INDIA'S TRADE NEWS AND VIEWS
24 May to 7 June 2012

Exports add to gloom, up 3%
A day after data showed India's growth in 2011-12 was the lowest in nine years, data on merchandise exports was also disappointing…

$500 b export target looks difficult to hit
With the economic growth continuing its downward slide and the global situation remaining grim, Commerce and Industry Minister Anand Sharma, said given the present circumstances it would be difficult to achieve the $500 billion export target set for 2013-14…

Trade policy seeks to prop up exports
At a time when domestic growth sentiments have weakened dramatically while global uncertainty has increased with talk of Greece exiting the euro zone, the government announced several fiscal measures…

Indian Govt to announce new guidelines to revive SEZs
The government will come out with new guidelines to revive export hubs, SEZs which have lost sheen after imposition of certain levies and proposal to take away tax incentives…

Indian Govt announces steps in FTP to boost green products
Coinciding with the World Environment Day, the government today announced various steps to encourage exports of green products…

Falling rupee fails to cheer exporters, spooks inflows
In the normal course, a depreciating rupee should have made Indian exports cheaper and more competitive….

Textile exporters' profits to be hit
Textile exporters have not much to cheer about from the decline of the rupee against the dollar, as the fall has been so sharp that importers have started seeking renegotiation of contracts already signed…

DGFT has approved export of 0.33 mt sugar since May
The commerce ministry has issued registration certificates for export of 3,30,000 tonnes of sugar since early last month when the government decided to free sugar shipments…

Enough stock for another 2 mt sugar export: Govt
The Union ministry of food has worked out an internal limit of two million tonnes of sugar that could be exported under Open General Licence (OGL) till September…

Govt lifts ban on export of skimmed milk powder
Amid surplus availability, the government on Friday lifted ban on export of skimmed milk powder (SMP) to improve finances of dairy firms and help milk producers…

As Pakistan lowers imposts, Indian tea exports set to get a fillip
Indian tea exports to Pakistan is set to get a fillip, following the lowering of sales taxes by a steep 11 per cent…

Delay in proposed liberal visa regime worries industry
Representatives of Indian industry on Monday expressed disappointment over the failure of India and Pakistan to clinch a landmark visa procedure liberalization pact…

Minister links trade to security
Union minister of state for home affairs Jitendra Singh today said there was a "delicate balance" between enriching trade with neighbouring countries and maintaining strict vigil to safeguard the region…

[A mission to defend traditional knowledge]()
In a few weeks, negotiators from the group of like-minded countries such as India, Columbia, Peru, and New Zealand will converge on Bali to decide on what "traditional knowledge" is…
[Government of India plans to reduce pharma industry's dependence on China]()
The government has initiated a process to reduce Indian drug industry's growing dependence on China for raw materials…
[Government initiates probe into dumping of a chemical from S Arabia]()
India has initiated a probe into alleged dumping of a chemical by Saudi Arabia to protect domestic players from cheap imports…
[US hikes duty on Indian steel pipe]()
The United States piled another layer of preliminary duties on Thursday on a certain type of steel pipe from India, one month after New Delhi complained at the World Trade Organisation…
[Canada likely to side with India against US]()
India may get an ally in Canada in its fight against the US on imposition of penal import duties on certain steel products…
[US must fall in line on cotton subsidy]()
With WTO's Doha Round negotiations stalled till the new US President assumes office, all hopes of a reduction in US cotton subsidy rest on the upcoming revision of current farm support legislation…
[India to contest in WTO 'discriminatory' US funding of 9/11 victims]()
India may have sympathies with the victims of 9/11, 2001 terror attack in the US, but New Delhi plans to contest in WTO the way American administration has gone about raising resources…
[Domestic tourism gains as rupee's fall hits foreign travel]()
About three weeks ago, Expedia India Inc. offered a discount deal on domestic air tickets of Rs. 600 on all destinations, leading to a surge in bookings—by 350% over the previous month…
[Lower the barriers for higher education]()
Indians aspire to give quality education to their children. Unfortunately, given our population, there are not nearly enough schools or reputed institutes of higher education in the country…
[Despite slowdown, trade with EU grows 22%]()
Amid the gloom from Europe, there is finally some good news for India. For the first time, trade with the 27-member bloc went past the $100 billion mark in 2011-12…
[Striking the BTIA bargain]()
India and the EU must address the issues of domestic regulations and trade facilitation to truly benefit from the agreement…
[The Broken Legs of Global Trade]()
The Doha Round, the latest phase of multilateral trade negotiations, failed in November 2011, after ten years of talks, despite official efforts by many countries…

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Exports add to gloom, up 3%
Business Standard

New Delhi June 02, 2012: A day after data showed India's growth in 2011-12 was the lowest in nine years, data on merchandise exports was also disappointing. Exports in April rose a mere 3.23 per cent to $24.45 billion, against $23.69 billion in April 2011, primarily owing to the euro zone crisis.

However, Commerce & Industry Minister Anand Sharma was hopeful of a 20 per cent rise in exports in the current financial year, compared to the previous one, even as he expressed concern over the poor health of the domestic economy and the challenges emanating from the developed world.

"I hope we stay on course for an annual increase of 20 per cent.…We are going to implement a plan of action to help take India's exports to $500 billion by 2014. We know this would be challenging, given the deceleration in developed countries and the contraction and movement towards contraction in the euro zone, which has also adversely impacted trade as such," Sharma told reporters after the Board of Trade meeting held here on Friday.

The meeting of the Board of Trade, an advisory body on foreign trade to the government, was attended by Finance Secretary R S Gujral, Commerce Secretary S R Rao, Secretary in the Department of Industrial Policy and Promotion Saurabh Chandra, External Affairs Secretary (external relations) Sudhir Vyas, Textiles Secretary Kiran Dhingra and Director-General of Foreign Trade Anup K Pujari. Industry leaders, including ICICI Bank Managing Director and chief executive Chanda Kochhar, ITC Chairman Y C Deveshwar, presidents of the Confederation of Indian Industry, the Federation of Indian Chambers of Commerce and Industry and the Associated Chambers of Commerce and Industry and members of the export promotion councils, also attended the meeting.

Suggestions by the industry and exporters would be incorporated in the annual review of the Foreign Trade Policy (FTP) 2009-14, to be unveiled on June 5.

In April, imports rose 3.83 per cent to $37.94 billion, compared with $36.54 billion in the year-ago period. Imports of oil stood at $139 billion, a rise of 6.96 per cent over $130 billion in April 2011, while non-oil imports grew 2.11 per cent to $24 billion, compared with $23.53 billion in the year-ago period, according to data released on Friday.

As both exports and imports grew moderately, trade deficit rose slightly — 4.98 per cent to $13.49 billion in April, against $12.85 billion in the corresponding period of the previous year.

Sharma said his ministry and its finance counterpart were constantly discussing ways to chalk the incentive package to be doled out to exporters. He added the government was considering extending the interest subvention scheme to all export sectors.

"It is not only about incentives to exporters, we have to take a holistic view to ensure we remain competitive globally when it comes to India's exports….keep on increasing our share in world trade….It is important for India to have a sustained thrust on exports, given the challenges we face," he said.

In the FTP, the government is expected to focus on labour-intensive sectors. Prolonging the interest subvention scheme for a year is also on the agenda.

On the constant fall of the rupee against the dollar, Finance Secretary R S Gujral said, "Prima facie, depreciation in the rupee would tend to help exporters, in terms of higher realisation in rupee terms.…In the short term, contracts have already been signed at all-year rates. Due to this, their imports become more expensive. So, it does hurt them."

Sharma said the depreciation in the rupee was being studied by the government, and he was hopeful of a "turnaround."

[Back to Top]

$500 b export target looks difficult to hit
Hindu

2 June 2012: With the economic growth continuing its downward slide and the global situation remaining grim, Commerce and Industry Minister Anand Sharma, on Friday, said given the present circumstances it would be difficult to achieve the $500 billion export target set for 2013-14.

This assessment by Mr. Sharma comes soon after exports registered a meagre 3.2 per cent year-on-year rise to $24.4 billion in April 2012. The continued slowdown and worrying export situation has sent the government into the consultation mode with sops likely to be announced for labour-intensive sector in the next few days.

Despite heavy odds facing the economy, he was hopeful that exports would be able to register a 20 per cent growth. "It is a question of supporting labour-intensive sectors. We have to take a holistic view to ensure that we should remain competitive globally. It is important for India to have a sustained thrust on exports," he said.

The sharp deceleration in import growth to 3.8 per cent to $37.9 billion resulted in trade deficit narrowing to $13.2 billion, the lowest in the last seven months. Reduction in trade gap would at least lessen worries arising out of sharp decline in rupee against the U.S. dollar.

The Foreign Trade Policy is scheduled to be announced on June 5.

Finance Secretary R. S. Gujral asserted that the depreciation of the Indian rupee would ultimately help exporters in the long-run. "The depreciation of rupee prima facie would help exporters in terms of higher realisation in terms of rupee. Overall, in the long-term, it would help the exporters," he said after the meeting of Board of Trade (BoT) chaired by Mr. Sharma.

At the same time, he said the weakening rupee was hurting importers badly. The rupee was trading at 55.92 against the U.S. dollar at the inter-bank foreign exchange market.

[Back to Top]

Trade policy seeks to prop up exports
Asit Ranjan Mishra & Kirthi Rao, Mint

June 5, 2012, New Delhi: At a time when domestic growth sentiments have weakened dramatically while global uncertainty has increased with talk of Greece exiting the euro zone, the government announced several fiscal measures for exporters and manufacturers that were cheered by the industry.

As a part of the supplement to the Foreign Trade Policy (FTP) 2009-14, commerce, industry and textiles minister Anand Sharma extended the interest subsidy scheme and the export promotion capital goods (EPCG) scheme by another year till 31 March 2013.

In order to facilitate import substitution and curb the galloping trade deficit, the commerce ministry has allowed exporters to use the various scrips available to them for payment of excise duty for domestic procurement. Such instruments under the “focus product scheme” and “focus market scheme” have so far been allowed only for payment of customs duty during imports. The commerce ministry said in a statement that the move is also expected to save foreign exchange. “This decision has been taken to promote domestic manufacturing and value-addition and employment, and will be a significant measure of import substitution,” Sharma said.

Sharma set a target of 20% export growth in the current fiscal year ending 31 March. While recognizing that the difficult economic situation in the euro zone poses a real risk of sinking the world into yet another recession, the minister said he expects a turnaround in exports later this year. “Coming few months can be very testing. Things will start turning around by August or September,” he said.

India’s exports grew 20.9% in 2011-12 to $303 billion (Rs. 17 trillion today), while the trade deficit expanded to $185 billion during the same period. However, merchandise exports’ growth slowed to 3.2%, to $24.5 billion.

Outgoing commerce secretary Rahul Khullar had, however, said last month that export growth may come down to 10-15% in the current fiscal year given the not-so-encouraging news from the US and the European Union. “We will be lucky to achieve 10-15% export growth this year,” he had said.

The “forward-looking measures” will help boost exports and achieve this year’s target of 20% export growth, said R.V. Kanoria, president of the Federation of Indian Chambers of Commerce and Industry, welcoming the announcement.

However, Kanoria said that incentives for exports would not help achieve the desired results unless the fundamentals of the overall economy improve.

Holding that the FTP announcements are the right thrust at the right time, Confederation of Indian Industry president Adi Godrej said the measures would boost exports and help the country achieve its export target of $500 billion by 2013-14.

He pointed out that there is a need to work on port infrastructure and freight, which continue to be a hindrance for exports. “Revision of SEZ (special economic zone) and 100% EoU (export-oriented unit) schemes, which have (been) deferred, should be addressed soon,” he said.

While commerce ministry officials declined to disclose the fiscal implication of the incentives, Ajay Sahai, director general and chief executive of the Federation of Indian Export Organisations (FIEO), said it may not exceed Rs. 1,300 crore. “Most measures they have announced have no fiscal aspect, so I don’t think this will have an impact on the fiscal deficit. They have been allocated about Rs. 1,300 crore and would have worked only within those parameters,” he said.

In order to boost e-commerce, export shipments from Delhi and Mumbai through post will now be entitled to export benefits. “An inter-ministerial task force constituted by the ministry of finance would expeditiously look into various aspects to the feasibility of enabling shipments through all postal locations,” Sharma said.

FIEO president Rafeeque Ahmed said the support given to e-commerce has great potential and can provide a direct selling platform to micro, small and medium enterprise exporters.

Under the interest subsidy scheme, which has been extended by a year, credit is made available to labour-intensive sectors at a 2% cheaper rate. While the scheme, so far, has been available to just four sectors—handlooms, handicrafts, carpets and small and medium scale enterprises—additional sectors such as toys, sports goods, processed agricultural products and garments have been added to the scheme from the current fiscal year. Under the EPCG scheme, manufacturers and exporters are allowed to upgrade their machinery through imports of capital goods at zero duty under the obligation to export eight times the value of the duty saved.

Though the coverage under the EPCG scheme has not been changed, the scope has been enlarged by allowing exporters that have availed the benefits under the technology upgrade fund scheme to avail it for the same line of business.

To promote manufacturing activity and employment in the north-eastern region of the country, export obligations under the EPCG scheme have been cut to 25% of the normal export obligation.

In order to boost exports of environment-friendly products, the EPCG export obligation has been reduced to 75% of the normal obligation for 16 green technology products such as electrically operated vehicles, solar cells and bio-mass gasifiers, among others.

To promote market and product diversification, seven new markets have been added to the focus market scheme (FMS) and an equal number of new markets to the special FMS. While countries such as Algeria, Aruba, Austria, Cambodia, Myanmar, the Netherland Antilles and Ukraine have been added to FMS; countries such as Belize, Chile, El Salvador, Guatemala, Honduras, Morocco and Uruguay have been added to special FMS. Sharma said income-tax benefits for 100% EoUs that expired 31 March 2011, are being revamped. “A committee was constituted for this purpose, which has now submitted its report, and over the next few months we shall be making an announcement of the revamped 100% EoU scheme,” he said.

Sharma also said the SEZ policy and deemed exports scheme that provide exemption and remission of duty for supplies to specified projects to domestic manufacturers are being reviewed and changes in the policies will be announced soon.

[Back to Top]

Indian Govt to announce new guidelines to revive SEZs
Press Trust of India

5 June 2012, New Delhi: The government will come out with new guidelines to revive export hubs, special economic zones (SEZs), which have lost sheen after imposition of certain levies and proposal to take away tax incentives.

The government had imposed Minimum Alternative Tax (MAT) and Dividend Distribution Tax (DDT) on SEZs in 2010-11, which were earlier exempted from almost all levies.

Admitting that due to imposition of MAT and DDT, there has been a “visible slowdown” in growth of export from SEZs, commerce and industry minister Anand Sharma today said a new set of guidelines would be announced to make the SEZ policy more buoyant.

“We have undertaken a comprehensive assessment of the SEZ scheme to re-visit certain aspects of the policy and operational framework and after concluding the inter-ministerial consultations, we will be able to come out with new guidelines to make the operation of the SEZ policy more buoyant,” he said, while announcing the supplementary Foreign Trade Policy.

The Direct Tax Codes (DTC) being considered by Parliament proposes to do away with the income tax exemption given to them and instead link tax sops to investments made in them.

Profit-linked benefits were the main attraction of the SEZ scheme. The initial phase of SEZ scheme, launched in 2006, saw developers lining up in big numbers for projects. It was also seen as a real estate opportunity.

At present, over 100 developers are seeking more time from the government to execute their projects and over 50 developers have surrendered the projects.

Exports from SEZs stood at Rs 3.65 lakh crore in 2011-12. With investment of Rs 2.02 crore, these zones provide employment to over 8.45 lakh.

Overseas shipments from the 153 operational tax free havens have come down to 12 per cent in the country's total exports from about 30 per cent in the previous years.

[Back to Top]

Indian Govt announces steps in FTP to boost green products
Press Trust of India

New Delhi, June 5: Coinciding with the World Environment Day, the government today announced various steps to encourage exports of green products.

According to the annual supplement to the Foreign Trade Policy (FTP), exports of items like solar cells, wind turbines, water treatment plants and electrically-operated vehicles will be entitled to additional benefits under the Export Promotion Credit Guarantee (EPCG) scheme.

"In order to promote manufactured exports of green technology products, export obligation under EPCG scheme is being reduced to 75 per cent of the normal export obligation for 16 identified products like solar cells," Commerce and Industry Minister Anand Sharma said while announcing the FTP.

The decision to encourage export of green products was part of the seven-point strategy to boost shipments amid global slowdown and weak demand in the US and Europe.

Export Promotion Capital Goods (EPCG) is an export promotion scheme under which an exporter can import certain amount of capital goods at either zero or three per cent customs duty, for upgrading technology related with exports.

However, to avail the scheme, the exporter has to meet a pre-determined export obligation over a certain period.

"Provide incentives for manufacturing of green goods recognising the imperative of building capacities for environmental sustainability," he said.

Faced with uncertain global environment, the government today announced a slew of measures, including extension of 2 per cent interest subsidy by one year, as part of 7-point strategy to achieve 20 per cent increase in exports to USD 360 billion in the current fiscal.

In 2011-12, India's exports grew by 21 per cent to USD 303.7 billion.

World Environment Day, which was initiated in 1972, is a celebration of global awareness on environmental issues celebrated on June 5th every year.

[Back to Top]

Falling rupee fails to cheer exporters, spooks inflows
Asit Ranjan Mishra, Mint

New Delhi, 29 May 2012: In the normal course, a depreciating rupee should have made Indian exports cheaper and more competitive. But instead of celebrating the windfall from a 23% drop in the value of the rupee against the dollar in the last one year, the board of the main exporters' lobby was busy over the weekend in Goa, charting a plan to deal with the volatile currency.

The uncertainty facing members of the Federation of Indian Export Organisations illustrates the enigma of the macroeconomic fallout of the depreciating rupee.

Because of a combination of shrinking global markets and rising import content of Indian exports, a weakening rupee does not necessarily translate into enhanced exports. Worse, because imports are largely inelastic, with oil and gold accounting for 44% of India's purchases from overseas, declining exports can only mean that the trade deficit would widen, putting further pressure on the balance of payments.

Normally, the exchange rate should have a self-correcting impact on the current account deficit, says Pronab Sen, principal adviser in the Planning Commission. A weak rupee should make exports cheaper, boosting overseas shipments; imports that become costlier would drop.

"Both these should have a positive impact on the trade deficit and current account deficit, which is somehow not happening," Sen said.

Perceived policy paralysis and an inability to pursue serious fiscal correction are spooking foreign investors, particularly institutional investors, in a manner that could make the weakening rupee a self-fulfilling prophecy. In other words, there is a risk of capital inflows holding out due to fears of a weakening rupee, which triggers another round of currency depreciation, setting off another round of a negative macroeconomic response. This has resulted in diminished capital inflows, which in turn have only increased the pressure on the rupee, pushing it down to a record low of 56.38 on 24 May.

Sen suggests that the government has to urgently address the worries of foreign investors. "It needs to send a clear message that the present current account deficit of 4% (of gross domestic product, or GDP) is a problem and we are going to address it. It (government) gives an impression that it is not an issue," he said.

A part of the problem is that over the past few years, the composition of India's exports has changed in favour of value-added products, in contrast with the past when primary products and textiles used to dominate shipments abroad.

While sectors such as engineering, chemicals, and gems and jewellery have been the key drivers of India's exports, due to a high import content in such products, the depreciation of the rupee does not fully translate into gains for exporters.

Amanpreet Singh Chadha, chairman of EEPC India, confirmed that the rupee's depreciation is not helping engineering exporters as prices of raw materials and steel have also gone up. Engineering exports accounted for the largest chunk; they were around $75 billion (around Rs. 4.2 trillion today) in 2011-12, while total exports were $303 billion.

Pankaj Seth, managing director of Orbit Exports Ltd, a Rs. 100 crore company with 75% of its sales accruing in foreign markets, said the rupee depreciation will offset some part of the losses in the short run.

However, he added, high inflation has led to hardening of yarn prices, which will hurt textile exports in the medium term. Worse, as Seth pointed out, overseas clients have started seeking discounts on the assumption that Indian exporters are making windfall gains because of the rupee depreciation. "But because of huge volatility, if I promise to sell at Rs.56 per dollar and then rupee comes back to 52 per dollar, it hurts me. We do not know where the rupee will be in next three months' time." he said.
EEPC India's Chadha put it this way: "We don't want a high or low rupee," he said. "We want a stable rupee for the growth of the sector."

Samiran Chakraborty, head of India research at Standard Chartered Bank, said it is a big challenge for an emerging economy such as India to assess the fair value of its currency. "Sometimes, speculators can take the currency far away from its fair value," he said.

The rupee depreciation will also put additional pressure on domestic inflation by making imports costlier. Chakraborty said a 10% depreciation could have an impact of 140 basis points on inflation over a period of time. A basis point is one-hundredth of a percentage point.

Because prices of some of India's major imports, such as crude oil, have come down in recent times, it has counter-balanced the rupee depreciation. The price of Brent crude oil is down nearly 13% to $107 per barrel in the current quarter, its biggest drop since late 2008.

Debt impact

On account of their aggressive global expansion strategy and the need to find cheaper sources of funds, as opposed to depending on costly domestic credit, Indian companies have taken dollar-denominated loans. The weakening of the rupee is expected to significantly raise their debt burden in rupee terms.

Chakraborty maintains that this is one of the biggest fallouts of the rupee depreciation. "Such companies get very little time to adjust their balance sheets," he added.

And since the depreciation has been sharp, the hedges purchased by some of these companies will not be sufficient to protect them against such losses.

The impact is not uniform. Many information technology (IT) firms do see a benefit in their rupee revenue and, therefore, their margins and profitability, but for quite a few quarters now, the concern has shifted to the revenue front— particularly in Europe and the US.

"In the short term, there might be a negative impact for some companies depending on their hedge positions," said N. Venkatraman, chief financial officer (CFO) at Sonata Software Ltd.

The CFO of another leading IT company said sharp currency movements can have an impact in the near term, but the business model has the ability to sustain itself in medium term. "As long as we follow a consistent model, we can benefit from both the upside and the downside," he added, speaking on condition of anonymity.

The outlook

Unless circumstances change radically, it looks like the weakness of the rupee is going to be an integral part of the macroeconomy for the immediate future.

Since India is globally more integrated than it was in the past—not just in terms of merchandise trade, but also in the actual movement of people and a rapidly expanding corporate footprint—Indian companies and the larger economy are vulnerable. The uncertainty surrounding Europe, struggling with a debt crisis, has only made the outlook that much bleaker.

C. Rangarajan, chairman of the Prime Minister's economic advisory council, candidly concedes that the outlook on the external sector is worrying. "If capital flows were adequate even with a high current account deficit, the situation could have been manageable," he said.

A current account deficit that's above 3% of GDP will be difficult to finance, Rangarajan said, adding that the medium-term target should be to bring the deficit below that level.

According to Standard Chartered's Chakraborty, if the overall macroeconomic situation does not change, it is likely that the rupee will remain weak. "The global situation is not helping either," he said.

[Back to Top]

Textile exporters' profits to be hit

Sharleen D'Souza, Business Standard

Mumbai 24 May:Textile exporters have not much to cheer about from the decline of the rupee against the dollar, as the fall has been so sharp that importers have started seeking renegotiation of contracts already signed.

Most exporters from India signed contracts a month or two ago, when the rupee was trading around 51-52 against the dollar. Since then it has witnessed a sharp fall to trade at 56 a dollar on Wednesday.

"Orders are taken with the value of rupee at the time when the contract is signed. Currently, windfall profits have gone and importers are bargaining and asking for a reduction in price," said Rahul Mehta, president of The Clothing Manufacturers Associa-tion of India (CMAI).

Textile exporters are still getting higher realisations compared to last year. In the second half of the last financial year, average realisation was said to be in the range of 48-50 a dollar.

While some home textile makers have taken in orders for the next six to 12 months, apparel exporters have filled their order books till October.

“We have taken some orders for the next six to 12 months and in this time the rupee has been volatile. Hence, we have done some forward booking," said R Sundaram, president, finance and company secretary of Indo Count Industries, a home textile producer.

According to the Confederation of Indian Textile Industries (Citi), in the last financial year, total textile exports stood at $34 billion, compared to $27 billion in FY11. Apparel exports in the last financial year till February were $12.15 billion, compared to $10.2 billion in the same period in 2010-11, according to the Apparel Export Promotion Council (AEPC).

A Sakthivel, chairman, AEPC, said, “Exporters on an average keep a third of their positions open, while they buy dollars for one-third when they sign order and hedge a third of the order amount in the forward market. For open positions, importers are seeking re-negotiations." He said the Council has fixed a 15 per cent higher target for apparel export in 2012-13, provided the government gives some incentives.

The Council had put forward a number of demands, including lower cost of funds, when they met the commerce minister last week. He assured them of some incentives, may be announced in the foreign trade policy changes in the next couple of week.

[Back to Top]

DGFT has approved export of 0.33 mt sugar since May
Press Trust of India

Jun 7, 2012: The commerce ministry has issued registration certificates for export of 3,30,000 tonnes of sugar since early last month when the government decided to free sugar shipments, according to industry body Indian Sugar Mills Association (ISMA).

On May 2, the government decided to allow unrestricted sugar exports by bringing it under the open general licence. However, exporters were allowed to ship only after taking registration certificate (export permits) from the Directorate General of Foreign Trade (DGFT) under the commerce ministry.

"Till June 3, the DGFT has issued registration certificate for 332,000 tonnes of sugar. Of which, 1,77,000 tonnes has already been exported," a senior official of the ISMA said. He also said mills have also shipped the entire 200,000 tonnes of sugar that were allowed before May.

According to DGFT, an exporter can apply for registration certificate for a maximum quantity of 25,000 tonnes.

The application for second and subsequent RC can be made after exporting at least 50 per cent of the allotted quantity. Exports were permitted as the country's sugar output is expected to touch 26 million tonnes in 2011-12, higher than the annual demand of 21.5-22 million tonnes.

[Back to Top]

Enough stock for another 2mt sugar export: Govt
Anindita Dey, Business Standard

Mumbai, June 07, 2012: The Union ministry of food has worked out an internal limit of two million tonnes of sugar that could be exported under Open General Licence (OGL) till September, without affecting domestic prices.

According to official sources, the ministry expects final output in the current season to be 25.8 mt, against the earlier estimate of 25.2 mt. They said crushing of cane had ended in north India, but some mills in south India were still reporting production.

The current sugar marketing year started in October last year. India is the world's second-largest producer and biggest consumer. Output was 18.6 mt last year.

Before sugar export was brought under OGL, freeing it from quantitative restrictions, the government had allowed export of two mt. Officials said under the new regime, 170,000-180,000 tonnes of sugar had been registered with the Directorate General of Foreign Trade (DGFT) for shipment abroad till date. They added the ministry was comfortable with availability of a three-month stock at its disposal for managing domestic demand at any given date. Beyond this limit, the surplus could be considered for exports, they said.

The commerce ministry told millers, once the OGL decision was announced, to register export contracts with it, to keep pace with the quantity of shipment. With the new regime, the DGFT raised the ceiling in each registered contract (RC) from 10,000 tonnes to 25,000 tonnes, equivalent to one vessel load for white sugar. An applicant has the liberty to seek split RCs for export through more than one port, within the overall limit of 25,000 tonnes. Also, the time limit for completing export has been extended from 30 days to 60 days from the date of issuing the RC.

Among other reasons why the Union government keeps control on the marketing of sugar is its requisitioning of what is termed 'levy sugar', the quantity it requires mills to supply (at a price it sets) for subsidised supply through ration shops. It is mandatory for mills to sell a tenth of their production to the government at this lower rate. This levy sugar quota is then allocated to states and Union Territories for the Public Distribution System.

[Back to Top]

Govt lifts ban on export of skimmed milk powder
PTI

June 1, 2012, New Delhi: Amid surplus availability, the government on Friday lifted ban on export of skimmed milk powder (SMP) to improve finances of dairy firms and help milk producers.

The decision to this effect was taken by the Cabinet Committee on Economic Affairs (CCEA).

"It has been decided to lift ban on export of SMP," Agriculture Minister Sharad Pawar told PTI.
The government had banned SMP exports in February 2011 to contain rise in domestic milk prices.

When asked if there was any quantitative restriction on export, he replied in negative.
Pawar said the Commerce Ministry has also been asked to provide incentives to the exports of SMP in line with other farm produce.

The ministry has also been asked to examine the possibility of imposing import duty on SMP, he added. The dairy industry has been facing liquidity crunch as it could not make profit through sale of skimmed milk powder due to steep fall in domestic prices following surplus supplies.

Domestic prices of SMP have declined to Rs 150 per kg now as against Rs 190-200 per kg in the same period last year.

Mother Dairy Managing Director S Nagarajan said, "The exchange rate is favourable for export but we need to ascertain actual demand in the international market."

Sterling Agro Industries Managing Director Kuldeep Saluja said, "The move will benefit both industry and farmers. There is excess stock of over one lakh tonnes lying with industry. The export will help improve liquidity."

Milk production in India, the world's biggest producer, is estimated at over 120 million tonnes in 2011.

[Back to Top]

As Pakistan lowers imposts, Indian tea exports set to get a fillip

Indrani Dutta, Hindu

Kolkata, June 5, 2012: Indian tea exports to Pakistan is set to get a fillip, following the lowering of sales taxes by a steep 11 per cent. Sales tax along with a high level of customs duty and some local imposts have rendered Indian teas uncompetitive in Pakistan. This is now expected to get corrected to a large extent.

“This will provide a huge boost to Indian exports of black tea to Pakistan,” Azim Monem, Chairman, Exports and Domestic Sales Sub-Committee of the Indian Tea Association said. ITA Chairman C. S. Bedi, too, welcomed the development saying that Pakistan was now keen to buy all types of Indian tea. Ullas Menon, Secretary of the United Planters' Association of Southern India, said, “Genuine buyers would now get value for their money”. Bulk of the 24 million kg of tea that Pakistan imports goes from South India.

Mohammad Hanif Janoo, Chairman of the Pakistan Tea Association, told *The Hindu* that sales tax had been reduced to 5 per cent from 16 per cent and this would boost tea imports from India. “Import of good teas from India will increase,” he said, adding that Pakistan's legal tea imports would now “increase from 125 million kg to around 170 million kg.”

It may be mentioned that amid the positive spirit now ruling between the two countries, in April 2012, a pact was sealed between the industry representatives of India and Pakistan to double tea exports to 50 million kg by 2015.

Pakistan is one of the top three tea importing nations with a consumption of 220 million kg and an official import of 120 million kg. Its main supplier is Kenya. “ We are hopeful that India's share will grow… tea consumption is growing in Pakistan where it is a food item,” Mr. Janoo, leader of a 13-member delegation, had said at a press meet here in April.

Mr. Monem said Pakistan was now showing a preference for value-added teas and samples had been sent. He said these were mostly made of fannings of which there was surplus in India. [Back to Top]

Delay in proposed liberal visa regime worries industry
Elizabeth Roche, Mint

May 28, 2012, New Delhi: Representatives of Indian industry on Monday expressed disappointment over the failure of India and Pakistan to clinch a landmark visa procedure liberalization pact last week. The pact would have resulted in the South Asian rivals issuing single-year, multiple entry business visas besides exempting holders from mandatory reporting at police stations and allowing travel to as many as 10 cities on either side.

Both countries, which share an often hostile relationship, would have also for the first time in their histories paved the way for the issue of tourist visas to each other's citizens besides extending visas on arrival for senior citizens and young children entering India or Pakistan through the Wagah-Attari land border— one of the few routes open between the neighbours.

"We had gone there prepared to sign this agreement," Indian foreign secretary Ranjan Mathai told reporters in New Delhi on Friday. "We have also received this report that the Pakistani side referred to some delays in their procedures as also the desire of their interior minister (Rehman Malik) to have a political-level participation at the signing. That is where the situation is. But we had gone there fully prepared to sign this agreement," Mathai said.

On Monday, Vikramjit S. Sahney, president, Saarc Chambers of Commerce and Industry, said: "We are a little disappointed." Saarc is the South Asian Association for Regional Cooperation.

"We express the hope that this agreement will be signed at the political level very soon," Sahney said at a meeting organized by the Federation of Indian Chambers of Commerce and Industry (Ficci) in New Delhi.

"Along with this (the visa pact) we need air connectivity, local banks (setting up branches in the other country), we have to open many border trading points, we need the seamless movement of railway wagons, the early conclusion of the joint bilateral investment protection agreement and, of course, the Mumbai-Karachi sea route. I think these are the 10-12 steps which will pave the way for greater economic engagement with Pakistan," Sahney said.

Sushanta Sen of the Confederation of Indian Industry also expressed disappointment over the delay. "It would have been good if it happened. (But) the intentions of both countries are good. It's a question of time, I think the agreement will happen."

Trade is being seen as the key driver of the peace process between India and Pakistan begun last year after a previous dialogue was put on hold after the 2008 Mumbai terrorist attack.

This year, India and Pakistan have opened a new border trading point at the Wagah-Attari land crossing to boost commerce. They have also exchanged business delegations and hosted exhibitions highlighting the business potential of trading directly between the two countries. India has in principle agreed to allow Pakistan to invest in India and Pakistan has moved from a positive list-based trade regime to a negative list-based trade regime with India. The Pakistani government has promised to abolish the negative list and accord India most favoured nation status by the end of 2012 besides looking to import petroleum and power from India.

A liberalized visa pact would have given added impetus to these moves.

Rajya Sabha MP and former Indian consul general in Karachi, Mani Shankar Aiyar, held the Pakistan government responsible for the delay in initialling the pact. “A lot of interaction between India and Pakistan businessmen has to take place. We must facilitate it through a visa regime. Unfortunately, although some progress was made there... (it) was held up on political grounds,” he said. “I am hoping we will overcome this,” said Aiyar, speaking to reporters on the sidelines of the Ficci meet.

[Back to Top]

Minister links trade to security

The Telegraph

Shillong, May 27: Union minister of state for home affairs Jitendra Singh today said there was a "delicate balance" between enriching trade with neighbouring countries and maintaining strict vigil to safeguard the region while underscoring the presence of "not-so-friendly neighbours".

According to Singh, who arrived here today, how India determines its trade ties amid security concerns, also largely depends on the relationship with a particular neighbouring country.

"For instance, the present government in Bangladesh headed by Prime Minister Sheikh Hasina is favourable to India. The tension along the Indo-Bangladesh border has also come down," Singh told reporters after meeting senior state Congress party workers at the residence of Meghalaya PCC president D.D. Lapang.

Perhaps, Singh's remarks on Bangladesh justified the reopening of two border haats along the Indo-Bangladesh border in the Meghalaya sector.

The Kalaichar-Baliamari border haat under West Garo Hills was reopened by Union commerce minister Anand Sharma and his Bangladeshi counterpart Md Faruk Khan in July last year.

A border haat was also reopened between Lauwaghar or Dalora (in Sunamganj district of Bangladesh) and Balat (in East Khasi Hills, Meghalaya) on May 1 this year.

Singh said the Centre's allocation for the Northeast had increased threefold over the past few years. "The Northeast has to move forward and the Centre has been increasing its allocation for the entire region to develop infrastructure. With a difficult terrain and with expenditure being high for construction of projects, more funds are required here," he added.

Moreover, the junior minister also said the Centre was encouraging states to improve their intelligence gathering network.

He said his ministry would support Meghalaya in the setting up of hi-tech police stations and the sanctions would be completed soon.

Singh said with the commissioning of the crime criminal tracking and networking system (CCTN), policing would be highly improved.

The system is a comprehensive and integrated one for enhancing effective policing at all levels and especially at police stations through adoption of e-governance and creation of a nationwide network infrastructure.

It includes hardware, communication infrastructure and data centre, CCTNS application, digitisation of historical records and capacity building. It will also focus on modules like registration, investigation, and prosecution solutions; crime prevention solutions, reporting solutions; collaboration solutions; emergency response management solutions; citizen and external interfacing and traffic solutions.

The Congress leader said Union home minister P. Chidambaram had asked all the ministers, including those under him, to visit the Northeast more often and extend all possible support in terms of paramilitary forces, funds and other forms of assistance.

The idea is to reassure the people of the region that the Centre was committed to extend all support.

The junior home minister, who is on a four-day visit to the region, will also hold discussions with officials from the paramilitary forces stationed here like the CRPF, Indo-Tibetan Border Police (ITBP) and the Assam Rifles. Singh will also visit Nagaland, Mizoram and parts of Assam.

[Back to Top]

A mission to defend traditional knowledge
Sidhartha, TNN

June 5, 2012: In a few weeks, negotiators from the group of like-minded countries such as India, Columbia, Peru, and New Zealand will converge on Bali to decide on what "traditional knowledge" is. For over a decade now, the like-minded countries have been trying to do just that but have so far been unable to narrow down their differences and agree to a common definition.

In private, negotiators would tell you that in large part, the developed-countries gang, led by the US, has done its bit to scuttle an agreement. After all, US patent attorneys stand to lose business if countries agree to protect traditional knowledge, genetic resources and traditional cultural expression.

Once an agreement is thrashed out, patenting the healing effects of turmeric or ayurveda, yoga and dance forms such as Bharatnatyam would not be easy. In 1995, the patent of turmeric by non-resident Indians in the US woke the world to the negative impact of the Agreement on Trade-Related Aspects of Intellectual Property Rights or Trips.

Although the patent was subsequently declared null and void, since then countries such as India have been trying to get protection. Since 1999, the issue has been under negotiation at international forums such as the World Trade Organisation (WTO) and the World Intellectual Property Organization (WIPO). But a breakthrough is yet to be reached.

Definition apart, who gets to share the royalty or fee that accrues to a company due to the use of traditional knowledge, genetic resources or traditional cultural expression is the other issue that must be decided. While the Peruvians and the Columbians want the resources to flow to the local communities, those like India are seeking that sovereign governments get the funds. "After all, we don't know who developed ayurvedic techniques," says a negotiator.

Like traditional knowledge, even cultural expressions or folklore is on a similar stage of negotiations.

Everything from the definition to beneficiaries, the extent of protection and its length and penalties are to be decided.

"Unlike patents these do not provide negative rights. What we are seeking is that companies that use these techniques and genetic resources should clearly say that they have been legally accessed. But quite obviously the developed countries would not like things to be settled," says Biswajit Dhar, director general of research and information systems for developing countries. He has for long championed the cause of protection for genetic rights.

From all accounts protection is not coming any time soon. Luckily, through steps such as the Traditional Knowledge Digital Library, which can be accessed by patent offices in several countries, the government has sought to prevent companies from walking away with protection for products such as neem and turmeric that are based on resources development in India centuries ago.

[Back to Top]

Government of India plans to reduce pharma industry's dependence on China

Khomba Singh, The Times of India

6 June 2012, New Delhi: The government has initiated a process to reduce Indian drug industry's growing dependence on China for raw materials, including the critical penicillin, which is needed to manufacture most of the anti-infective drugs.

An industry executive told ET that the Organisation of Pharmaceutical Producers of India (OPPI) has submitted a list of drugs sought by Commerce Minister Anand Sharma when the Group of Ministers met on May 25.

The minister had asked the industry body to share details of the drugs, out of the 74 price controlled bulk drugs whose production has either shifted to China or whose manufacture in India has become dependent on imports from China.

India needs to be self-sufficient to achieve its goal of becoming a major global supplier of low-cost drugs, an industry executive said, adding that the OPPI, an association of multinational firms, conveyed this to the commerce ministry officials.

India fixes the retail prices of drugs that are made from 74 bulk drugs - active pharmaceutical ingredients or intermediates, the basic chemical used to make a medicine. Though the 62,000-crore Indian industry ranks among the global players in finished drugs, it has to depend on China for raw materials.

The minister had raised this issue in the earlier meeting of the group of ministers on April 25, recommending an inter-ministerial consultation to tackle this "serious threat in the drug security of the nation". He had pointed out that the country was dependent on China for penicillin, the key raw material for most antibiotics in the country.

According to industry body Indian Pharmaceutical Alliance's secretary general DG Shah, health ministry data shows that about two-thirds of raw materials used by Indian companies are imported from China.

"We are practically dependent on China. This is a serious issue," he said.

Most anti-infective drugs, accounting for about 20% of the Indian drug market, are made using two derivatives of penicillin, Pen G or 6APA, Shah said.

Last year, the commerce ministry had unsuccessfully recommended imposing anti-dumping levy on penicillin imported from China and Mexico. It was alleged that whenever Indian companies tried to revive their local manufacturing plant for penicillin, the Chinese companies slashed prices indiscriminately to scuttle competition. Most Indian companies that used to manufacture penicillin have closed their units.

The finance ministry had shot down the commerce ministry proposal due to concerns that prices of popular antibiotics would increase significantly if levies were to be imposed on Chinese imports to encourage Indian companies.

[Back to Top]

Government initiates probe into dumping of a chemical from S Arabia
PTI

May 30, 2012, New Delhi: India has initiated a probe into alleged dumping of a chemical by Saudi Arabia to protect domestic players from cheap imports.

The chemical is mainly used in explosives and pharmaceuticals.

The Commerce Ministry's designated authority, the Directorate General of Anti-Dumping and Allied Duties (DGAD), has started an investigation into alleged dumping of 'Pentaerythritol' on the basis of an application filed by Kanoria Chemicals and Industries Ltd.

"...the authority (DGAD) hereby initiates an investigation into the alleged dumping and consequent injury to the domestic industry.This is to determine the existence, degree and effect of any alleged dumping and to recommend the amount of anti-dumping duty, which, if levied, would be adequate to remove the injury to the domestic industry," the Commerce Ministry said in a notification.

The period of investigation is from April 2010 to June 2011. The injury investigation period will, however, also cover the period 2008-09, 2009-10, 2010-11, it said.

It added that the DGAD has prima facie sufficient evidence of dumping of the product from Saudi Arabia.

The product is also used in the manufacture of resins, printing inks, drying oils, detonators, explosives, and synthetic lubricants.

Countries initiate an anti-dumping probe to determine whether their domestic industries have been hurt because of a surge in cheap imports. As a counter-measure, they impose duties under the multilateral regime of the WTO.

The duty also ensures fair trading practices and creates a level-playing field for domestic producers vis-a-vis foreign producers and exporters resorting to dumping.

Unlike the safeguard duty, which is levied in a uniform way, anti-dumping duty varies from product to product and country to country.

India has initiated 275 anti-dumping investigations between 1992 and March 2012, involving 42 countries.

As on December 2011, measures in respect of 112 cases are in force.

The major product categories on which anti-dumping duty has been levied are chemicals and petrochemicals, pharmaceutical, steel and consumer goods.

[Back to Top]

US hikes duty on Indian steel pipe
Reuters

Washington May 25, 2012: The United States piled another layer of preliminary duties on Thursday on a certain type of steel pipe from India, one month after New Delhi complained at the World Trade Organisation about an earlier US round.

The US Commerce Department said it had determined that Indian companies were selling circular welded carbon-quality steel pipe in the United States at 48.43% below fair market value.

The duties will require importers to post bonds or cash deposits based on the preliminary rates until a final decision on anti-dumping duties is made later this year.

The department also set preliminary anti-dumping duties on this kind of pipe of zero to 27.96% for Vietnam, 5.59% for Oman and 3.29% to 11.71% for the United Arab Emirates.

US companies Allied Tube and Conduit, JMC Steel Group, Wheatland Tube and United States Steel Corp petitioned the government last year for import relief.

In March, the Commerce department set preliminary "countervailing" duties of nearly 286% on the same type of steel pipe from India to offset government subsidies.

That prompted India to request consultations with the United States on the action at the WTO, the first stage in filing a formal trade dispute.

India rejects the US view that Indian manufacturers are subsidized because a portion of the iron ore they use to produce the steel pipes comes from India's top iron ore miner NMDC, a state-run company.

The United States in 2011 imported about $64.5 million of the steel product from India, $53.9 million from UAE, $50.1 million from Vietnam and $28.0 million from Oman.

[Back to Top]

Canada likely to side with India against US
Amiti Sen, Economic Times

May 25, 2012, New Delhi: India may get an ally in Canada in its fight against the US on imposition of penal import duties on certain steel products.

Canada, a major exporter of steel products, is keen on joining the talks between New Delhi and the US at the World Trade Organization on May 30. It has sought permission from the WTO to participate in the talks on countervailing duties on hot-rolled steel products exported by India.

If the talks fail, India may ask for establishment of a dispute settlement panel to settle the issue.

"Canada has a substantial trade interest in these consultations since the US is the largest market for Canadian hot-rolled carbon steel flat products. Accordingly, Canada requests to join these consultations," an official communication by Canada to the chairperson of the dispute settlement body earlier this month stated.

New Delhi dragged Washington to the WTO on the steel issue last month, after it failed to persuade the US to revoke penal duties imposed on hot-rolled steel products that are exported by Indian companies, such as Essar, Tata and Jindal. These duties are as high as 500% in some cases.

India has objected to the US treating the sale of iron ore by NMDC as a subsidy.

"We should not have a problem in allowing Canada to participate in our consultations. We may, in fact, benefit from the arguments that it brings in," a government official, who did not wish to be quoted, told ET.

As Canada itself has been at the receiving end of random imposition of countervailing and anti-dumping duties by the US, they would most certainly have interesting observations on US's conduct, believes Abhijit Das, head of the Center for WTO Studies, IIFT.

"Canada may want to air its views on how the US conducts its investigations which may be beneficial for India," Das said.

Canada has also been fighting against penal duties imposed by the US on a number of steel products, including wires exported by it at the NAFTA, or North American Free Trade Agreement.

[Back to Top]

US must fall in line on cotton subsidy
Ritesh Kumar Singh/Prerna Sharma, Hindu Business Line

25 May, 2012: With WTO's Doha Round negotiations stalled till the new US President assumes office, all hopes of a reduction in US cotton subsidy rest on the upcoming revision of current farm support legislation that expires on September 30, 2012.

Though the issue has not received much media attention in India, it has long-term implications for India's cotton and manmade fibre producers already suffering from unsold stocks and slowing demand.

The US Senate Committee of Agriculture has cleared the new farm bill, called 'Agriculture Reform, Food and Jobs Act 2012'. The bill seeks to eliminate direct and counter cyclical payments to the farm sector.

However, it proposes increase in support to crop insurance, extension, and horticulture which can become contentious. Although cotton would be one among the list of commodities that would see the largest subsidy cut, there are indications that a subsidy cut on cotton would not be sufficient to completely remove trade distortions.

Among countries that should be watching the US farm bill deliberations is Brazil, which is embroiled in a long-drawn battle over US cotton subsidy at the WTO.

Another Grouping that is closely watching the developments are Cotton-4 (a consortium of four cotton producing African countries Benin, Burkina Faso, Chad and Mali). They had already submitted a proposal to the WTO calling for a global agreement to end all production-related support for cotton in all WTO member nations, but have not met with much success. It would be pertinent to revisit the Brazil-US WTO cotton subsidy dispute.

DISPUTE WITH BRAZIL

The origin of the dispute can be traced back to September 2002 when Brazil first took the US to the WTO over latter's trade-distorting subsidies for cotton. Later, Argentina, Australia, Benin, Canada, Chad, China, Chinese Taipei, European Union, India, New Zealand, Pakistan, Paraguay, Venezuela, Japan and Thailand joined the dispute as third parties.

After losing at WTO, the US made some changes in its cotton programme. For example, it abolished payments to induce purchase of relatively high priced US upland cotton (‘Step 2'), export credit guarantee programme (‘GSM-103'), the fee cap on another export credit guarantee programme (‘GSM-102') and supplier credit guarantee programme (SCGP). However, the US introduced some new subsidy schemes in its 2008 Farm Bill, such as countercyclical payments and provisions for marketing loans. Unhappy with the US actions, Brazil asked for a WTO compliance panel, which found that the US has not fully complied with the WTO rulings.

Subsequently, on March 3, 2009, Brazil claimed the right to take retaliatory trade measures. Disagreement over the nature and extent of the retaliation led to both parties requesting for an arbitration panel. The panel permitted Brazil to use countermeasures with respect to trade in goods. It also allowed relaxation in Brazil's commitment under TRIPS and GATS. This forced the US to come to the negotiating table.
As a result, Brazil agreed to postpone the retaliatory actions till the revision of US farm legislation, in return for an annual payment of $147.3 million in technical assistance and capacity-building aid to the Brazilian Cotton Institute.

EFFECTS OF US SUBSIDY

Thus, Brazil has somewhat been compensated, but other cotton producing countries have been left in cold. Such countries too can challenge the US cotton subsidy, but that could be expensive and time-consuming.

As per a recent estimate by the Congressional Research Service (CRS) between 1994-2008, US cotton subsidy averaged $5 billion and accounted for roughly one-fourth of its total farm support. Though the US is the third-largest producer of cotton, next to China and India, it is the largest cotton exporter and accounts for 30-40 per cent of the world export of cotton, despite being a relatively inefficient producer. Of late, the US has been exporting an increasing share of its annual cotton production mainly because of the declining demand of domestic mills. Its exports of cotton as a share of total production have averaged 67 per cent since 2001, up from a 40 per cent average during the early 1990s. To be fair to the US, many other countries such as China or European Union also provide farm subsidies including that for cotton. India is no exception either; however, its subsidy is well within its WTO commitments.

High US subsidy on cotton keeps the international price of the cotton artificially low. This adversely affects the export competiveness of competing cotton-exporting countries, including India, which accounts for roughly 20 per cent of the world export of cotton, or Australia with 7 per cent, Brazil (6 per cent) and West Africa including C-4 countries (5 per cent). For C-4 countries cotton is the key export item. The low international price of cotton (on account of US subsidy) also depresses the demand for and price of other manmade fibres, in particular of viscose staple fibre which is blended with cotton to make yarn, fabric and garments.

When India is faced with a burgeoning trade deficit, every exportable item counts. However, continuing US subsidy on cotton, despite a series of adverse rulings by WTO, hurts India's exports of cotton as well as those of blending materials like viscose staple fibre, or in some cases, synthetic fibres. As if India's export curbs and policy flip flops are not enough, artificially suppressed price of cotton on account of US subsidy deprives the producers of cotton and manmade fibres from getting remunerative prices for their products.

Such market-distorting policies lead to sub-optimal allocation of resources and adversely affect the prospect of the cotton (and manmade fibres) sector that provides livelihood support to millions in India and other poor developing countries in Africa.

In the long run, it will also lead to less acreage being allocated to cotton farming that will jeopardise the steady supply of raw material to India's textile sector, and expose the sector to the fluctuations in international markets. It's time India engaged with US policymakers to get trade-distorting US cotton support substantially reduced or completely removed in this farm bill revision.

It should be noted that 80 per cent of the US cotton subsidy is appropriated by 10 per cent of the farms, hence there's not much justification for its continuance.

The US, being the staunchest proponent of free trade, needs to bring its farm support policy in compliance with its WTO commitments and strengthen the global trade regime.

(*Ritesh Kumar Singh is an international trade expert for a corporate house. Prerna Sharma is a research analyst — agri commodities. The views are personal.)*

[Back to Top]

India to contest in WTO 'discriminatory' US funding of 9/11 victims
PTI

27 May, 2012, New Delhi: India may have sympathies with the victims of 9/11, 2001 terror attack in the US, but New Delhi plans to contest in WTO the way American administration has gone about raising resources for helping the victims.

To help the 9/11 victims, the US had levied two per cent duty on goods and services imported from nations, which are outside the purview of WTO's Agreement on Government Procurement. India is not a part of this agreement.

The Commerce Ministry is considering the proposal to take the issue to Geneva-based World Trade Organisation.

"Raising resource this way by the US is against the national treatment provision in the WTO agreements," a Commerce Ministry official said. The provision under the US James Zadroga 9/11 Health & Compensation Act also raises costs for the Indian companies in the service sector.

"We have taken a view that we will like to seek consultation with the US in WTO. The work is under process," the official said.

In the recent past, the US-India trade relations have faced difficulties. Their bilateral disputes have been taken to the WTO. While ban on poultry products by India has been contested by the US, the former has challenged the latter on anti-dumping duties on import of Indian steel and pipes.

The James Zadroga Act was to create a $ 4.3 billion fund to provide free medical treatment to those suffering from illnesses contracted while clearing the debris at the Ground Zero in the aftermath of the 9/11 terror attack.

[Back to Top]

Domestic tourism gains as rupee's fall hits foreign travel
Moulishree Srivastava & P.R. Sanjai, Mint

New Delhi/Mumbai, May 31, 2012: About three weeks ago, Expedia India Inc. offered a discount deal on domestic air tickets of Rs. 600 on all destinations, leading to a surge in bookings—by 350% over the previous month. Trade and industry say domestic tourism has been a collateral beneficiary of the slide in the rupee.

Enthused by the response, Expedia is now offering a discount of Rs. 1,000 on an air ticket if tagged with a hotel booking.

It's not the only one offering such deals. Many travel agencies have begun to do so to tap the surge in demand as Indian tourists shift their focus to domestic travel this summer.

"The leisure outbound travel has taken a double hit with the depreciating rupee and rising air fares. There has been a combined hit to the pocket of anywhere between 18% and 40% when compared with last year," said Raja Natesan, chief operating officer, TUI India.

Natesan said some established agents reported 30% fewer enquiries this summer for international holidays compared with last year.

"My wife and I planned to go to the US this summer, but then we changed our plans because as compared with last year we would have to pay around 40% more," said a senior banker with a public bank, who did not want to be identified. The rupee's slump "has a real impact on short-term decisions like these".

The Indian currency crossed Rs. 56 per dollar on Wednesday's close, compared with Rs. 45 per dollar a year ago.

The number of Indians travelling abroad during 1991 was 1.9 million, which rose to 12.99 million in 2010 with a compound annual growth rate of 10.5%, according to the tourism ministry. In 2010, the number of Indians travelling abroad registered a growth of 9% as compared with 1.8% growth in 2009. Data for 2011 wasn't available.

International tourism expenditure by Indians has increased to $14 billion in 2010 from $1.3 billion in 1997, according to a report on the Indian outbound market by European Travel Commission and the World Tourism Organization.

Those who might have holidayed abroad are now thinking local.

“There are many people who wanted to graduate from domestic travel to international travel this year, but now have postponed their plans till next year. This has fuelled domestic travel demand,” said Manmeet Ahluwalia, marketing head of Expedia India.

Destinations such as Kashmir, Leh, Ladakh and Sikkim, which thrive on foreign tourists in a normal year, are seeing a spurt in Indian travellers.

This is borne out anecdotally. Ron Feemster, a US expatriate who visited Kashmir last week with one of his friends, said there were many more Indian travellers than they expected. “We were on a houseboat, which is popular with foreign travellers. People over there told us that we came in at the right time because suddenly there were lots of Indian travellers and houseboats weren’t available.”

Travel agencies say they have observed a huge demand for domestic packages even though rising domestic airfares continue to be a challenge.

“With prices increasing for outbound, people are taking breaks where price is controllable,” said Rajiv Duggal, managing director, Kuoni Travel India Ltd. “The trend is that international clients are opting for domestic holidays or short-haul holidays. We are also seeing a huge demand for our weekend packages for destinations at drivable distances and box packages that include typical two nights, three days stays, with breakfast. They cost around Rs. 5,000. We already had such packages, but we never presumed this much demand.”

Domestic airfares, which are around 30% more expensive this summer, still pose a challenge, Duggal said.

“Many travel agencies including ours are in the process of re-contracting on airfares with airlines, but it’s not easy,” said Duggal.

Yatra Online Pvt. Ltd. is also focusing on localized packages, such as holidays to destinations that are a four-five hour drive away from major cities for weekend breaks.

Destinations in Kashmir and the North-East “are in huge demand, because we have sold out on all these packages for this summer”, said Pratik Mazumder, head of marketing and strategic alliances at Yatra . Other destinations in demand are in Rajasthan and Kerala, which usually see lean demand in summer. That’s partly “because many luxury resorts are cutting down their rates by 30-40%,” said Expedia’s Alhuwalia. “Normally, for a plush, luxurious resort in cities like Jaipur, Udaipur and Bikaner, it costs around Rs. 9,000-17,000 a night.”

Kuoni’s Duggal said that by June-end the company expects growth in domestic travel revenue of around 20% over the year earlier period. The industry needs that growth.

“This summer we will have to do more volume, because our margins are going to be low,” said Duggal.

“The margins and profitability are going to be 20-30% lower than what we have thought of earlier, so based on the volume, by June end, we expect 18-22% increase in our domestic travel business.”

Thomas Cook said that it has seen an upward trend of over 30% in the domestic business this season.

Other than domestic destinations, short-haul destinations such as South-East Asia have seen growth, travel agents said.

“There has been a 30-35% increase in Indian travellers going to South-East Asia, as compared with last year,” said Expedia’s Alhuwalia. “However, they are downgrading their accommodation from a five-star category to four-star or three-star and also cutting short on holidays from eight-nine days to five-six days.”

With the rupee having slumped, many US travellers are showing interest in coming to India, but there hasn’t been any significant momentum, yet. “On inbound from the US, we could have made some money, but we are in a period where outbound is drying up,” said Kuoni’s Duggal. “So, we are stuck from both sides.”

[Back to Top]

Lower the barriers for higher education
Sajal Mathur, Economic Times

25 May 2012: Indians aspire to give quality education to their children. Unfortunately, given our population, there are not nearly enough schools or reputed institutes of higher education in the country.

Premier institutions like the IITs, IIMs or AIIMS have thousands of applicants for each available seat. Those with deeper pockets or financial aid often look overseas for graduate studies.

The business of higher education is booming notwithstanding significant trade barriers that dampen cross-border movement of students and faculty . According to OECD estimates , there were 3.7 million foreign students worldwide in 2009. Universities in OECD countries have captured 80% of the market.

The top three destinations for international students are the US (6,60,581 students), UK (3,63,363 students) and Australia (2,57,637 students). Together , these countries account for nearly 1.3 million, or 35% of all foreign students in 2009. The main catchment area for university recruiters are developing countries in Asia.

China (5,67,982 students), India (2,11,083 students) and South Korea (1,27,291 students) are the top three markets. You would expect host countries to welcome graduate students to their universities. Foreign students bring talent, ideas and pay higher tuition fees.

The higher fees allow foreign universities to invest in faculty and research. However, the reality is that host countries can do more for international students. Set aside the security issues or attacks on Indian students and look at the broader policy framework for cross-border trade in education services.

There are significant market access and regulatory barriers to international movement of students and faculty. Only around 50 WTO members have specific commitments to promote higher education services under the WTO's trade in services (Gats) framework.

Even in bilateral or regional trade in services agreements , higher education and the mutual recognition of professional qualifications are not adequately addressed. Given the inherent needs and the size of the Indian market, education services should be kept on the radar.

Some of the barriers affecting trade in the higher education sector are:

Portability of degrees: Difficulty in translating professional degrees earned in India into equivalent recognised degrees overseas, and vice versa, poses challenges and requires attention. For students aspiring to become doctors, lawyers or accountants, the decision on where to study and eventually practice may hinge upon mutual recognition agreements (MRAs).

There are complications if an Indian MBBS or LLB degree is not recognised for an MD or LLM degree abroad. Supplementary qualification exams for fully-qualified professionals are also a dampener.

Fees: Charity begins at home. A dual or multiple fee structure implies that fees for citizens , regional partners and other internationals are usually differentiated.

It is hard to argue that deserving students from Lagos or Lucknow should pay two or even three times more than a student from London. Scholarships may provide relief but more funds and attention are needed to bridge the widening gap in fees for domestic and international students.

Other market access barriers: Under the WTO's Gats framework , cross-border supply through distance education and e-learning is still at a nascent stage here. There is considerable scope here with advances in information technology. Consumption abroad continues to be the predominant form for trade in higher education services. However, unlike a shopping binge overseas, which requires a tourist visa, students typically need a multi-year visa.

The visa approval procedures and fees could be further streamlined to avoid turning back deserving students. Commercial presence requires the supporting regulatory framework for investment in higher education . North-South and South-South partnerships between institutes of higher education can be encouraged. There are 'twinning arrangements' being pursued such as setting up of branches or local campuses of foreign institutions, subsidiaries and franchising.

Finally, cross-border movement could also be encouraged to give higher education the necessary fillip. Student and faculty exchange programmes can be pursued. The 'brain' and 'foreign exchange' drain from student and faculty migration can be arrested if reputed foreign universities start partnerships with domestic institutions. India has begun leveraging its institutes of higher learning overseas.

The IIFT, for example , has a partnership in Tanzania and is now proposing a new collaboration in Uganda. TheIndian School of Business in Hyderabad has tie-ups with several leading international business schools. It is time to lower the barriers for higher education. India's services offer in the Doha negotiations takes cognisance of higher education services.

The country's conditional offer envisages market opening in all four modes. Other trade partners could be requested to reciprocate in the relevant bilateral, regional or multilateral negotiations or forums. This is necessary if India is to reap a demographic dividend and provide technical skills and university education domestically or overseas for its growing population.

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[Back to Top]

Despite slowdown, trade with EU grows 22%
Sidhartha, TNN

May 30, 2012, New Delhi: Amid the gloom from Europe, there is finally some good news for India. For the first time, tradewith the 27-member bloc went past the $100 billion mark in 2011-12.
According to preliminary data available with the commerce ministry, bilateral trade with EU went up 21.5% to $110 billion during 2011-12, compared to a tad over $90 billion in the previous year.

Of this, exports are estimated to have gone up around 13% to $53 billion, which is lower than the overall export growth of around 21% for India.

Imports rose 28% to around $57 billion, with growth again being marginally lower than the overall number of 32%. On both counts, the growth rate is also lower than what was witnessed in 2010-11. While data is still being collated, traditional powerhouses-the UK, Germany and the Netherlands-saw growth rates of 27%, while there was some slowdown witnessed in Italy and France, two countries that are now getting affected by the spreading contagion.

Trade experts and officials suggested that the overall demand for gems and jewellery and high-end textiles may be impacted by the slowdown in Europe but demand in several segments are seen to be inelastic. According to the detailed numbers for April-January, which are available on the commerce department website, the trends remained largely the same.

For instance, in case of the UK, cotton readymade garments remained the largest item in India's export basket, growing almost 11% to $863 million during the first 11 months of the financial year. Ditto for the Netherlands, where oil remained the top draw with shipments growing over 8% and their value topping $4 billion.

Although gems and jewellery is among the segments hit by the fresh downturn, import of diamonds from Belgium, with Antwerp being the trade hub, was estimated at close to $3.3 billion.

[Back to Top]

Striking the BTIA bargain
T S Vishwanath, Business Standard

Jun 7, 2012: India and the EU must address the issues of domestic regulations and trade facilitation to truly benefit from the agreement

Later this month, Commerce Minister Anand Sharma will meet his European counterpart, European Union (EU) Trade Commissioner Karel De Gucht, in Brussels to take forward the Bilateral Trade and Investment Agreement (BTIA). The two sides have evinced interest in completing the negotiations by the end of the year so that all the requisite internal clearances are received and the bilateral pact can be implemented by the middle of 2013.

For both partners, BTIA holds importance, especially since the current economic situation across the globe presents very little possibility of building exports to boost domestic economic growth. The euro-zone countries are fighting a recession, with Germany alone showing signs of growth. The German model in the recent years has been supported by exports to emerging markets. This has not been received well by other EU countries that believe that Berlin needs to do more to help intra-EU trade. Pacts like the India-EU BTIA can help other EU countries tap large developing country markets like India better.

For India, the recent months have not yielded much in terms of growth and a bilateral agreement with one of the largest trade and investment partners – the EU – can help take growth back to the earlier estimates of close to 10 per cent.

The two sides have in the recent months said they have been able to iron out most differences on issues such as tariffs, including in the more sensitive areas of automobiles and wines and spirits. This is certainly important since these issues have been on top of the agenda for these negotiations for long.
However, two important areas have not found mention in any of the announcements made by the two sides in the run-up to the final round of discussions that are expected to begin following the meeting between the Indian minister and EU trade commissioner.

The two issues which have the capability to derail the best of agreements are domestic regulations and trade facilitation.

Trade facilitation has been a core area of focus for the EU for long at different forums. Trade facilitation, according to some studies, is important to tackle since quicker exchange of goods can help bring down costs of trade by about 10 per cent. Every extra day of turnaround time for goods can hurt trade by about four per cent, according to figures provided by the World Trade Organisation (WTO). Therefore, for ensuring that trade remains free, it is important to focus on harmonisation of procedures between the two partners.

In a speech, Pascal Lamy, director general of WTO, had brought together some data to show how countries differ in the time taken for clearing papers for export or import. According to him, "for OECD countries it takes on average about four separate documents and clearing the goods in an average of ten days at an average cost of about $1,100 per container. By contrast, in sub-Saharan Africa almost double the number of documents are required and goods take from 32 days (for exports) to 38 days (for imports) to clear at an average cost per container of between $2,000 (for exports) and $2,500 (for imports). However, the overall world champion at trade facilitation is Singapore, where four documents are required and goods are cleared in, at most, five days at an average cost of around $456 per container". This contrast clearly brings about the need for New Delhi and Brussels to discuss the possibility of ensuring that trade facilitation remains a top priority.

The other area that can trip the bilateral agreement is the plethora of technical regulations. Europe, with 27 countries, provides a big challenge for exporters. For instance, in countries like Spain, exporters point out that it is mandatory to label required information in Spanish. Moreover, exporters find that there are some voluntary standards adopted by consumer groups or by supermarkets and so on. These standards are not notified at the WTO. These voluntary standards are typically higher than international standards and exporters find it difficult to comply since there is lack of transparency in such standards. Therefore, while tariffs may come down, it will still be difficult for Indian exporters to tap the EU market to its maximum potential if such barriers remain.

The next three to four months are crucial to put together a pact that will benefit both sides. Though the two sides have worked to converge on some key issues, it is equally important that barriers such as regulations and trade facilitation are tackled adequately so that BTIA remains beneficial for business on both sides.

[Back to Top]

The Broken Legs of Global Trade
Jagdish Bhagwati, Economic Times

May 31: The Doha Round, the latest phase of multilateral trade negotiations, failed in November 2011, after ten years of talks, despite official efforts by many countries, including the United Kingdom and Germany, and by nearly all eminent trade scholars today. While trade officials in the United States and the European Union blamed the G-22 developing countries' excessive demands for the failure of earlier negotiations in Cancun in 2003, there is general agreement that this time it was the US whose unwarranted (and unyielding) demands killed the talks. So, now what?

The failure to achieve multilateral trade liberalisation by concluding the Doha Round means that the world lost the gains from trade that a successful treaty would have brought. But that is hardly the end of the matter: the failure of Doha will virtually halt multilateral trade liberalisation for years to come.
Of course, multilateral trade negotiations are only one of three legs on which the World Trade Organisation stands. But breaking that leg adversely affects the functioning of the other two: the WTO's rule-making authority and its dispute-settlement mechanism. The costs here may also be large.

Until now, preferential trade agreements (PTAs) among small groups of countries co-existed with multilateral, non-discriminatory trade-liberalisation rounds. As a result, the rules that govern trade, such as anti-dumping duties and countervailing duties to offset illegal subsidies, were in the domain of both the WTO and the PTAs. But, when there was a conflict, WTO rules prevailed, because they conferred enforceable rights that extended to all WTO members, whereas PTA-defined rights extended only to the PTA's few members.

So, while powerful, 'hegemonic' countries like the US managed to impose their own rules on weaker partners in the PTAs that they helped to proliferate, big emerging economies like India, Brazil, China, and South Africa insisted on rejecting such demands when made as part of multilateral trade rounds like Doha.

Now, however, with the era of multilateral trade rounds and system-wide rules behind us, the PTAs are the only game in town, and the templates established by the hegemonic powers in unequal trade treaties with economically weaker countries will increasingly carry the day. In fact, such templates now extend beyond conventional trade issues (for example, agricultural protection) to vast numbers of areas unrelated to trade, including labour standards, environmental rules, policies on expropriation, and the ability to impose capital-account controls in financial crises.

The US-led public-relations blitzkrieg of euphemism has already begun, with US Assistant Trade Representative Wendy Cutler describing the latest PTA, the Trans-Pacific Partnership, as a 'high standard' agreement. Other American officials have taken to calling PTA's 'trade agreements for the twenty-first century.' Who could possibly be against the twenty-first century?

What is disturbing is the way in which some trade economists in Geneva and in Washington have capitulated to such propaganda, and regard capitulation by the WTO as a way to 'salvage' and reshape the organisation. The WTO, like a village during the Vietnam War, must be destroyed in order to be saved.
Unfortunately, this insidious attack on the second leg of the WTO also extends to the third leg, the dispute-settlement mechanism. The DSM is the pride of the WTO: it is the only impartial and binding mechanism for adjudicating and enforcing contractual obligations defined by the WTO and accepted by its members. It gives every member, big or small, a platform and a voice.

Once PTA-based DSMs are established, however, adjudication of disputes will reflect asymmetries of power, benefiting the stronger trade partner. Moreover, third countries will have little scope for input into PTA-based DSMs, though their interests may very well be affected by how adjudication is structured.

Given that the US has abandoned any pretense of leadership on world trade, it is up to major emerging economies and like-minded developed countries to establish their own template, one that adheres to trade objectives and discards what special-interest lobbies in hegemons like the US seek to foist on PTAs. This is exactly what India has done with the EU, which is now stripping such features out of its proposed PTA.

Other countries - Brazil, South Africa, and China among the major emerging economies, and Japan and Australia among the developed countries - should back such 'garbage-free' PTAs as well. That just might be an adequate rebuff to the rise of PTAs whose main objective is to serve hegemonic interests alone - perhaps even sufficient to get the multilateral approach back on track.

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[Back to Top]