws@iift.ac.in
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Exports Fall for 3rd Straight Month on Low Demand
Economic Times

New Delhi, 15 August 2012: India's exports fell for the third successive month in July due to contracting demand in the EU and the US, sliding 14.8% to hit the lowest figure of $22.4 billion this fiscal. The decline in imports was less steep, down 7.61% to $37.9 billion, widening the trade deficit to $15.5 billion during the month.

"We were anticipating a contraction. But the July numbers are a cause of concern," Commerce Minister Anand Sharma said on Tuesday, after a review meeting with trade bodies including CII, Ficci, Assocham and Fieo.

Sharma, however, said that he hoped the situation would improve from October, as the incentives for exporters announced in June will start kicking in soon."There will be monthly trade facilitation meetings between the commerce secretary, DGFT, our regional DGFT offices and the export councils. We will be monitoring this very closely," Sharma said.

Commerce Secretary SR Rao said,"Weakening of global demand, especially in the EU and the US, which also happen to be India's biggest markets, has resulted in the fall in exports." The products that suffered the steepest decline in exports during the month include engineering goods, petroleum products, gems and jewellery, fruits and vegetables and iron ore.

The exports target of $350 billion for the entire fiscal will be a stiff challenge, Rao said.

"Given the hard realities, we will have to reassess tactical steps," Rao said, adding that the focus will be on reducing transaction costs and time.While the depreciating rupee has helped exporters to some extent, intense competition from other countries in a dampened market has forced them to reduce their prices. The majority of exporters have been forced to pass on their gains to buyers, Rao said.

Exports in April-July 2012 shrank by 5.06% to $ 97.6 billion compared with the year-ago period. Imports during the period declined by 6.47% to $ 153.2 billion. Trade deficit in April-July stood at $ 55.6 billion, slightly lower than $61 billion in the comparable period last year, but large enough to keep the government on its toes."We will do what it takes to ensure we do not lose ground. In fact, we want to gain ground (and narrow the deficit) by increasing exports," the secretary said.

Although oil imports went down by 5.54% in July, experts feel that rising global oil prices will put pressure on the oil import bill and the trade deficit in the coming months."With oil prices already above $110 per barrel, large ECB redemptions and rising FDI repatriation, we believe India's balance of payments remains on a razor's edge," pointed out research body Nomura.

The WTO has estimated global demand to decelerate to 3.7% in 2012, which is even lower than last year's slow growth of 5%, attributing to the global economy losing momentum due to a number of shocks, including the European debt crisis.

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The Indian exports story is like an F1 race
Nayanima Basu, Business Standard

August 10, 2012: Export-Import Bank of India (Exim Bank) Chairman and Managing Director T C A Ranganathan asserts that a compound annual growth rate (CAGR) of 21 per cent between 2001 and 2011

attests to the success of India's exports story. In an interview with *Nayanima Basu*, he says, the focus now should be on clocking a CAGR of more than 21 per cent over the next decade. This, he says, will be possible if we promote all categories in the export sector and measure up to the best countries in the world. Edited excerpts:

India's dismal export performance started the current fiscal year on a bad note; the situation is comparable to the 2008 crisis. How long do you think this will continue and when do you see a turnaround in exports?

I see the country's exports story as a Formula 1 race. You can't make out who is performing well or badly by merely watching the race. The Indian exports story should be viewed from this perspective. The CAGR of exports from 2001 to 2011 was almost 21 per cent. Growth during these 10 years was very strong though there were periods of poor performance in between. In fact, India's exports growth story had been one of the strongest, apart from that of China's. Our share in world exports has gone up from less than one per cent to about less than two per cent in the same period. But growth might not look that strong since imports have gone up faster. So, the so-called slowdown is because we are not seeing the story in its totality. The challenge now is to clock a CAGR of more than 21 per cent in the next 10 years.

How can India achieve this in the next 10 years?

There are some exports that need to be promoted. For example, agricultural exports that account for 10 per cent of total exports. Today, there is no organised method for promoting agricultural exports as a concept in the national economy. Without the full support of the government, agricultural exports have reported a CAGR of more than 21 per cent. We need to export because we do not have enough oil in India; we have a billion-plus population for which we have to create a job market.

All sectors of economic activity need to be promoted and exports is one of them. And in promoting exports, we have to measure up to the best in the world otherwise we cannot export.

Today, the main markets for India's merchandise exports like the US and Europe are down. Do you see a revival of demand in these markets anytime soon?

See, we have to look at the overall composition of exports: chemical products, petroleum, manufacturing, gems and jewellery, agriculture and textiles. No one is talking about these categories that may not have seen a fall in demand in the US or European markets but are facing their own set of problems. If we address the problems of each of these segments, we may create a better CAGR story for exports. We have to create substantial capacity for their exports. We have to create manufacturing capacity or production capacity for exports. These issues are long term and are not getting due focus and attention. We have more arable land than China yet in agriculture our productivity is lower than China. There is potential in all our top-five export sectors. Today, almost all countries in Europe are in recession or are stagnating; the US economy is just floating; and then there is the emerging Asia where the picture is not so good either.

Imports are rising faster than our exports and this is putting pressure on the trade deficit that, in turn, is stretching our current account deficit. Why are Indian exports lagging imports?

There are two reasons for the increase in our import base: one is the energy issue and the other is an overvalued currency. FII [foreign institutional investors] inflows resulted in the overvaluation of the currency and the rupee was kept at a higher level. We have had inflation on a real basis and it was not being mapped into the currency over the period. These things should be kept in mind whenever you analyse a problem.

What is the Exim Bank doing to push Indian exports?

We are helping SMEs [small and medium enterprises] identify new markets. We are trying to promote exports in financial products. We are giving sovereign loans to projects as a primary or as a guarantee counterparty and we will give term credit up to 10 to 12 years. This could be for a power project, a dam or a housing project. We have also developed a short-term buyer credit that is giving loans directly to companies that are importing from India.

Exporters have been complaining about the high costs of borrowing over the past five years. What is your view?

I believe interest rates are being given too much importance. People should think of how to manage other aspects. I urge companies to look at China, for example, and analyse how it has been able to manage. The Chinese model is based on economies of scale because they have set up large units. Our story is based on SMEs. And to compete, these SMEs have to fend for themselves. But if they work collectively, they could pool in resources to buy raw materials, get transportation and warehousing and so on. Therefore, Indian SMEs should stop competing with each other and join hands to compete with the world. This will change the cost profile in terms of high costs of borrowing and soaring transaction costs.

So, you are basically trying to promote the idea of clusters?

Yes, absolutely. This is the only way we can improve India's export story in the next decade. It is not that we are not successful; but problems arise because of internal issues and our dependence on imports. We need to grow exports faster than imports. Today, companies are working with a micro perspective.

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8 per cent slump in Indian exports to China widens trade gap
Ananth Krishnan, The Hindu

Beijing, August 11, 2012: Indian exports to China fell by 8 per cent in July — the biggest decline in Chinese imports from any major country — further widening an already record trade deficit that has increasingly strained trade ties.

Indian exports to China fell to $12.9 billion after seven months of this year, according to figures released here on Friday. Imports fell 3.3 per cent to $26.6 billion, taking India's deficit to $13.7 billion.

Officials said the fall was largely on account of the steep decline in the export of iron ore following recent bans. Iron ore, which is by far India's biggest export product to China, fell by almost 50 per cent in the first six months of this year to $3.3 billion, down from $6 billion in the same period last year.

Gloomy picture

Friday's trade figures, released by the Chinese General Administration of Customs (GAC), painted a gloomy picture overall for the Chinese economy. Export growth fell to a six-month low in a reflection, Chinese officials said, of persisting global sluggishness, falling European demand and increasing factory costs.

Exports rose one per cent in July, compared with 11.3 per cent growth the previous month. Imports increased at a slower 4.7 per cent, down from 6.3 per cent in June. "The July data were poor indeed," Zheng Yuesheng, who heads the GAC's statistics department, told reporters. "It will be an arduous task to

fulfil our foreign trade target, as external demand is weak. The weaker than expected trade data has increased pressure on the Chinese government to take robust measures to boost the economy. With the export sector losing speed faster than expected, the government's current investment stimulus plan looks woefully inadequate," said Alistair Thornton of IHS Global Insight.

"This isn't a 2008 collapse, but it's not worth testing how close the economy can get. The government is likely to respond by ramping-up its stimulus efforts, with both monetary and fiscal guns firing."
The lowest inflation figures in two and a half years reported recently have given the government more room to put in place strong stimulus measures. In recent weeks, the central bank has cut lending and deposit rates — for the second time this year — while the government has said it would accelerate investment in infrastructure projects.

Bilateral trade between India and China reached a record $73.9 billion last year, with the imbalance widening to $27 billion. Chinese demand for iron ore has played a major role in driving the trade relationship, which has rapidly grown this past decade up from a few billion dollars. Indian imports of Chinese machinery and of power and telecom equipment have been another major driver of trade.

Competitive products

With India looking to improve the nature of trade and restrict exports of ores and raw materials, officials said the need to identify competitive products as new drivers of the trade relationship had become paramount. So far, India has made little headway in pushing exports of pharmaceuticals and in information technology, where officials have so far focused their efforts to improve market access.
While India has complained of complicated registration procedures for drugs and of Chinese reluctance to accept Indian software products, Chinese officials say Indian companies have done far less than their international competitors to establish a significant presence in either sector. They say Indian pharmaceutical companies have not been active enough to push their products and engage with hospitals, while Western technology companies had established a presence in China decades earlier.
Beyond the reasons for the imbalance, the growing deficit has increasingly strained ties - India has, in recent years, filed more anti-dumping investigations against China than any other country. The trend has concerned officials on both sides of the border, particularly because trade has emerged as the biggest bright spot in a relationship that is still grappling with many strategic challenges.

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Exporters likely to get another round of sops
Amiti Sen, Economic Times

New Delhi, 13 August, 2012: Exporters could get another round of sops to help them retain their foothold in the rapidly shrinking global market, especially in the crisis-ridden Eurozone.

The commerce department is reviewing the situation at various export centres across the country and is likely to take a call on a supplementary package of sops soon, a government official told ET.

"There is a surplus left from the allocation that was made for product and market-linked incentive schemes that were announced in the annual supplement to the foreign trade policy in June," the official added. "The commerce department is waiting for the right time to announce additional incentives."

Exports powerhouse China reported only 1% increase in shipments in July, as sales to the European Union contracted sharply, suggesting even more stress for Indian traders.

Exporters industry body, Federation of Indian Export Organisations (FIEO), said it has sent a list of products that might need additional support to the government.

"Consultations for facilitating smooth trade have already been held between top government officials and exporters at various centres, including Delhi, Kolkata, Bangalore, Ahmedabad, Mumbai and Hyderabad. We have given a list of products that are not doing very well and may need some extra help," Ajay Sahai, director general, FIEO.

India's exports dropped for second month running in June, declining 5.45% from a year ago, mainly due to the continuing financial turmoil in the EU and looming uncertainty in the US.

The decline in exports in May was 4.16%. And things appear grim. The WTO has estimated growth in global demand to decelerate to 3.7% in 2012, which is lower than last year's slow growth of 5%. World trade grew at 13.8% in 2010.

The WTO attributed the slowdown to the global economy losing momentum due to a number of shocks, including the European sovereign debt crisis.

"Buyers in Europe are careful. They prefer holding on to their money. So, they are giving their orders very slowly," said S P Agarwal, an exporter of handicrafts to European countries like Germany and France. Agarwal said the incentives by government in June did not prove to be enough as was obvious from the declining export numbers and there was need for much more.

The annual supplement to the foreign trade policy or FTP announced in June included a 2% interest discount or subvention scheme for a number of sectors like toys, sports goods, processed agricultural products and ready-made garment, apart from SMEs and the handloom sectors.

The focus product and focus market schemes, wherein the government gives cash incentives equivalent to 2% of the value of exports, were also expanded with the incorporation of 7 new markets and 100 new products.

The commerce department may expand the list of products benefiting from the scheme further in the second tranche of incentives. "There is about 500 crore of earmarked funds for focus product and focus market schemes left over from what was announced in June.

About 800 crore funds had been allocated," the official said.

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Govt to boost export credit
Nayanima Basu, Business Standard

New Delhi, August 9, 2012: The government is mulling a greater flow of credit for exporters by allowing banks with significant presence abroad, and foreign currency deposits available, to arrange for borrowings abroad or to seek lines of credit from foreign banks.

The decision was recently taken by the department of financial services under the finance ministry. Merchandise exports have slipped again into the negative territory, with a fall in demand from traditional markets. In the first quarter of 2012-13, exports fell 1.7 per cent to $75.2 billion, compared with $76.5 billion during the same period last year. Exporters say an important reason for the stall in growth is a gradual decline in export credit as a percentage of net bank credit and also as a percentage of exports.

“The government is now looking at various measures for extending easy loans to the exporting community. We are looking at a liberalised regime of export credit in foreign currency. There is going to be greater synergy within banks, so that exports do not get adversely affected,” Anup K Pujari, director general of foreign trade, told Business Standard.

While the compounded annual growth rate (CAGR) of export credit during 2001-11 was 13.45 per cent, export growth in these 10 years had been at a CAGR of 19.11 per cent. Export credit as a percentage of total exports fell from 19.8 per cent in 2008 to 13.4 per cent in 2011, according to Reserve Bank data.

As a short-term measure, the government has also planned to make finance available in foreign exchange by banks to exporters through other smaller banks that do not have forex liquidity available. Such extra lending by bigger banks to smaller ones would not exceed a mark-up of 10 basis points. It has also been decided that in case of packing credit, the exporter would not be forced to take cover unless it is for an export credit in one convertible currency, for which the export order will be duly invoiced in another convertible currency. Besides short-term credit, the government has also planned to direct banks to provide term loans for modernisation and equipment financing, setting up of units for exports and for project exports.

“The declining trend of export credit, both as a percentage of net bank credit, as well as a percentage of exports, is one of the biggest handicaps for tiny and small units, which are not given timely credit to meet their export requirement,” said Rafeeque Ahmad, president, Federation of Indian Export Organisations.

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Govt mulls export curbs on sugar, wheat

Press Trust of India, Business Standard

New Delhi, August 8, 2012: Fearing a price rise in essential food items due to poor monsoons, the government is considering imposing restrictions on sugar export and a ban on wheat shipments through private traders.

"The food ministry is preparing a status note on the exports of sugar, wheat and non-basmati rice for Cabinet Committee on Economic Affairs (CCEA)," a senior government official said.

The ministry is considering various steps to rein in the price rise of these items, which includes putting a cap on sugar exports at 1.5 million tonnes (mt), and suspending wheat shipments, the official said.
On the back of bumper production, the government had lifted the four-year-old ban on wheat exports in September 2011. So far, two million tonnes of wheat has been exported.

For sugar, the Centre had allowed two million tonnes of exports in the initial few months of the current marketing year (October-September). In May 2012, it put exports under the open general licence (OGL).
Although the country has surplus wheat and sugar output, prices of these two items have shown an upward trend, amid concerns over a possible fall in production following weak monsoons.

Sugar prices have risen Rs 6-8 a kg in the last one month and are ruling at Rs 40 a kg in most parts of the country. According to the government's inflation data, wheat prices have gone up seven-eight per cent in June from over the year-ago period. The official, however, clarified there is no plan to ban export of wheat from the government stocks.

Already, the commerce ministry has issued export permits for 1.48 mt of sugar under the OGL, of which 0.86 million tonnes has been shipped.

On non-basmati rice, the official noted prices are stable and there is no need to curb shipments. However, he said the ministry is keeping a close watch on the prices of non-basmati rice.
The country has exported six million tonnes of non-basmati rice since September 2011, when the government lifted ban on the shipment.

India harvested 104.32 mt of rice, 93.90 mt of wheat and 26 mt of sugar in 2011-12.

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Basmati exporters expect good performance this year too
Komal Amit Gera, Business Standard

Chandigarh, August 10, 2012: Basmati export companies like Satnam Overseas Ltd (Kohinoor brand rice) and L T Overseas Ltd (Dawaat brand) are hopeful of repeating last year's good performance this season too. India exported 3.2 million tonnes of basmati rice last year and is projected to export four million tonnes of basmati rice this year.

Prices of the commodity in international markets are high and increased sowing in this kharif season will ensure availability of paddy for exports. As a strategy to harvest better quality paddy for export purposes, some companies including Amir Chand Exports (owner of the Aeroplane brand basmati rice) have entered into buyback arrangements with farmers.

Satnam Arora, joint managing director of Satnam Overseas Ltd, said the demand for basmati rice is picking up in the international markets and Indian exporters are eyeing a bigger pie this year.

"I don't see much impact of rain on basmati cultivation. The price of basmati is $1,000-1,500 a tonne for different varieties. Last year, it was close to $800-900 a tonne. Iran is coming up as a big importer and we are now scouting new markets in the African continent. Daawat, as a basmati brand, is doing well and we expect a 20 per cent jump in exports," said V K Arora, managing director, L T Overseas Ltd.

"In the past few years, the awareness about basmati rice has grown tremendously and so has the demand. The acceptance of Pusa 1121 as basmati has widened the scope for exporters. Even African countries are now demanding basmati rice," said J K Suri, chairman of Amir Chand Jagdish Kumar Exports Ltd (Aeroplane brand rice).

He added the company has a buyback arrangement with farmers for organic rice, meant for the niche market. The export price of basmati rice in the international markets is $800-1,400 a tonne, depending on the variety. The price remained close to $800 a tonne due to high supply last year.

Apprehensions regarding a decline in paddy area due to delayed and deficit rain are fading because the latest data available with government agencies shows that rice has been sown on 23.4 million hectares, compared to 19.1 million hectares a week before. The normal sowing at this point in year is 24.1 million hectares. According to Mahinder Pal Jindal, president of the All-India Rice Exporters Association, the yield of basmati rice will not be affected this year as it is grown mainly in the irrigated belt of Punjab, Haryana and Uttar Pradesh.

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Govt confident of $18 bn apparel exports in FY13
Business Standard

Chennai/ Bangalore, August 7, 2012: Notwithstanding the recent fall in volumes of apparel exports to the US and the European Union, the Centre is confident that the industry will achieve the $18 billion target during the present fiscal.

In the medium term, the government has set an ambitious target of $50 billion dollars by 2015. To achieve this, it has launched major programmes to augment the raw material base, increase design talent and skilled workforce, bring technological advancement and place the onus on value addition rather than exporting fabrics, a top official today said.

Speaking after a business session organised by Apparel Export Promotion Council and attended by over 60 manufacturers, Union Joint Secretary, Ministry of Textiles, V Srinivas said the industry should take advantage of the duty benefit to Japan and EU markets, and focus on market penetration to the existing markets, especially Japan.

The government had placed a special focus on Japanese market as the tax rate had been reduced to zero from 20 per cent after the two countries had signed FTA in 2011.

"We should be looking to corner some of the share of our competitors like China, Bangladesh, Vietnam and Cambodia, and conversion of value-added products. Presently, only 45 per cent of the textiles and cotton export goes in the form of apparel while the balance is exported in fabric form," he said. Srinivas said the government was committed to strengthen programmes like integrated skill development, improving the fabric quality and enhance the processing capacity. India had exported apparel, both knitted and woven to the tune of $11.6 bn in 2010-11 and during 2011-12 the exports touched $13.6 bn. "Increase of one billion dollar in apparel export leads to creation of 1 million jobs. To enable expansion the government had been striving to aggregate the fragmented industry and enhance its production capacity," he said.

The Brandix India apparel park at Achyutapuram near Visakhapatnam has been made fully operational, while work on the Rajasthan Integrated apparel park at Tapakara in Rajasthan is nearing completion. The government had also ensured expansion of capacities around the apparel hub of Tirupur in Tamil Nadu as well as in Ludhiana and Kolkata, he added.

Srinivas agreed that there has to be flexibility in labour laws to help the industry so that it can scale up the manufacturing base.

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Hand tool exports may fall 20% this year
Vijay C Roy, Business Standard

Chandigarh, August 7, 2012**:** The slowdown in the United States and Europe is likely to cast its shadow over Punjab's hand tool exports. They may decline by 20 per cent in 2012-13, compared to the year-ago level, according to exporters.

Most of Punjab's hand tool manufacturers are located in Jalandhar and Ludhiana. The state's hand tool industry accounts for 70-80 per cent of India's total hand tool exports, with small and medium enterprises (SMEs) playing a dominant role.

Final export data for 2011-12 is yet to be compiled but according to the Engineering Export Promotion Council, exports will be around 20 per cent higher than in 2010-11, when they amounted to $252.61 million (Rs 1150.76 crore).

S C Ralhan, a hand tool manufacturer, said, “Exports of hand tools from India will be impacted by the current slowdown and since Punjab is one of the major exporters of hand tools, the impact of the slowdown will be apparent. It is premature to state the quantum of impact but it would be around 20 per cent.”

Echoing similar sentiments, the deputy director of the Engineering Export Promotion Council, Opinder Singh, said, “Exporters managed to get some new orders this year but the quantum of new orders was not on a par with what they got last year, as buyers were still hesitant to place new orders. Going by the trend and considering the slowdown in some of the major economies of the world, we expect the impact to be 15-20 per cent.”

Punjab’s hand tool industry employs nearly 60,000 people and consists of about 350 units, a majority of them SMEs. The major export markets are the US and the European Union, which account for 50 per cent of total exports from the state. The buyers are major retail chains like Wal-Mart, B & Q and Home Depot. There are factors other than the slowdown which are also hurting the industry. The president of the Northern Chamber of Medium and Small Industries, Sharad Aggarwal, said, “We are not in a position to deliver orders in time due to the erratic power supply, as we are facing scheduled as well as unscheduled power cuts.”

Ralhan said the apathy of the state government is also responsible for negative growth. “The pollution control department has shifted the hand tool industry from the green category to the red category, which is not good for the industry. The hand tool industry is not a polluting industry, as a lot of manufacturers are switching over to gas and the rest are running on electricity,” he added.

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Gold import drops 40% to 350 tonnes

Dilip Kumar Jha, Business Standard

Mumbai, August 7, 2012**:** India’s gold imports have declined 40 per cent so far this calendar year, due to subdued consumer sentiment on record high prices and the fear of measures by the government to curb imports to restrict the current account deficit (CAD).

Bullion dealers estimate the total imports at 350 tonnes in the seven months. Adding to an estimated 100 tonnes in the next two months, the overall import is seen at 450 tonnes by September.
Data from the World Gold Council (WGC) showed total import in the first six months of 2011 at 553 tonnes, up to a staggering 753 tonnes by the end of September 2011.

“This year, the overall import may not surpass 450 tonnes by September on reduced consumer sentiment,” said Prithviraj Kothari, president, Bombay Bullion Association, the premier traders’ body.

In India, the effects of the global slowdown are evident through both domestic growth and local prices. India currently faces a bout of high inflation coupled with slow economic growth and currency weakness supporting sticky inflation.

Consumer demand was relatively weak this year as the Reserve Bank of India is planning to introduce an instrument which might offer returns equivalent to gold. The yellow metal has offered almost 100 per cent return in the last three-four years, resulting in an increase in its imports.

Meanwhile, gold prices hit a high of Rs 30,295 per 10g in Mumbai's Zaveri Bazaar on June 19 from a modest beginning of Rs 27,175 per 10g early this year. Standard gold hit the benchmark Rs 30,000 per 10g again on Monday in mid-trading session, but closed with a marginal gain at Rs 29,765 per 10g, a marginal rise from Saturday.

At this level, gold has offered 11.5 per cent return in rupees. Since the rupee depreciated to trade currently at 55.5 versus the dollar, the return in the US currency was lower at 4.4 per cent at the current price of $1,607 an oz.

"Jewellery buyers remained largely absent from active purchase for the last several months due to high volatility in the local market. If prices remain one side up or down, consumers book afresh amid concerns of further rise or fall. But, in the case of volatility, consumers await stability to order new ornaments.

Hence, jewellery buyers currently await a clear direction before placing fresh purchases," said Umesh Parekh, managing director (MD) of Shree Ganesh Jewellery House, a Kolkata-based manufacturer and retailer.

India imported a record 969 tonnes in 2011 while domestic demand stood at 933.4 tonnes, down from 963.1 tonnes in 2010, WGC data showed.

Rising gold imports widened the CAD as consumers opted to invest more in the yellow metal.

Consequently, for 2011-12, CAD was $78.2 billion, deeper than the $46 billion in 2010-11.

"Gold is purchased through cash. Hence, gold imported by the nominated agencies, including banks, should be disposed of within weeks, which does not happen normally during the lean monsoon season. Therefore, imports remained low so far this year," said Rajesh Mehta, MD, Rajesh Exports, one of the largest gold jewellery manufacturers and retailers in India.

Kothari hoped demand for gold would go up by September due to the festival season and beginning of investment in India's manufacturing sector. The scheduled mega exhibition, the India International Jewellery Show in August, is also set to boost some orders during the quarter and set the trend for the rest of the year, he said.

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Telcos may have to buy critical parts only from local makers
Thomas K. Thomas, Hindu Business Line

New Delhi, August 14, 2012: Telecom companies may have to procure SIM cards, broadband modems and 16 other items from local manufacturers starting April 2013.

An expert committee set up by the Department of Telecom has identified 18 hardware items, used for telecommunications, which will be put under a preferential market access category. These items will be marked as sensitive from the security point of view in order to comply with the WTO norms. The DoT is expected to finalise the recommendations made by the expert group and announce the policy shortly.

Under this policy, the DoT will make it mandatory for all telecom companies to procure at least 30 per cent of all electronic equipment that are locally manufactured. Some items such as SIM cards, modems used for WiFi or 3G broadband services and EPABX boxes will have to be procured completely from manufacturers in India.

The policy will be applicable to both private and public sector telecom companies. All products manufactured by entities that are registered and established in India will be considered for the preferential access. This includes entities in Special Economic Zones, original equipment manufacturers and contract manufacturers. In addition to manufacturing in India, the companies will have to ensure that there is some amount of local value addition. According to the proposed policy, the minimum value addition should be 25 per cent in the first year and 45 per cent in the fifth year.

The proposal to give preferential treatment to 'Made in India' products was first mooted by a committee formed by the National Manufacturing Competitiveness Council (NMCC) and the Advisor to Prime Minister on Public Information, Infrastructure and Innovation.

The policy was being opposed by foreign players, including Nokia, Siemens and Ericsson, on grounds that it would give unfair advantage to local players. They had cited provisions of the international trade treaties to prevent the policy from being adopted.

Local players to benefit

However, the Ministry of Communications wants to bring out this policy in a bid to address balance of payment issues as currently India imports telecom equipment worth billions of dollars every year. The proposal is backed by local players such as Shyam Telecom, Tejas Networks and Coral Broadband. The Telecom Equipment Manufacturers Association has given a list of Indian manufacturers who are ready to supply telecom equipment ranging from fourth generation (4G) wireless systems to security and surveillance communication systems.

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India, China plan to jointly oppose EU regulation on API at WTO forum
Joseph Alexander, Pharmabiz.com

New Delhi, August 6, 2012: India and China may together move the World Trade Organisation (WTO) against the European Union (EU) regulation on bulk drugs which may affect the current exports of Active Pharmaceutical Ingredients (APIs) from both the countries to Europe.

EU has changed the rules for importing active substances into EU for medicinal products for human use and the amended regulation would come into effect fully by July 2013. It would make mandatory the current good manufacturing practices (cGMP) certificate from the local authority for all bulk drugs exports.

Sources said the Commerce Ministry had already taken up the matter with the EU authorities as the directive is expected to pose serious challenge to the API exports and is meant to secure the EU pharma supply chain.

Under the technical barrier to trade (TBT) provisions, India can raise the issue at the WTO forum and it is learnt that India would possibly make a joint statement with China at the next meeting of the WTO. China Chamber of Commerce had already written to Pharmaceutical Export Promotion Council of India

(Pharmexcil) on the possibility of making joint representation, it is learnt.

China's share in EU's API imports is 12 per cent while India commands only two percent share in the API imports into the EU. Hence, China is going to be affected more than India.

The Commerce Ministry has also sought the opinion of the Bulk Drug Manufacturers Association over the issue.

Meanwhile, the industry representatives are also trying to take up the issue with Drugs Controller General of India (DCGI). Industry had pointed out that the DCGI was not authorized or conversant enough with EU GMP standards to issue certification. The companies will have to produce such certificates even after their manufacturing facilities and products (meant for exports) get all regulatory clearances directly from the EU drug regulatory authorities in that case.

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EU Launches Probe Into Dumping Of Indian Steel Wire

Reuters

Brussels, August 11, 2012: The European Commission said it had received an anti-dumping complaint by European steel producers' group Eurofer against imports of stainless steel wires from India.

The complaint alleges that producers of certain types of steel wire have benefited from a number of subsidies granted by India, and are selling their wire in the EU at below-market prices hurting European competitors.

The Commission said late on Friday it was opening an investigation into whether or not the steel wire is being unfairly subsidised and has invited the Indian government for consultations on the matter.

India and the European Union have been negotiating a free trade agreement since 2007, but talks stalled this year over differences in duties on cars and market access for software and service companies.

The EU is India's biggest trade partner and bought more than 40 billion euros ($49.26 billion) worth of Indian goods and services in 2010. But trade with India represented just 2.4 percent of the EU's total.

India has also locked horns with the 27-country bloc recently over an EU law to make all airlines flying in and out of Europe pay for their carbon emissions.

India has said it won't comply with the law, but changes to the aircraft leases almost all of its airlines rely on may force the country's hand.

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Get irritants to FTA out, Germany tells India

Sujay Mehdudia, The Hindu

August 16, 2012: Seeking enhanced economic engagement with India, Germany's Ambassador to India, Michael Steiner, has sought to remove 'obstacles' coming in the way of clinching the India-EU free trade agreement (FTA).

“There are obstacles in the path. We need to remove these. We want the treaty to happen. We want the FTA to be done by early next year. For that, both sides have to work very hard. India needs to work on certain issues, including trade and tariff barriers especially on cars and also in the insurance sector. We want the FDI limit in insurance hiked to 49 per cent from the present 26 per cent,’’ Mr. Steiner told *The Hindu*.

Acknowledging that the India-EU FTA would not happen this year, Mr. Steiner said a lot needs to be done to send out a message about readiness to engage. “AIG of Germany is a big company. It is ready to engage with India but for that steps are needed to send out a positive message of economic engagement,” he added.

On the issue of cars, Mr. Steiner said: “we don’t want India to lower import duties in one go. We want to do it step-by-step. In fact, it is the other way around. India sells more cars and automotive parts in Europe. India has compulsions, and it cannot open the markets immediately. But a time period needs to be set to lower trade barriers and bring them down to zero level especially for cars.

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India and Switzerland FTA likely this year
The Times of India

Kolkata, August 4, 2012: The free trade agreement (FTA) between India and Switzerland is likely to be inked this year, hopes Linus von Castelmur, ambassador of Switerzland to India and Bhutan.

"The talks are on with the officials and hopefully we would sign the pact by the end of current fiscal," he said.

While attending a CII seminar here on Friday, Castelmur pointed out that currently the bilateral trade between the two countries stands at around $5 billion."Once the FTA is through, it will boost the trade. We are targeting a total trade of around $7billion- $8 billion by 2015," he added.

India mostly exports basic chemicals, agricultural products, jewellery and services to Switzerland while imports for India consist of pharmaceutical products, machinery, jewellery etc. Castelmur said that they were planning to hold a CEO conclave in the city in September, but details of the conclave are being worked out and a clear picture would emerge soon.

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Indian Outsourcing Firms Accelerate U.S. Hiring
Dhanya Ann Thoppil, The Wall Street Journal Europe

Bangalore, 7 August 2012: India’s information-technology companies are stepping up hiring in the U.S., where a backlash against sending business offshore is gaining momentum ahead of the presidential election.

The hiring also comes as the outsourcing companies face tougher U.S. visa rules that have made it difficult to relocate Indian employees to client locations in the U.S. to carry out technology projects.

Midsize Indian software exporter MindTree Ltd. said Monday it aims to hire more Americans to staff four or five software-development centers that it plans to set up in the U.S. over the next five years. MindTree will tie up with local universities to groom students for technology jobs, Chief Executive

Krishnakumar Natarajan said.

Hiring more people locally reduces risks at a time when there are signs of increased protectionism in countries like the U.S., which are suffering from slow economic growth and high unemployment, Mr. Natarajan said.

"As markets become global, the ability of companies to be local to the markets that they are accessing is also important," he added.

The Bangalore-based company, which provides outsourcing services in the manufacturing, banking and financial-services sectors, is following in the footsteps of its larger peers. Tata Consultancy Services Ltd., India's largest software exporter by sales, plans to hire 2,000 U.S. employees in the current fiscal year that began in April, some 400 more than last year. Infosys Ltd., another large IT company, last month said it plans to hire 2,000 employees in the U.S. in 2012.

The recruitment drive comes as Indian outsourcing companies encounter intensified scrutiny ahead of the U.S. presidential election.

Job creation has emerged as a key issue in the campaign. U.S. President Barack Obama has accused Republican rival Mitt Romney of having shipped American jobs overseas while serving as head of private-equity firm Bain Capital and governor of Massachusetts. Mr. Romney's camp has dismissed the allegations.

India's outsourcing companies also have defended themselves, saying they are creating jobs in the U.S. According to India's main software trade body, the National Association of Software and Services Companies, the Indian outsourcing industry employs nearly three million people world-wide. In the past five years, the industry has generated 280,000 local jobs in the U.S., says Ameet Nivsarkar, vice president of the association.

Still, India's outsourcing companies continue to depend on cheaper India-based employees. At the end of June, 93% of TCS's 240,000 employees were based in India, compared with 1% in the U.S. That has caused anger in some quarters in the U.S., where unemployment is rising.

U.S. Sen. Debbie Stabenow, a Michigan Democrat, in April proposed legislation that would offer tax breaks to get businesses to hire more employees at home. The legislation, dubbed the Bring Jobs Home Act, would help companies cover the cost of moving production back to the U.S. and ban tax deductions for the expenses of moving operations abroad.

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India seeks to deepen trade ties with LatAm, Caribbean nations
Elizabeth Roche, Mint

Tue, August 7, 2012: India will aim to deepen economic and strategic linkages with energy and mineral-rich Latin American and Caribbean countries by hosting the foreign ministers of Chile, Cuba and Venezuela in New Delhi this week, senior foreign ministry officials said Monday.

The meeting between India’s external affairs minister S.M. Krishna and his counterparts on Tuesday will mark the first dialogue between India and the newly formed 33 member Community of Latin American and Caribbean States (CELAC). “A meeting with the external affairs minister in this format is

indicative of interest (from both sides) in raising engagement between India and the CELAC," said India foreign ministry spokesman Syed Akbaruddin.

India's trade with the region rose to $25 billion in 2011-12 from $2 billion in 2000-01. Indian investments in the Caribbean and Latin America are at about $16 billion, with the bulk of it in the hydrocarbon sector besides information technology, pharmaceuticals and minerals, Akbaruddin said.

A person familiar with developments said India was one of the many countries that has taken note of the emergence of a regional grouping with a GDP six times that of India, a vast landmass and considerable reserves of hydrocarbons and minerals.

"Problems are there in terms of shipping, in terms of language," the person said, acknowledging that both Indian and the CELAC countries had been "late" in discovering the potential that the other presented. "We are now re-discovering each other with renewed vigour," the person said, noting that in recent years, the presidents of Argentina, Paraguay and Trinidad and Tobago have visited India.

Prime Minister Manmohan Singh and former president Pratibha Patil visited several countries in the region over the past four years. At least two CELAC countries—Trinidad and Tobago and Guyana—have had Indian origin heads of state.

On India's possible increased dependence on the region for energy against the backdrop of the government looking to cut imports from the volatile West Asia region, the person pointed that Indian investments in the energy sector totalled $8 billion so far— most of it by the state-run ONGC Videsh Ltd. Reliance Industries Ltd, Videocon and Essar were among the private sector firms in the region. But the potential for further investment was huge with untapped reserves in many countries of the region.

"This is where we think there is great potential ahead," the person said, adding that Mexico and Brazil were countries where India expected the market to open up in the next few years. Besides investing in oil blocks, Indian companies could also look at forming joint ventures or joining consortiums to build pipelines, the person said.

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Chile, India to hold free trade talks: official
AFP

Santiago, August 14, 2012: Chile and India will begin negotiations on a free trade agreement at the end of the year, Chilean Foreign Minister Alfredo Moreno in a television interview Tuesday.

The agreement will "include not only goods, but also services, investment and all the control elements, such as tariff barriers," Moreno said on CNN Chile.

Chile aims to be the first South American country to have a free trade agreement with India, a market of more than 1.2 billion people, Moreno added.

The two countries agreed to launch the talks while Moreno was in New Delhi last week for a meeting with his counterpart, Anand Sharma.

A free trade agreement would replace a partial agreement reached in 2007.

Chilean exports to India grew by 45 percent in the first half of 2012 to reach $1.36 billion. Imports from India rose 29 percent in the same period to reach $310 million.

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India, Sri Lanka companies look for boosting trade ties
Press Trust of India

Colombo, August 6, 2012: Indian and Sri Lankan business leaders have identified sectors where they could forge stronger ties for mutual benefit, the leading trade chamber, Ceylon Chamber of Commerce said.

The Indian and Lankan business CEOs forum was held here on Saturday on the sidelines of the three day 'India Show' aimed at boosting trade ties.

Commerce and Industry Minister Anand Sharma participated in the event.

The opportunities in the apparel, tourism, power and energy, education have been identified as potential sectors, the chamber said.

The promotion of tourism through increasing air links between the two countries was also discussed, it said adding more frequent flights would be beneficial.

The CEOs from the Indian side pointed out on the need to streamline investment procedures.

It was felt the Indian side was more keen in the mid-segment tourist hotels in Sri Lanka than undetaking investments in the luxury hotels sector.

India would also invest in hotel training schools in Sri Lanka to help the Island nation meet manpower requirement for over 35,000 additional hotel rooms in the Island nation.

Discussions were also held on tapping Sri Lanka's potential for generating 40,000 MW of wind power. The potential to export power to India during the off peak hours was looked into, the chamber said.

The possibility of Indian investment in the proposed under sea transmission linkages in Sri Lanka was discussed on the occasion.

Indian education institutes are being encouraged to set up business in Sri Lanka.

Both sides underscored the importance of a flexible visa regime and relaxing some of the existing conditions.

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Talks to open up services, investment in South Asia may end by Sept
Arun S., Hindu Business Line

New Delhi, August. 9, 2012: Talks to liberalise trade in services and investment in South Asia are likely to be concluded by September-end.

With India recently notifying its decision to permit foreign direct investment (FDI) from Pakistan, the talks have gained a new lease of life, official sources told *Business Line*.

Earlier, though India was keen on early conclusion of the negotiations, Islamabad had questioned New Delhi on how it could pitch for liberalisation of services and investment in the region when it was yet to accord non-discriminatory treatment to Pakistan on FDI.

The South Asian Association for Regional Cooperation (SAARC) members – India, Pakistan, Sri Lanka, Nepal, Bangladesh, Bhutan, Maldives and Afghanistan – already have a Free Trade Agreement (the Agreement on South Asian Free Trade Area or SAFTA) on trade in goods.

The talks now are on SAARC Agreement on Trade in Services (SATIS), as the members have realised that they can reap more benefits only if SAFTA is expanded by including trade in services as well as investment, the sources said.

The scheduling commitments (the extent of opening up various service sectors for investment; and keeping out some sensitive sectors, like space and atomic energy) will be finalised next month, the sources said.

The minimum that one can expect is the basic commitments given by SAARC member countries at the World Trade Organisation-level, they said, adding that in some sectors, SATIS can also go beyond what has been committed at the WTO.

Significantly, around 55 per cent of the value added to South Asia's GDP was on account of services. However, India's strength in the sector, including a high number of skilled professionals, is seen as a threat by other South Asian countries.

The other SAARC countries fear that opening up their services market would result in a huge influx of Indian service professionals in IT/ITeS, banking, accountancy, engineering, consulting and telecom.

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India seeks early conclusion of trade deal with Asean
Elizabeth Roche, Mint

New Delhi, August 7, 2012: India on Tuesday sought the early conclusion of a free trade pact in services and investments between Asia's third largest economy and the 10-member high-growth Association of Southeast Asian Nations (Asean).

The move will lead to further economic integration between the two regions, which have a combined population of about 1.8 billion, "a market with resource and demand", foreign minister S.M. Krishna said in his remarks to the round-table of the Asean-India networks of policy research groups.

The round-table is one of many events being held in the run-up to a commemorative India-Asean summit on 20-21 December in New Delhi to mark two decades of apex-level ties between the two. Tuesday's meet was organized by Research and Information Systems for Developing Countries think tank in New Delhi.

Krishna noted that India's trade with the Asean, which groups Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Vietnam, crossed the $70 billion (around Rs. 4 trillion today) target set for 2011.

Recalling that India and Asean had signed a free trade agreement (FTA) in goods in 2009, Krishna said, "We would now like to see the early finalization of the Asean-India FTA in investment and services." This will help kick-start talks on a regional economic partnership initiative resulting in further integration, he added.

Trade with India constituted just 2.9% of Asean's overall global trade, said Nyan Lynn, deputy secretary general (political security community), Asean secretariat. He called on India to support and participate in Asean's plans to improve connectivity in South-East Asia and South Asia.Referring to an Asian Development Bank estimate, Lynn said Asian nations need to invest $3 trillion in overall infrastructure development between 2010 and 2020.

India is already in talks with Myanmar and Thailand for a trilateral highway. During a visit to India in January, Thai Prime Minister Yingluck Shinawatra suggested maritime links between Chennai in southern India and Thailand through the Dawei seaport in Myanmar.

"India's engagement with Asean so far has been episodic. I think we need to step up engagement with the economically vibrant region. If India does not respond to Asean's overtures, say, in the area of trade, Asean can turn to a China or Japan or South Korea. So it is in India's interest to keep up ties with the group," said C. Uday Bhaskar, an analyst with South Asia Monitor think tank in New Delhi.

India and Asean established preliminary ties in 1992— around the time India launched its "Look East" policy aimed at forging stronger ties with the fast growing economies of South-East Asia.
India was upgraded to a full dialogue partner of Asean in 1995, and in 2002, India and Asean held their first summit-level interaction.

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Whither the Asian FTA?
Biswajit Dhar, Mint

August 13, 2012: In recent weeks, leaders of the 10-member Association of Southeast Asian Nations (Asean) have made overtures to India to join the Regional Comprehensive Economic Partnership (RCEP) that Asean members have agreed to pursue. At the conclusion of their last summit meeting in Indonesia, the leaders agreed that RCEP would be an Asean-led process under which Asean would "engage interested Asean free trade agreement (FTA) partners in establishing a RCEP agreement and, subsequently, with other external economic partners".

RCEP is aimed at establishing the centrality of Asean in the economic dynamics of Asia. For more than 15 years, since the decision by Asean member states to create an FTA, the grouping has sought to position itself as the hub in the Asian region. In order to realize this objective, the grouping adopted a carefully crafted two-pronged strategy. The first was to engage in a process of regional economic integration, the culmination of which will be the formation of FTAs with all the countries in its immediate neighbourhood; India, Japan, China, Korea, Australia and New Zealand. In a way, the grouping had succeeded in forming the hub and spoke structure by reaching out to all its major partner countries. There was, however, one major weakness in this structure—the level of economic integration was not even. While with China, Korea, Australia and New Zealand, integration was fairly deep for it included not only

the goods sector, but services and investment as well. With India and Japan, the integration was rather shallow: very little progress beyond a FTA in goods has been achieved.

For RCEP to materialize, several challenges will have to be overcome. The most significant being the proposed trilateral free trade agreement between China, Japan and Korea (CJK-FTA). The CJK-FTA will be the third largest FTA next to only the North American Free Trade Agreement (Nafta) and the European Union (EU), and which according to some estimates, would cover a population of 1.5 billion and would represent 70% of the Asian economic aggregate.

The feasibility study for CJK-FTA was completed at the end of last year, which recommended the formalization of a comprehensive and a high-level agreement covering goods, services and investment, besides a host of other issues such as non-tariff barriers and intellectual property rights. Although the formal negotiations for CJK-FTA will begin towards the end of this year, leaders of the three countries took a major step some months back by signing an agreement on promoting, facilitating and protecting investments. This agreement on investment is not just the first agreement among these three countries; it establishes the institutional arrangements for the three countries to encourage investment flows. But perhaps more importantly, the investment agreement could provide the much needed political impetus that could put CJK-FTA negotiations on a fast track. And, if CJK-FTA does proceed quickly, the future of RCEP could be uncertain.

On the other hand, a successful RCEP could deal a body-blow to a more comprehensive regional economic integration that the East Asia Summit (EAS) members had initiated towards the middle of the past decade. This grouping, which brings the Asean members together with the “plus-6 countries”, viz. India, Australia, New Zealand, China, Japan and Korea had agreed to forge a Comprehensive Economic Partnership for East Asia (CEPEA). The feasibility study for CEPEA was concluded in 2009 and this proposal was immediately accepted by the leaders in their summit the same year.

When it was mooted, CEPEA could have made a significant impact on at least three counts. The first was that it brought together some of the most rapidly expanding economies, which had considerable presence in the global economy. Just less than one-third of the global merchandise trade was being conducted by countries supporting CEPEA. In the commercial services trade, the share of these countries was consistently rising, aided by the performance of two of the largest countries in the developing world, viz. China and India. In terms of foreign direct investment, the Asean+6 members accounted for more than one-fifth of the inflows and were contributing more than one-sixth of the total outflows. A second factor that made CEPEA important was that forging of close ties between the strong and resilient economies could have given the global economy a much needed support, using which it could have overcome the weaknesses that it faces. A third factor was that CEPEA was truly the “second-best” solution to further the process of global economic integration, given that the “best solution” provided by the World Trade Organization (WTO) was headed nowhere. In the decade-long pursuit for finding multilateral solutions for economic integration between its member states, WTO has witnessed disagreements galore. CEPEA could have provided the much needed signal that countries can and do negotiate to further their economic engagements.

Despite its pluses, CEPEA has remained in the back-burner. With the impending threat of the region being sliced out into overlapping and competing FTAs, leaders of the member countries must take effective steps to implement CEPEA.

Biswajit Dhar is director general at Research and Information System for Developing Countries, New Delhi.

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