INDIA'S TRADE NEWS AND VIEWS

25 August to 8 September 2011

No deal in sight, WTO tries to stay relevant

Sidhartha, TNN

Sep 3, 2011, NEW DELHI: When WTO chief Pascal Lamy comes to Asia next week, he will make another pitch to revive the decade-old Doha Round of trade liberalization talks and also seek inputs from India and China on additional work programme. After all, the multilateral body's relevance and future are being questioned by even those who have batted for free movement of consignments and professionals across the over 150 member countries.

With no movement from the US on giving concessions to the least developed countries (LDCs) of Africa, Asia and Latin America, Lamy has failed in his attempt to conclude the Doha Round by the end of December, when he had hoped that ministers would ratify the new trading rules for farm and industrial products as well as services.

The world's largest economy, battling the worst economic crisis since the 1930s, is unwilling to cede an inch and as politicians, led by President Barack Obama, have launched the election campaign, there is little chance of LDCs getting the three concessions that the WTO members were pushing. Given that the overall deal was nowhere in sight, there were attempts to give lower cotton subsidies for the poorest countries along with agreeing to permit duty-free and quota-free access to goods from LDCs and also ease the rules for trade in services, especially employment of professionals. But the US has kept raising one red flag after another to deny any benefits.

In fact, along with Europe, it is putting pressure on developing countries to agree to lower tariffs for environmental goods, which will affect the development of Indian companies, and trade facilitation measures, to ease customs rules. So far, the developing world has been united in resisting any such pressure.

Although there is nothing left on the agenda for the scheduled WTO ministerial meeting in December, Lamy is trying to give another shot at an early harvest scheme, which offers some concessions to the poorest countries. The other subject on his agenda is to devise a work programme not just till December but till the next US presidential elections are over and the Congress gives a mandate to negotiate a deal. But that is unlikely to happen till mid-2013.

Sensing an opportunity, officials said India is going to pitch for correcting the flaws of the WTO set-up - which were created since the entity was set up in 1994. While developing countries wanted changes in rules on subsidies, anti-dumping and intellectual property rights even in 2001, when talks were initiated, the developed countries have not let the issue be taken up seriously and have ensured that the focus remained on lowering import duty for farm and industrial products.

Even now, they are trying to get new subjects on the agenda, which are being referred to as the 21st century issues. The list includes trade and climate change, energy security, food security and trade and currency. "By doing this, they are trying to get issues such as land, productivity, fertilizer use, distribution of foodgrains and climate change on the agenda. Some of the issues don't belong to WTO," said an official.

India fears that the idea is to deflect attention. "The discourse, for them, has moved from multilateralism to plurilateralism, given the problems that they are going through," the officials said. Given the wide gulf between the developed and the developing world, it is anybody's guess how long the Doha Round will take before it's concluded.

Doha Dilemma

Where is Doha Round stuck?

US, Europe are unwilling to offer any concessions on any issue Even move to provide duty-free & quota-free access for goods from poor countries, removal of cotton subsidies, easing of services rules for Least Developed Countries blocked by US

What is Lamy trying to do?

Decide the agenda for the December meeting of ministers Prepare a work programme till 2013 when the US finally gets moving

What does India want?

It is seeking review of rules on antidumping , subsidies, trade facilitation

What is developed world's response?

It wants the inclusion of '21st century issues' - climate change, energy security, food security and currencies on the agenda India fears this is aimed at linking trade with issues such as environment and is blocking it

Gloom hasn't tamed WTO's trade growth forecast of 6%

MoneyControl

6 September 2011: The world is going through a challenging phase, with more and more factors fuelling fears of a double dip in the US or a sovereign default in Europe. However, the World Trade Organization (WTO) is still holding to its trade growth forecast. "For the moment, we see no reason to change our forecast, which is a 6% growth of world trade in volume for an average of a 4% growth of the world economy this year" said WTO Director General Pascal Lamy. This overall number is an average between lower growth in developed countries and higher growth in developing countries.

He goes on to say that protectionist pressure will remain as long as there is high unemployment, notably in US and EU. "We know that in times of social difficulties, there maybe a tendency to scapegoat the foreigner and to take protectionist measures. For the moment this hasn't happened" he said.

In regards to the Doha round, Lamy says that he doesn't expect any breakthrough to come in December, which is when the negotiations resume. The Doha talks have been on for a decade.

India asks West to give up protectionism

The Times of India

September 2, NEW DELHI: Stopping short of terming the developed countries protectionist, commerce and industry minister Anand Sharma on Thursday asked the West to shun such practices, which have emerged since the economic downturn started in 2008.

"Crisis leads to inward thinking but protectionism is counter-productive as it deepens recession. Wherever protectionism has been resorted to, it has never helped," Sharma told lawmakers from the US Congress and the German Bundestag.

India has concerns over a host of measures initiated by the US government and lawmakers in the wake of job losses due to the financial crisis and the subsequent recession. For instance, the US Congress has increased the visa fee for H1B and L1 visas to fund domestic programmes, which has affected Indian IT companies. Similarly, steps have been initiated by states such as Ohio, which has asked for a ban on public spending for offshoring.

Under the Health & Compensation Act, there is also a new levy on foreign entities that receive procurement payments, which India believes is against WTO rules. Even in case of goods, the US authorities are imposing domestic content requirements during procurement of engineering goods and awarding of contracts in civil projects.

As a result, Sharma on Thursday called for a need to sensitize US policymakers about the actual nature of outsourcing and said Indian companies were a major source of employment generation in the US market. 'We need to engage more not less" the minister added.

While speaking against protectionist moves, Sharma also lobbied for revival of the scheme that gave preferential access to certain goods. The US Generalized System of Preferences (US GSP) scheme ended last December and India is asking the US Congress to reauthorize its renewal to push the export of 4,800 products from across the globe. Citing the adverse impact on employment in vulnerable sectors, Sharma said the US government withdrew the GSP benefit for a number of products from India, including jewellery. Though the benefits did not accrue to the Least Developed Countries, China and France gained from the decision as their products became more competitive.

Doha Round: Lamy seeks support from business

Hindustan Times

Sept. 7, NEW DELHI: Failing to build a consensus in political circles on the World Trade Organisation's Doha Round negotiations, WTO director-general Pascal Lamy has called out for support and co-operation from the international business community to break the impasse over the contentious issues. The global business fraternity is expected to take it forward at the forthcoming Group of 20 meeting (G-20), scheduled in November with a view to building consensus.

Lamy held closed-door meetings with the Indian industry chambers Federation of Indian Chambers of Commerce and Industry (FICCI) and the Confederation of Indian Industry (CII) on the issue. "The industry wants the Doha Round negotiations to be concluded and it needs to play a critical role in breaking the impasse," a source familiar with the development told Hindustan Times.

FICCI and CII would work closely with the French business lobby, Medef, which would play a critical role as the G-20 summit would be held in France.

"Until now the political circles were trying to iron out the differences but the business fraternity needs to build a consensus as well which could be pushed even at the G-20 summit," the source said.

On Monday, commerce and industry minister Anand Sharma said that in a bid to avoid dampening global economy and trade, the Doha round of the WTO must not be allowed to collapse, which could even lead to protectionism. Lamy, who is currently on a two day visit to India said that the Doha Round negotiations which was initiated in 2001 was "deadlocked."

There was lack of consensus between the developed and the developing nations on the extent of liberalisation of trade in industrial goods, agriculture and services, though the move was initiated to liberalise trade.

‘Must local sourcing for retailers against WTO’

Sidhartha, TNN

Aug 27, 2011, 12.21am, NEW DELHI: The commerce department has said that the proposal to mandate local sourcing of products, especially from small scale units, by foreign retailers setting up stores in India is not compatible with India's commitment at the World Trade Organisation (WTO).

The department had been asked to examine the proposal in the wake of concerns expressed by the ministries of telecom and information technology and the micro, small and medium enterprises, who fear that Chinese imports would surge once 51% foreign direct investment is permitted in multi-brand retail.

The department of industrial policy and promotion, which is piloting the long-pending liberalization move, had initially suggested that foreign chains could be asked to source 30% of their requirement from local small scale units. In view of fears that some WTO members might approach WTO saying that the norms are not compatible with multilateral trade rules, the committee of secretaries had decided that the proposal be examined by a committee comprising representatives from the ministries of commerce, telecom & IT, MSME and textiles.

Government officials said that the commerce department has come to the conclusion that the move may not be in line with India's commitment under WTO's Agreement on Trade-Related Investment Measures, which is popularly called Trims. If a violation is established, India would have to reverse its decision or face a penalty under multilateral trade rules.

The officials indicated that the other ministries are unlikely to agree to the terms and conditions immediately and would seek that some checks and balances be put in place to ensure that Indian industry is not adversely affected due to the entry of foreign retail chains.

They said that during the meeting of the committee of secretaries, headed by cabinet secretary Ajit Seth, the telecom & IT ministry had cited the experience of the sector where majority of the equipment now used is produced by Chinese manufacturers.

Similarly, in textiles, India has lost the race to Chinese companies, while the MSME ministry fears that most of the lower-end products in retail chains would be from across the border. Others such as the industry and commerce departments and the finance ministry are of the view that it would not be prudent to prescribe local sourcing as the most competitive manufacturers would tend to occupy shelves in retail outlets. "It is difficult to understand how FDI in retail would increase the flow of Chinese products. Even if that happens, we have mechanisms to check dumping or initiate safeguard measures," said an official.

US frowns at 'preferential treatment' to Indian firms for telecom gear supplies

Thomas K. Thomas, Business Line (The Hindu)

8 September 2011: The US Government has raised concerns over a number of India's telecom related policies. Its objections include the preferential treatment given to telecom and electronic products made in India under a new manufacturing policy.

The policy has been approved by the Committee of Secretaries and awaits the Cabinet's final ratification.

This policy will have a major impact on a number of American technology firms, including Cisco, Motorola, HP and Dell. The US has asked the Ministry of Commerce to clarify whether the proposed manufacturing policy meets the terms and conditions laid out under the **WTO**. The US has objected to bringing procurement by private companies within the ambit of the new policy.

The Ministry of Communication and IT had floated a proposal to reserve 30 per cent of all electronic equipment procurement to items manufactured in India. This includes telecom gear and IT peripherals.

When the policy is announced, telecom companies, both private and public sector, will have to buy 30 per cent of their hardware from those who have manufacturing base in the country or face penalty.

The move is in line with the recommendations of the Telecom Regulatory Authority of India and a committee formed by the National Manufacturing Competitiveness Council.

The US has asked, “Could India please clarify how the preference regimes for domestic purchases carried out by private sector enterprises that are licensed by the Government qualify as ‘products purchased for Governmental purposes' so as to constitute government procurement under the terms of the GATT Article III-8a?”

The US has asked this as part of the fifth Trade Policy Review of WTO. Under international trading protocols, WTO members are not allowed to give protection to local products except when procured by governmental agencies.

However, the Department of Telecom thinks it would be unfair to ask only the State-run companies to buy from Indian manufacturers in a competitive sector such as telecommunications.

The US has also raised concerns over such issues as the monopoly of the Indian Space Research Organisation for supplying direct-to-home satellite services.

It has asked India to clarify the need for such a policy and whether there are any plans to follow an open-sky policy in satellite services. American companies like Hughes have been keen to sell satellite capacity directly to customers in India instead of routing through ISRO.

It has also sought an update on the TRAI recommendations on giving equal access to cable landing stations in India to foreign companies. A number of US long-distance carriers including AT&T, Verizon and Sprint offer services in India.

The Commerce Ministry has asked the DoT to respond to these questions which will be then sent to the US along with issues raised on other sectors.

India patent case threatens cheap drug supply: MSF

Penny MacRae, Agence France Presse

5 September 2011: Supply of cheap, copycat drugs for the developing world could be badly threatened if Swiss firm Novartis wins a challenge to India's patent law, medical charity MSF said on Monday.

The warning came as the Supreme Court was due to hear more arguments Tuesday in an appeal by Novartis seeking patent protection for a newer version of its leukaemia drug Glivec -- a case watched closely by global pharmaceutical firms.

"If the patent law challenge is successful, it would have a devastating impact on access to affordable medicines across the developing world," Leena Menghaney, India representative of Medecins Sans Frontieres (MSF), told a news conference.

Novartis is contesting the Indian patent office's rejection of a patent application for the updated version of Glivec that is better absorbed by the body. MSF calls the improvement a "minor modification".

The drugmaker's challenge goes to the heart of India's patent act, which says a patent cannot be granted for an old drug unless changes make it significantly more therapeutically effective.

The Supreme Court case is the final act in a lengthy legal battle between Novartis and patient rights groups in India, where local firms produce generic drugs at a fraction of the cost of brand-name originals.

Indian generic versions of Glivec sell for 8,000 rupees ($174) for a month's treatment compared with 120,000 rupees for the brand-name version, MSF said.

Pharmaceutical multinationals argue that protecting patents is crucial to stimulating the research and development of new drugs.

India, known as the "pharmacy to the developing world," has long been a key provider of cheap generic medicines as it did not issue drug patents until 2005, when it was obliged to adhere to WTO intellectual property regulations.

Now, India allows patents for new inventions after 1995 or for an updated drug showing much greater therapeutic efficacy. The base compound for Glivec was discovered in 1993.

But India rejects applications for minor changes to existing drugs, which critics say are aimed at extending the life of original patent monopolies from their original 20 years -- a practice known as "evergreening".

A spokesman for Novartis said on Monday the court's decision was essential to the "viability of the innovative pharmaceutical business in this country", adding that Glivec had received patent protection in nearly 40 countries.

The cost difference between generic and brand name drugs is crucial for poor people around the world, MSF said, noting generics from India have pushed down prices for older anti-AIDS drugs by 99 percent.

MSF buys 80 percent of its generic AIDS drugs from India and the humanitarian group said it is currently keeping 170,000 people in 19 countries alive on the treatment.

"We couldn't afford to treat them all without these generic drugs," Joanna Keenan, spokesman for Geneva-based MSF, told AFP.

If the court accepts Novartis's arguments, the ruling could set a precedent allowing firms to acquire patents on modified versions of existing medicines -- extending the time of their exclusive right to make drugs, MSF said.

"It would create a scenario in which only the richest survive. The outcome of this case is literally a matter of life and death for people," Loon Gangte, who heads an Indian group representing people living with HIV/AIDS, told AFP.

Seafood exporters protest US ‘zeroing' in on Indian shrimp

C J Punnathara, Hindu Business Line

Aug.30, Kochi: The Seafood Exporters Association of India (SEAI) has demanded that the Government take the US to the World Trade Organisation over continued zeroing in on Indian shrimp exports.

Indian shrimp exports continue to be battered by anti-dumping duty imposed by the US. The WTO had, in a recent judgement, ruled that the US is violating global trade rules in using the method of zeroing to impose anti-dumping duties on shrimp imports from Vietnam.

Practice of ‘Zeroing'

Zeroing is a manner in which the US government imposes anti-dumping duty on select shrimp consignments because they fetch lower prices in the US market. According to an exporter, while almost 90 per cent of shrimp export consignments would fetch fair value prevalent in competing countries, the remaining 10 per cent might have to go for distress sale for a variety of reasons, fetching significantly lower rates.

The US government zeroes in on these 10 per cent consignments and imposes anti-dumping duty, much to the detriment of the exporter who has already had to sell his consignment at distress rates. But for the practice of zeroing, Indian shrimp exports would have been entitled to de-minimum duty — that is duty of less than 0.5 per cent — which would have resulted in Indian shrimp exports getting out of the US' anti-dumping purview.

Favourable ruling for other countries

Several other shrimp exporting countries, including Brazil, Ecuador and Thailand, had taken the US to WTO and received favourable ruling. China is the latest country to have taken the US to the global trade body, as recently as February this year. It is high time India followed the footsteps of the other global shrimp exporting countries. With the favourable judgement, these countries would also be eligible for duty refund with retrospective effect, exporters pointed out.

With an array of preceding judgements stating that zeroing is illegal, the Indian petition would be relatively easier, Mr Anwar Hashim, President of SEAI, said. “It is high time the Government of India woke up to this central need of the fishing industry,” he added. Going by past experience, it would take around two years for the final ruling to come from the WTO.

With this favourable judgement, Vietnam has got rid of the anti-dumping duty, which had been effective since August 2004. A three-member WTO panel had found zeroing illegal under WTO agreements. The panel held that the US "has acted inconsistently with the provisions of the anti-dumping duty and the GATT'" and said that the US should bring its calculation method in line with the two agreements. The ruling comes even as the US Department of Commerce has consistently rejected the Indian submission that zeroing should not be applied.

Anti-dumping duty on Indian shrimp exports for 2011 is at 1.69 per cent. In 2010, anti-dumping duty was at 2.27 per cent while for 2009 it was at 0.79 per cent. If the practice of zeroing was not resorted to by the US Department of Commerce, Indian shrimp exports would have been out of the purview of anti-dumping duty several years earlier, SEAI said.

Himachal Assembly adopts resolution urging hike in import duty on apples

26 August 2011, SHIMLA, NEW DELHI : The Himachal Pradesh Assembly on Thursday unanimously adopted a private member's resolution urging the Centre to hike the import duty on apples and bring it under "special category products" to protect the interests of farmers here who feel threatened by the recent flooding of imported apples in the Indian market.

Horticulture Minister Narender Bragta said the import of apples increased to around 2 lakh tonnes this year from 1.15 lakh tonnes last year. It was only 90,714 tonnes in 2009-10. He said the farmers in Himachal contribute 80 per cent of apple production in the country and that they have incurred a loss of at least Rs. 100 crore during the current season.

The Minister claimed Himachal produced a maximum input of 892,000 metric tonnes of apples last year as nine out of 12 districts in the State produce apples and about 1.60 lakh households are dependent on it. He said Chief Minister Prem Kumar Dhumal had raised the issue of increasing import duties with the Union Government and the Ministry of Agriculture a number of times.

He reminded the opposition Congress that it was Mr. Vajpayee's government at the Centre that had increased the import duty to at least 50 per cent in 2001. The incumbent UPA Government has not increased the import duty even after repeated requests from all the apple-producing States and it is currently fixed at just 10 per cent, he said.

Speaking on the resolution, Congress Legislature Party leader Vidya Stokes said the apple imports into the country have increased at a very fast rate since the removal of quantitative import restrictions. She said the apples come to India from the US, China, Chile, Australia and New Zealand. She alleged that the import of Chinese apples has increased from 16.4 per cent in 2003-04 to 38.4 per cent in 2009-10, a trend which will only increase in the coming years. She suggested that the government form a committee of experts and prepare a brief for the WTO negotiation committee.

Kaul Singh Thakur, who had moved the resolution, said the State should strongly represent the case and that Union Commerce Minister Anand Sharma had assured him and other State leaders of considering the matter immediately.

K. R. Balnatha of the BJP said his was the first party to oppose the WTO resolution and the *Duncan* draft due to which the farmers are suffering today.

The House later unanimously adopted the resolution.

India Minister: Hopeful Of Early Resolution To Rice-Export Dispute

Dow Jones Commodities Service

25 August 2011, MUMBAI: India's trade minister, Anand Sharma, said Thursday he is hopeful of an early resolution to a legal dispute that has delayed the plan to export 1.0 million metric tons of common-grade rice.

"Its unfortunate. Policy decisions should not be delayed," Sharma said about the dispute while speaking to Dow Jones Newswires on the sidelines of a conference. "I am sure that the judiciary will remove the impediments as early as possible."

Several traders have challenged the manner of allocating export quantities, time given for applications as well as issues such as the depositing of guarantee money.

On Wednesday, the Supreme Court ordered a lower court to advance the hearing on the dispute to Aug. 29 from the originally scheduled Sept. 7.

The export delay has hurt the government's expectations that shipments by private traders would create space in the local market to offload the grain from overflowing state-run warehouses.

It has also cast a shadow on the government's plans for the export of another 2.0 million tons of common-grade rice.

Sharma, also the textiles minister, said India's cotton output this crop year will rise from an estimated production of 32.5 million bales in 2010-11, helped by adequate rainfall.

"The monsoon has improved. Rainfall deficit has narrowed in August. We will have a bigger harvest for cotton," he said.

Monsoon rains in India from July 1 to Aug. 24 were 1% below normal, according to a weather official, who didn't want to be named.

India is the world's second-largest producer and exporter of cotton and higher shipments could damp global prices.

The minister is also hopeful of a bigger food-grain output this year and said "it will help to ease inflation."

Food prices have been one of the biggest challenges for policymakers in India. Food inflation accelerated to 9.8% in the week ended Aug. 13 from 9.03% the previous week, data showed Thursday.

Leading Indian garment makers like Shahi Exports going Bangladesh way

Shruti Choudhury, The Economic Times

28 August 2011, NEW DELHI: The first decade of the new millennium saw the IT industry coin the 'Bangalored' verb to describe the flight of development work from the US to cheaper, efficient India. In the second, India's garments sector may be about to add 'Bangladeshed' to the rich lexicon of outsourcing terms.

But unlike 'Bangalored', which over time acquired a reputation of being too one-sided in India's favour, 'Bangladeshed' may be more a case of win-win for India and Bangladesh.

Faced with rising costs for labour, raw material and real estate in India, garments exporters in this country are co-opting Bangladesh, hiring cheaper production capacity in the eastern neighbour to counter cut-throat competition from countries such as China and Vietnam in the global market.

Indian exporters are exporting fabric to Bangladesh, helping the textile industry at home, and using rented production facilities to produce garments that are then exported to Western markets, the second leg of the process benefiting the companies as well as the economy of the eastern neighbour.

Shahi Exports, one of India's largest ladies garment export houses based in Faridabad near Delhi, for instance exports 3.35 lakh metres of fabric to Dhaka every month. Their factory in Dhaka then turns this cloth into nearly 1.5 lakh garments that are shipped out to the US and the EU bearing 'Made in Bangladesh' tag.

"Such joint productions help make our exports more competitive vis-a -vis China and Vietnam," says Aditya Sharma, general manager of Shahi.

And Shahi is not alone. A growing number of Indian exporters are using Bangladesh as an important station in their journey to Western markets, attracted by relatively cheap labour and land costs.

Minimum wages in Bangladesh hover around 1,700 per month per person against 5,000 on average in India. Additionally in Bangladesh unlike India, one can rent out a factory in lines of about 100 machines each so even one-third of a factory can be rented out making it easier for exporters to set up shops there.

"Goods manufactured in Bangladesh are 20-25% cheaper than in India," says Sudhir Dhingra, chairman and managing director of Orient Craft Export, one of North India's biggest exporters.

By co-opting Bangladesh, Indian garment exporters find themselves making profits twice over.

"Apart from the profit we make on the fabric that we export to Bangladesh, Indian companies also maintain a 8-10% profit margin on the final goods, although this differs from product to product," said Dhingra. This lucrative opportunity has resulted in a host of Indian textile mills and export houses getting into such collaborations.

This fondness for Bangladesh has helped make that country the fourth largest apparels exporter in the world. Bangladesh, ranked 45 out of 227 countries in the pecking order list of GDP (PPP) by CIA, has grabbed 3% share of the global apparel market, according to a recent World Trade Organization (WTO) report.

Garment manufacturing is also the country's second largest employer after agriculture employing about 4 million people directly, 85% of which are women.

As per the latest government data, the Bangladesh's total export of Ready Made Garments (RMG) in FY 10-11 touched an astounding $17,1914.46 million growing at 43.35% over last year. In the same period, India clocked RMG exports worth $11175.76 million at a meager 4% growth. Indian total exports of yarn and fabrics on the other hand grew at 32.14%.

While Indian exporters are embracing this so-called win-win model with gusto, concerns are bubbling in some quarters that the very attributes that benefited India in the past may be coming back to haunt it.

Some experts say this trend could become problematic for India in the coming years, especially since the $45-billion domestic apparel business offers large-scale employment to people.

"We have a huge employment issue at hand and at this rate with most of the production going to other countries, this will cause a negative impact domestically," says Arup Mitra, professor, Institute of Economic Growth.

How India dismantled textile regime with Bangladesh

Jyoti Malhotra, Business Standard

September 06, 2011, 0:15 IST, New Delhi : Prime Minister Manmohan Singh has overruled the traditional caution of his foreign policy mandarins and in conjunction with commerce and textiles minister Anand Sharma crafted a trade liberalisation initiative with Bangladesh that will be a key element in what promises to be a historic visit to Dhaka beginning tomorrow.

The radical nature of the trade package is sure to take everyone’s breath away when Manmohan Singh meets Bangladeshi Prime Minister Hasina. Not only because it pretty much dismantles the one-sided trade regime that currently exists with Bangladesh, but also because it is a sure sign of trade and economic reform that the Prime Minister intends to carry out across the Indian sub-continent in the coming weeks.

According to top government sources who spoke on the condition of anonymity, a politically battered Prime Minister is now determined to use India's neighbourhood as his canvas on which to unleash economic reform, especially if he is being repeatedly blocked from doing so at home.

The first brush on the canvas will take place in Bangladesh when the Prime Minister announces that all 48 tariff lines on textiles that exist between the two countries will be dismantled, in deference to Dhaka's request.

Actually, Dhaka had wanted all 61 tariff lines to go, but when officials went looking into the fine print, they found that 13 of those lines pertained to energy-related items such as kerosene, leading to some concern that these could be diverted.

Over the last 24 hours, West Bengal Chief Minister Mamata Banerjee's demands on the Teesta waters threatened to cast a long shadow over the PM's visit, the first by an Indian Prime Minister in 12 years.

Less noticeable but equally significant was the suppressed grumbling by Indian businessmen resounding through the corridors of power, reacting nervously to the dismantling of the proposed tariff lines with Bangladesh.

But at a press conference this evening, foreign secretary Ranjan Mathai was clear in his articulation that what India intended to accomplish during the PM's visit constituted a "paradigm shift" in the history of the sub-continent.

This textile lobby, primarily from Tamil Nadu had, until recently, stiffened the spine of Dayanidhi Maran, a former textiles minister, and succeeded in opposing tooth and nail the dismantling of the textiles tariff quota with Bangladesh.

But with Maran gone, external affairs minister S M Krishna relatively quiescent — and home minister P Chidambaram and defence minister A K Antony disinterested in this particular matter — Anand Sharma, also in his capacity as textiles minister, saw the huge opportunities that the moment presented him with.

Sharma realised, the sources said, that Finance Minister Pranab Mukherjee — who knows more about Bangladesh than anyone else in the Cabinet — would be supportive of moves to open the textiles sector with Bangladesh not only because India-Bangla trade was already quite low (approximately $5 billion annually, of which Bangladesh's share was a mere $50 million), but because Indian garment traders would not really be impacted by the proposed opening-up.

This is because Bangladesh's textile manufacturers look west to exhaust their trading potential, which is why even the tariff rate quota of eight million garment pieces annually — increased to 10 million pieces by Sharma when he visited Dhaka in April — has never been completely utilised.

Apart from the fact that India's gargantuan textile industry needed to be opened up to greater competition, including from tiny Bangladesh, the government began to search for new and creative ways to grip the imagination of a friendly nation, thereby altering the entire mindset on which trade had been built.

"Hasina had showed us how she could unilaterally deliver on India's needs after she came to power, especially on insurgents using Bangladeshi territory to attack India. We asked ourselves if trade liberalisation could become part of a "special package" for Bangladesh and India's special friend, Hasina," the government source said.

The answer was yes. Especially in the wake of the Prime Minister's unintended gaffe some weeks ago on the Islamic radicalisation of Bangladesh — Manmohan Singh called Hasina to apologise and reaffirm the special relationship with Dhaka — the PM was quite clear that "India needed to do something big that would vindicate not only the Awami League's faith in the Congress party, but Bangladesh's trust in India," the source added.

Dhaka had been enthused with Sharma's offer to increase the tariff rate quota for textiles from eight to 10 million pieces annually, but even when Sharma made the offer he realised that something was still amiss.

What Dhaka yearned for was an equal trading partnership with India, or "something special" that would show the rest of South Asia that nations could do business differently. Bangladesh foreign minister Dipu Moni had said as much to Business Standard some months ago, when she had pointed out the friendship between India and Bangladesh was "one between equals".

As the PM, Pranab Mukherjee, Anand Sharma and the National Security Advisor put their heads together, they realised even if they increased the textile TRQ from 10 to 14 million pieces, Bangladesh would not be delighted.

That's when Sharma proposed the dismantling of the entire textile tariff quota. It would disarm the Bangladeshis, he argued, and it would hardly have any impact on Indian textile manufacturers. Moreover, it would send a signal to the rest of the sub-continent that India would be willing to be more than generous if it was assured of its security concerns.

Besieged by the Anna Hazare agitation, the PM agreed with the idea. It immediately caught the imagination of the Cabinet's Big Four ministers, who agreed that a "big band with Bangladesh was in order".

Government sources also pointed out that the abolishing of the tariff lines was only a start. Bangladesh had already reciprocated with allowing India to use the Chittagong and Mongla ports, while transit through Bangladeshi rivers to India's northeastern states could take place according to existing protocols.

"If India can pull this off with Bangladesh," said the government source, "it will open the possibility of a real economic union between the eight states of South Asia."

Keep textiles out of pact: S Africa

Hindustan Times

Aug. 31, New Delhi,— South Africa is pressing hard for not including textiles in a tariff reduction plan in the proposed preferential trade agreement (PTA), its trade minister Rob Davies said. “We need to start with identifying with areas of complimentarity and there are many areas where we (India and South Africa) directly compete with each other,” Davies told Hindustan Times.

“We have got our areas of sensitivities. Clothing and textile industry is one of our sensitive areas, the tariffs are fairly significant and we wouldn’t like to include this in the PTA,” said Davies.

The long-discussed PTA between India and the Southern African Customs Union (SACU) was expected to be concluded towards the end of this year.

This agreement is proposed to cut tariffs on a limited number of products between the two regions, and is thereafter expected to eventually expand to a fully-fledged free trade agreement (FTA).

“It is a stepping stone towards FTA,” Davies, who was in Delhi to attend the India-South Africa CEOs forum and hold bilateral trade discussions, said.

“The SACU route is absolutely central as the agreement requires us negotiate as a block. In that framework a PTA is more realistic. In any case, in South Africa more than 50% of our tariff lines are zero,” he said.

Davies said the objective was to increase bilateral trade between the two countries to $15 billion from the current $10 billion by 2015. “Those figures will be very much in line with the existing trend lines,” he said.

“We are looking to change the qualitative dimensions of trade bit. India is a significant investor in South Africa,” Davies said.

“In South Africa, we have an industrial sector, which is pretty important to us. We want to deepen the level of industrialisation and manufacturing.”

Centre lifts curbs on cotton exports; price to go up

PTI

August 25, 2011, Hyderabad: The Centre has removed restrictions on cotton exports, a step that is expected to push up price of the commodity in the domestic market, Union Minister for Commerce, Industry and Textiles Anand Sharma said today.

Sharma informed Andhra Pradesh Chief Minister N Kiran Kumar Reddy that cotton exports have now been placed under the Open General Licence without any quantitative limits.Notification to this effect has been issued by the Directorate General of Foreign Trade, Sharma said.The Union Minister said with the removal of export curbs, the price of cotton would increase in the coming days.

The Centre's decision was based on the Chief Minister's request for permission to export an additional quantity of 15 lakh bales of cotton to ensure remunerative price for local farmers, a release from the Chief Minister's Office said here.

Contentious US Budget Debate Spurs Cotton Lobby to Act

Bridges Weekly Trade News Digest

September 7, 2011: The US fiscal deficit is pushing legislators to consider cuts in areas previously held sacred, including agriculture subsidies. In recognition of changes in the amount of money available to agriculture, the National Cotton Council - the US lobbying group for the cotton industry - recently conceded that direct payments and counter cyclical payments may be cut and is now seeking a programme of revenue based crop insurance.

The summer debt limit debate that riled Washington ended with a compromise that a “Super Committee” of six US congressional Democrats and six Republicans would agree to budget cuts or face automatic cuts across the board, with some exceptions. In agricultural spending, food stamps and conservation are expected to exempted from automatic cuts. The congressional committee is set to have its first meeting tomorrow, 8 September.

The National Cotton Council statement comes at time of major debate within the farm policy community. Speaking to Bridges, Bruce Babcock, a professor at Iowa State University, observed that “direct payments are impossible to defend when we‟ re cutting off aid for health care, education.” Babcock expects a 30 percent reduction in direct payments, or a $1.5 billion cut. Some US farmer organisations, such as the Iowa Farm Bureau, have already endorsed a move away from direct payments towards the more politically palatable crop insurance. Cotton is not a major crop in Iowa and the state‟ s farm bureau position may reflect this.

Direct payments to cotton average US$53 an acre, versus US$22 an acre for corn, a popular crop in Iowa; the Cotton Council‟ s position is therefore a notable change. According to Babcock and others, support for rice, the largest recipient of direct payments per acre, may also need to consider a move towards crop insurance.

Proposal language unclear, experts say

The National Cotton Council‟ s statement makes reference to “revenue based crop insurance” or a “revenue based crop insurance safety net,” language that has baffled some experts, considering that the good already benefits from crop insurance. Representatives of the Council had not responded to requests for clarification at press time.

Dan Sumner, an agricultural economist at the University of California-Davis, told Bridges that the proposal was "free revenue insurance" and called the resulting amalgam an "even more distorting programme."

In an interview with Agritalk, a US radio show, Mark Lange, CEO of the National Cotton Council, explained that the lobby was not looking to change existing crop insurance but to create a programme that would "ride on top" of existing support. According to Lange, the programme would make up for losses at the county rather than individual level, providing a safety net that the group was able to "generate for cotton from the direct and counter cyclical programs." He noted that area or county wide programmes were cheaper than ones that target individual farmers.

Sumner explained that cotton growers were unwilling to "to pay any significant share of the cost of insurance." Babcock surmised that the group wanted to receive support under Title I of the US Farm Bill, programmes where farmers contribute little money of their own. Lange‟ s description included the possibility that a producer could choose not to "buy" the programme.

Pressing for compliance with the framework agreement reached between the US and Brazil in the *US-Upland Cotton* case, in which the global trade body deemed that various US cotton subsidy programmes were either prohibited or actionable, the Council said the industry "must work with Congress and the Administration." Experts and the Council are expecting reductions in direct and counter cyclical payments. This may leave the Marketing Loan Program as the main area of contention for dispute compliance; Sumner suggested that the programme might just "go away."

The *US-Upland Cotton case* was a long-running trade dispute that was recently settled between the US and Brazil. The US agreed to annual payments of $147.3 million, among other benefits, to the newly-established Brazilian Cotton Institute - a technical fund for Brazilian farmers - until US policy could be brought into compliance with the WTO‟ s findings.

In defiance of the agreement between the two countries, the US House of Representatives passed a bill in June that prevented the US Department of Agriculture from making such payments (see Bridges Weekly, 22 June 2011). The bill would need to be passed by the both chambers of Congress and signed by the President to become law, an unlikely possibility according to experts such as Sumner.

A Geneva trade official well-versed in the issue noted the National Cotton Council was well "attuned to the political scenario" in Washington and observed that the manner in which the reforms affected specific commodities and the role that the US played in a given market mattered more than dollar figure changes. He cautioned that changes could "generate serious prejudice," the threshold set for violation of the dispute settlement, if support exceeded "certain levels." Farm policy reform, or least a debate on the subject, seems to be underway in Washington, according experts that spoke to Bridges. Still, some believe that Congress will be unable to enact broad changes for fiscal year 2012, mainly due to time constraints, and will instead continue the policies of the previous fiscal year. *ICTSD Reporting.*

‘Doha Round has to be taken forward'

Sujay Mehdudia, The Hindu

DELHI, 6 September, 2011:

Protectionism will hold up economic recovery: Anand Sharma

Union Minister for Commerce, Industry and Textiles Anand Sharma on Monday noted that protectionist measures would delay economic recovery and warned against the collapse of the Doha Round of the World Trade Organisation talks.

“We must not allow this [Doha] Round to collapse. The Doha Round has to be taken forward as a single undertaking. We need to stay focussed on the development dimension of the Round, as the terms of the discourse cannot be changed. Developing countries are being called upon to pay an unconscionably high price to conclude the Round. This certainly was not our expectation and our commitment when we agreed to participate in the Doha Round,” he said.

The Minister was speaking at the inaugural of the Regional Trade Policy Course 2011 at the Centre for WTO Studies, Indian Institute of Foreign Trade, here.

Mr. Sharma said it was important to sustain people's faith in the multilateral institutions. “Many sceptics feel that the WTO is at the crossroads and that the lack of progress in the Doha Round raises questions on the relevance and efficacy of this institution. We do not share this pessimism.” A crisis might lead to inward-looking and promote protectionism, but it would be counter-productive and delay the recovery and deepen recession.

Timely conclusion of the Doha Round of talks, he argued, would not only have strengthened the WTO as a bulwark against protectionism and boosted the global economy but would also have signalled the WTO's firm commitment to development.

Deadlock

Admitting to the ‘deadlock' in the Doha talks, WTO Director-General Pascal Lamy said that with leadership, pragmatism and determination, “we should continue” to address various issues (affecting the negotiations). “We cannot give up because of a steep slope or long path. The WTO is a member-driven organisation, and its negotiations are a collective enterprise. Stakeholders of global trading systems recognise its worth and contribution in times like these. India is a good example of how trade can be leveraged to achieve growth and reduce poverty.”

Radical transformation

Commerce Secretary Rahul Khullar said global economy had undergone a radical transformation. “Developing countries today are not silent partners, they are equal partners in the negotiations; you are going to see developing countries dominating the talks. That is why, it is important to have a global trading system that is rule-based.”

Deciding status of emerging nations key to Doha, says WTO director general Pascal Lamy

Amiti Sen, ET Bureau Sep 6, 2011, 04.13am IST

The world is now looking at the forthcoming World Trade Organization ministerial in December, hoping for a breakthrough in the Doha round. WTO director general Pascal Lamy believes that the solution lies in creating a new balance among the trade regimes of the developed nations, the emerging economies and the poor developing countries. In an interview to Amiti Sen, Lamy assesses the talks and suggests a possible way out. Excerpts:

Does the Doha round have a future?

There has to be a future. Members of the WTO decided 10 years ago that the rules of world trade needed to be updated on a specific agenda. They have done 80% of the job. But on few issues, differences remain, notably on industrial tariff reduction. This situation is clearly disappointing.

The demands, like the one by US on tariff elimination on industrial goods by India, China and Brazil, are being resisted as these countries do not want to give more than what is prescribed for developing countries. What's the way out?

You have some developed countries that are saying emerging countries are now big, powerful, competitive economies and we want to compete with them on a level playing field. On the other side, these emerging countries say we are bigger and economically more powerful than in the past, but we still remain developing countries and we want to keep flexibilities that the existing trade regime provides for developing countries.

India, Brazil, Indonesia and China are saying that we are ready to subscribe to a regime that is stricter than that for Kenya, Laos, Cambodia or Nepal. But what we do not accept is the recognition that we are like developed countries. That's where a compromise has not been found. In simple terms, the question is whether emerging countries are rich developing countries or poor developed countries.

Are the bigger developing countries being treated differently in the Doha round?

In this round, we have a three-lane trade regime as opposed to the two-lane trade regime that existed in GATT, which comprised developed and developing countries. If you look at what is on the table today, in the last 10 years different regimes have been constructed for developed countries, emerging developing countries and poor developing countries.

This architecture is already there. If you look at tariff reduction, trade-distorting farm subsidies, fisheries subsidies, or part of the negotiaions on services--you have the three lane system. The question is where is the middle lane.

Has the three-lane structure been officially accepted?
This discussion has not taken place in political terms. But if you look at the countries that will have to apply the new formula in industrial negotiations if a convergence is reached, it will be

the developed countries and emerging economies. If you look at the services negotations, the reality is that it is taking place between 30-40 countries and these are developed plus emerging countries. We have done that pragmatically. The question is where is the exact compromise for the moment given the fact that emerging countries are developing.

What are you hoping to achieve in the December ministerial?

We thought that if a whole package can't emerge, we can start slicing it using the early harvest provision starting with the most urgent, which is the LDCs (least developed countries). It did not work. The US asked for a price.

Dilution of developmental dimension not acceptable: Sharma

Hindu Business Line

Sept. 5, New Delhi: The Commerce, Industry and Textiles Minister, Mr Anand Sharma, said on Monday that any dilution of the developmental dimension of the Doha Development Agenda will not be acceptable at all to India.

Leverage trade

He said that when the developing countries, including India, had agreed to the launch of the Doha Round in 2001, they were very clear that the developmental dimension has to be addressed so that the developing and the least developed countries can leverage trade to their own economic development and growth as well as to get better access to the markets.

'To take it forward'

"This discourse cannot be changed, but that has been changed. The developing and poor countries should not be asked to pay more price than the commitments that have been made," he said, speaking at the inaugural function of the WTO's Regional Trade Policy Course at the IIFT. However, he added, "it is important for us and for the strength and future of the WTO that the Doha Round is taken forward and that we remain engaged to complete it as a single undertaking."

Lamy seeks pragmatic approach on Doha

Mint

New Delhi, Sept. 6: The World Trade Organization's (WTO) director general Pascal Lamy on Monday said nations need to show leadership, pragmatism and determination to break the deadlock over the Doha Round of trade talks.

Lamy arrived in India, after touring China, for a two-day visit to inaugurate the three-month WTO regional trade policy course (RTPC) for the Asia-Pacific region. He later met commerce minister Anand Sharma to discuss the future of WTO and the Doha Round of negotiations.

Lamy said India was a good example of how trade can be used to generate growth, create employment and reduce poverty. "This was the very essence of the process of trade opening and structural reform initiated in the early 1990s. As a result, India's economy was among the first in the world to recover after the recent global financial crisis."

Lamy said it was time to speak up for a multilateral trading system when everybody is talking about a crisis in multilateralism.

"We cannot give up just because the slope is too steep, because it takes too long or because the headlines are negative; we need determination because WTO negotiations are a collective enterprise of 153 members building for the long-term," he said.

Lamy said he hopes WTO member countries will be able to "chart a path forward" at the upcoming WTO ministerial conference, scheduled to take place in December at Geneva.

The Doha Round aims to lower trade barriers for developing and least developed countries (LDCs). Started in 2001, the negotiations are yet to be concluded because of differences over level of tariff reduction between developing countries such as India and China and developed nations.

Commerce minister Sharma said the Doha Round needs to be completed as a single undertaking, keeping the developmental dimension of the Round intact. "Developing countries are being called upon to pay an unconscionably high price to conclude the round. This certainly was not our expectation and our commitment when we agreed to participate in the round," he said.

Sharma said multilateral negotiations should not be allowed to collapse. "It is important to find a middle ground, not in the spirit of compromise but in the spirit of mutual cooperation," Sharma said. Regional trade policy courses, or RTPCs, are three-month courses for government officials from LDC economies in transition and countries in the process of accession to WTO. These are organized and run by WTO in partnership with institutions of higher learning in different regions. India is organizing the event for the first time.

The World Trade Organization's (WTO) director general Pascal Lamy on Monday said nations need to show leadership, pragmatism and determination to break the deadlock over the Doha Round of trade talks.