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[India ready to open more land border crossings: Sharat Sabharwal]

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[One year on, India-Pakistan trade relations leapfrog]

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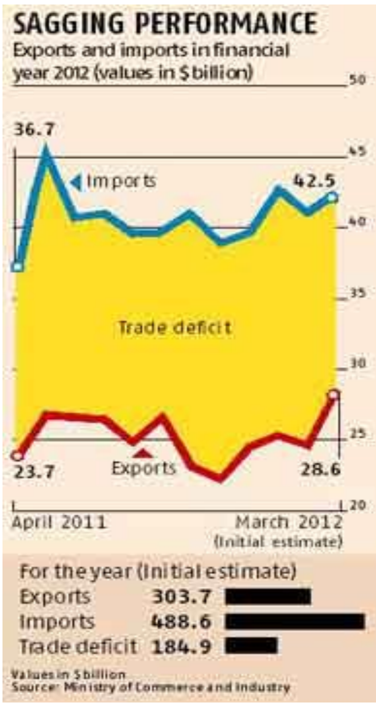
The Centre for WTO Studies was set up by the Department of Commerce, Government of India in 1999. The intent was to create an independent think tank with interest in trade in general and the WTO in particular. The Centre has been a part of the Indian Institute of Foreign Trade since November 2002. The Centre provides research and analytical support, and allied inputs to the Government for WTO and other trade negotiations. The Centre also has its own body of publications, and conducts outreach and capacity building programmes by organizing seminars, workshops, and subject specific meetings to disseminate its work, create awareness on recent trade topics and build consensus between stakeholders and policy makers.

Exports fall for the first time since 2009
Business Standard

New Delhi May 2, 2012: Exports fell for the first time since the 2009 global financial crisis in March this year, as demand weakened in the US and Europe. Exports dropped 5.7 per cent to $28.6 billion from the same period a year earlier.

Commerce Secretary Rahul Khullar warned in January that exporters in India faced a “difficult year”, pointing to economic and financial weakness in the European Union, India’s largest trade partner.



The current account deficit was $19.6 billion in the December quarter, higher than $9.7 billion a year earlier.

Rising global oil prices pushed up import bills for the country, which buys 80 per cent of its oil from overseas. The deterioration in the current account deficit is expected to pile pressure on the rupee, which fell nearly 16 per cent against the dollar in 2011.

Imports rose 24.3 per cent to $42.6 billion in March, government data showed on Tuesday. Oil imports rose 32.5 per cent to $15.8 billion. The trade deficit was $13.9 billion. Exports rose an annual 21 per cent to $303.7 billion for the financial year 2011-12, while imports rose 32.2 per cent to $488.6 billion, figures released by the trade ministry also showed. The trade deficit for the full financial year was $184.9 billion.

Economists warned against reading too much into monthly figures and suggested any dim interpretation should not overlook the fact exports surpassed the target of $300 billion in 2011-12 even as the world was crawling on the path of economic recovery.

The scenario in the US and the euro zone impacted engineering exports, as they fell 19 per cent short of the target of $72 billion set for the last financial year and only reached $58.2 billion.

Madan Sabnavis, chief economist, CARE Ratings, said, “One should not look at the monthly numbers, as exports were very volatile throughout the year. Instead, the cumulative figures give an overall picture of an impressive performance.”

CRISIL Chief Economist D K Joshi said the negative export growth in March was the result of a high base effect, as in March 2010-11, exports performed well.

Khullar said the year-on-year growth was irrelevant. “Comparison should be done on a month-on-month basis. The export market had effectively collapsed from September in the previous financial year... The first six months were almost schizophrenic, while the remaining six months saw a marked deceleration,” he said.

In fact, the merchandise exports reached $303.7 billion in 2011-12, a rise of 21 per cent over $251.1 billion in 2010-11. The government had set a target of $300 billion of exports for the last financial year. “Looking at the situation in Europe and China, India may not be able to achieve 20 per cent growth in the next fiscal but we surely can target a 15 per cent growth,” added Sabnavis.

“In the first half of 2011-12, the engineering exporters were getting a good number of orders, but in the second half there was weak demand from western markets like the US and Europe,” said an official of the Engineering Export Promotion Council (EEPC), under the Ministry of Commerce.

The US and Europe together account for over 60 per cent of India's total engineering exports. The ministry, in a strategy paper, has set a target of $125 billion for engineering exports for 2013-14. The overall export target has been set at $500 billion by then.

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Bid to bridge widening export-import gap; exports sops may come back
Amiti Sen & Vinay Pandey, Economic Times

9 May, 2012,NEW DELHI: Two months ago, with fiscal consolidation on his mind, Finance Minister Pranab Mukherjee scratched out export subsidies from his budget. Today, worried by a widening gap between imports and exports, the government is thinking of bringing back sops for exporters.

These subsidies are likely to include discounted interest rates, and product- and market-linked incentives. The government believes these could boost exports and help narrow a trade deficit which has expanded to 9% of GDP.

"Recently, we had a debate in Parliament on the export situation while discussing the demand for grants. We are seriously looking at giving fresh incentives to exporters," Commerce and Industry Minister Anand Sharma told ET.

Incentives, worth about Rs 1,700 crore, were announced in October last year. These included sops for exporting products such as textiles, engineering goods, chemicals and electronics to new and traditional markets, and the interest subvention scheme that gave loans to exporters from select sectors at subsidised rates. Both expired on March 31.

The budget was a disappointment for exporters, who were expecting handouts, as the finance minister refused to acknowledge tough times in overseas markets, including jitters caused by uncertainty in the EU.

"The budget left 150,000 micro, small, medium and large exporters highly disappointed," said SP Agarwal, president of the Delhi Exporters' Association.

Situation Has Worsened

"Due to the global slowdown, we were expecting a lot from the government," said Agarwal.

Since then the situation has worsened, with exports actually shrinking in March 2012, the first time this happened since 2009, at the peak of the Great Recession.

This is probably what has changed the government's thinking.

India's trade deficit rose to an all-time high of $185 billion in 2011-12 from $130 billion in the year before despite hitting targeted exports of $300 billion. Imports surged to $488.6 billion, driven primarily by oil and gold. The current account deficit for 2011-12 was likely to be 4% of the GDP, not a comfortable number for policymakers.

It should ideally come down to 3% to 3.5% in the current fiscal, commerce secretary Rahul Khullar had said. For that to happen, the country needs to increase exports.

"The finance ministry seems more responsive to our demand now, and the commerce minister may be in a position to deliver a few incentives for exporters when he announces the foreign trade policy later this month," a commerce department official told ET.

The government is looking at re-introducing the interest subvention scheme for small and medium size exporters, as well as some vulnerable sectors, such as handicraft and handloom, that expired last fiscal. Banks give loans to eligible exporters at a 2% discounted rate under the scheme and are later reimbursed by the government.

Cheap credit is a key concern for exporters as the RBI's decision to deregulate foreign currency denominated loans was expected to result in a sharp increase in interest rates, said Ajay Sahai, director general, Federation of Indian Export Organisations.

"We have already seen 40-45% increase in interest rates charged by banks for credit to exporters in the last two years after the RBI allowed interest rates to be brought above base rates," Sahai said.

Other incentives that are being discussed are direct sops for sectors which are struggling to retain their foothold in traditional markets as well as trying to make in-roads into new ones. These incentives will be in the form of scrips that can be either used to import products at discounted import duties equivalent to the value of the scrips or sold in the market.

Although India's exports crossed the goal of $300-billion in 2011-12 growing 21%, exports grew only 10% in the second half of the fiscal.

ET View: Be Competitive

The government's plan to bring back subsidies such as cheap loans to prop up exports makes no sense. Instead, the government should open up trade in farm products, which are severely restricted now.

A record 75 million tonnes of grain will pile up by next month and much will be lost in the monsoons that will follow. Instead of allowing grain to rot, the government should allow exports. Beefing up storage, marketing and transport infrastructure will also increase the competitiveness of manufactured exports.

A weak rupee, which inflates import costs, actually improves export competitiveness. Competitiveness is the answer, not sops.

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Current account deficit may fall this year
Indivjal Dhasmana, Business Standard

Services exports, remittances could help narrow it in 2012-13

New Delhi May 4, 2012**:** The country’s current account deficit (CAD) is likely to remain under pressure this financial year, too, as merchandise exports are not expected to match the 21 per cent growth seen in 2011-12.

Even so, the deficit may come down a bit as a percentage of gross domestic product (GDP) this financial year compared to the last one. Imports, too, may not witness the 32.15 per cent growth registered in 2011-12 and improvement in the conditions in the United States might lead to services exports doing better, according to analysts. Besides, strong Gulf economies may continue to result in robust remittances from overseas Indians, they add.

The CAD may fall anywhere between three and 3.6 per cent of the GDP in 2012-13, against 3.5-4 per cent expected for the last financial year, say economists.

To finance such a high CAD for another year, capital inflows have to be very high, they say, adding government needs to clear the air on the General Anti-Avoidance Agreement Rule (GAAR) to attract investments from foreign institutional investors.

CAD, which is trade deficit together with a balance in services trade besides remittances and some investment income, was at unprecedented level of four per cent of GDP in the first nine months of last financial year against 3.3 per cent in the corresponding period of 2010-11.

“It is likely to remain in the range of 3.5-4 per cent of GDP for the whole of last fiscal,” according to Crisil chief economist D K Joshi.

On the other hand, CARE Ratings chief economist Madan Sabnavis pegs CAD at 3.7-3.9 per cent of GDP for 2011-12.

While Joshi says CAD this financial year is likely to be 3.6 per cent of GDP, Sabnavis pegs it at 3-3.5 per cent. “CAD will continue to be under pressure this financial year, though it might improve a bit from 3.7-3.9 per cent expected for FY12,” Sabnavis said.

The first nine months of 2011-12 saw a rise in the trade deficit to $132.3 billion—that means just over $43 billion in every quarter on an average. But, trade deficit for the full year rose to $184.92 billion, which means over $48 billion in every three months on an average. It means trade deficit rose in the last three months, and if economists are expecting lower CAD for the whole 2011-12 year than for the first nine months, then services exports should neutralise this higher trade deficit.

The surplus in services trade stood at $34.1 billion in the first nine months of FY12.

But, more than CAD, it is trade deficit that is worrying Joshi as it stands at 10 per cent of GDP in the last financial year against around three per cent even in the balance of payments crisis period of 1991-92.

Joshi expects CAD to be at 3.6 per cent of GDP this financial year. The merchandise exports, he says, will register “just single to low double-digit growth” in the ongoing financial year. Sabnavis, however, expects merchandise exports to grow by 10-15 per cent this financial year, as the US is showing signs of revival even as Europe is not recovering.

He expects the growth in trade deficit to be not as high as in the last financial year, as gold imports might come down, though there is no certainty over oil imports despite international prices not showing a spurt this fiscal so far.

In 2011-12, India’s trade deficit grew to $184.9 billion from $118 billion in 2010-11. Commerce Secretary Rahul Khullar had listed petroleum and gold as the main catalysts behind this. “In these, imports were higher by about $69 billion compared to 2010-11 and that almost entirely accounts for the rise in the trade deficit in 2011-12," he added.

Sabnavis also expected services growth to do better since the US is recovering. However, Infosys co-chairman S Gopalakrishnan had earlier said that services exports growth would remain muted in the next three-five years because of a slow recovery in the US and problems in the Euro zone.

Besides, remittances will continue to be strong this financial year as well. That will not allow CAD to deteriorate further, Sabnavis says, pointing to a strong recovery in the Gulf region and in the US.

According to a World Bank report, weak rupee and robust economic activities in the Gulf region resulted in India receiving the highest amount of remittances among developing countries at $63.7 billion from nationals working overseas in 2011.

In fact, India got marginally more remittances than China, which received $62.5 billion. Though the prudential level of CAD is below three per cent for developing countries like India, a more important question is whether there are sufficient capital inflows to finance CAD.

Sabnavis says that while FDI flows will remain strong this fiscal as well, investments by FIIs need to be wooed by addressing their fears on GAAR. External commercial borrowings would also remain robust this fiscal, but they also raise the debt level, he adds.

During the first three quarters of 2011-12, there was a net drawdown of reserves (on a BoP basis) to the extent of $ 7.1 billion mainly due to a widening of the current account deficit compared to a net accretion of $11 billion recorded in the corresponding period of the previous year.

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India emerges as world's top rice exporter
Sanjeeb Mukherjee, Business Standard

Removal of curbs on overseas shipments was followed by firms cutting prices and entering new markets

New Delhi, May 5, 2012: India, a leading exporter of rice before a slew of domestic curbs came in the way, returned with a bang in the global markets in 2011-12, toppling traditional leaders like Vietnam and Thailand to emerge as the biggest exporter.

However, sustaining this performance might be difficult. For, exporters have started raising prices. Last year, they had huge stocks because of a ban imposed on non-basmati rice since 2007. Even then, India will continue to be a big player in global rice markets, albeit not as big as it was in 2011-12, say those in the trade.

According to sector officials, aided by a much-awaited decision to open export of non-basmati rice in September 2011 (a ban was imposed in 2007 to ease domestic supply), India managed to export more rice in six-seven months than Vietnam and Thailand could do in all of 2011-12.

India's total rice export in 2011-12 is expected to be 6.5-7 million tonnes (mt), which is around seven per cent of the country's total production. Vietnam and Thailand, too, exported 6-6.5 mt. The United States Department of Agriculture pegged export from India at seven mt in the year.

Vietnam exported some 1.5 mt during October 2011 to January 2012, while India recorded 2.7 mt during the period. Between April 2011 and January 2012, India's rice exports were worth $3.78 billion, against $1.96 billion during the same period the year before.

Of the total rice exported by India, around 4.5 mt was non-basmati rice and 2.5 mt was basmati.

Pricing, markets

"Indian rice is priced less than Vietnam, which has propelled it to capture traditional markets like Africa," said Ashok Gulati, chairman of the Commission for Agriculture Costs and Prices.He said when India began exporting in September, Vietnamese rice was priced higher than that of India. As India started dropping its rates, Vietnam had to follow to stay in competition. Vijay Sethia, member of the All India Rice Exporters Association, said Indian rice was priced at $360-450 a tonne (FOB), while that of Vietnam was priced at $450-550 and Thailand at $575 a tonne. Pakistan sold at $480 a tonne.

Vietnam was the undisputed leader of the world rice market, exporting eight to 10 mt yearly. It had to undercut after India entered the market in September-October, offering prices almost $100-150 per tonne less than the Southeast Asian nation. Thailand was also priced out of contention as its output dropped because of floods and a high floor price that made its rice costly.

"Basmati rice export was not a problem, as it had its set buyers in West Asia and elsewhere, but it was non-basmati rice which changed the game in favour of India," another major exporter said.

"Some credit should also be given to Indian exporters, who adopted modern techniques to process rice and scouted for newer markets," said Prem Garg, managing director of Sri Lal Mahal group and a leading rice exporter. He said Africa, particularly Nigeria, was one such market which Indian exporters managed to capture because of the quality of rice and the price differential.

"Africa is largely a parboiled rice consuming region. We sold our parboiled rice at $400-500 per tonne, while Thailand could sell only at $580-650 per tonne," Garg said, adding Indian rice was also of a much superior quality.

Momentum challenge

However, there already were signs in April of the pace slackening. "It will be a big challenge to maintain the pace of export in 2012-13, as Nigeria is not expected to purchase at the same level as in 2011-2012," Garg said.

He said total rice exports (basmati and non-basmati) in 2012-13 could drop to around four to five mt, 29 per cent less than last year, as Indian exporters are slowly raising prices. "Most exporters till last year were liquidating stocks accumulated during the ban period, which allowed them to sell at lower rates. However, it is not the case this year, which could nullify the cost advantage that India enjoyed vis-à-vis Vietnam and Thailand," Garg said.

However, with a bumper harvest in excess of 100 mt in 2011-12 and record stocks of a little over 34 mt in state-run warehouses, India will continue to remain a major player in the global market till at least June 2013, even if on a lower scale than 2011-12.

"We should focus more on exporting value-added rice like rice with just five per cent broken content, or else we will lose our advantage," Sethia said.

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Government allows further export of cotton
Surojit Gupta, Times of India

April 30, 2012, NEW DELHI: Under pressure from the Congress party and some of its allies, the central government on Monday allowed fresh cotton exports. A panel of ministers will meet in three weeks to review the situation again.

The government had been under pressure from the Congress party, the Nationalist Congress Party (NCP) to ease the ban on cotton exports. The directorate general of foreign trade (DGFT) had banned exports on March 5, but it was forced to partially permit registered consignments.

The informal group of ministers met under the chairmanship of finance minister Pranab Mukherji on Monday to review the cotton export situation. The panel considered the estimates of the cotton advisory board and the third estimate of the ministry of agriculture.

"After a comprehensive review it was decided that suspension of new registrations for cotton exports be revoked and exports be permitted," a government statement said.

The Cotton Corporation of India has been asked to build a buffer stock of 10 lakh bales to meet any emergency during June, July and August.

"It is true that some other members of the parliament had given their views that some cotton was still available. So we have, therefore, lifted the suspension of fresh registrations for exports and accordingly, the DGFT will take the necessary steps," commerce, industry and textiles minister Anand Sharma told reporters.

He said efforts will be made to ensure that domestic industry needs are met. The textile sector directly or indirectly provides employment to 105 million people and the hand-loom sector also employs a large number of people. "Therefore, a balanced view had to be taken, the GOM will make a fresh assessment in three weeks, Sharma said.

The meeting was attended by agriculture minister Sharad Pawar, commerce, industry and textile minister, Anand Sharma and chairman of the Prime Minister's economic advisory council C Rangarajan.

Earlier, Pawar had slammed the curb on cotton exports and had shot off a letter to the prime minister saying "Indian cotton farmers should not be asked to bear the burden of subsidizing the textile mills."

The cotton advisory board has revised cotton production estimates at 3.47 crore bales from 3.45 crore bales for the current season that ends in September. Domestic consumption has been estimated at 2.5 crore bales from 2.6 crore bales. The agriculture ministry had also revised upwards the estimate for cotton output in the third advance estimates of crop production.

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New procedure by DGFT to speed up cotton exports
Business Standard

Mumbai May 9, 2012: To speed applications from interested cotton exporters, the Directorate General of Foreign Trade (DGFT), under the Ministry of Commerce, has modified the procedure for obtaining registration certifications (RCs).

As against the earlier procedure of personal visits to the respective departments dealing in RCs, DGFT has mandated sending of all documents and associated papers through an e-mail. The purpose is to keep queries, if any, ready by the time an exporter sends hard copy of the applications and other relevant papers.

According to the current practice, an exporter applies with all valid documents in physical form. After these papers are assessed by DGFT, queries are raised. An RC takes weeks and, sometimes, months to obtain. With the new format of application, the RC can be issued within a couple of days.

The procedure is required to be speeded, especially when DGFT issued revised guidelines early this month for cotton exporters. In fact, DGFT clarified through a notification on May 4, that an exporter would be issued a second RC only on filing proof for executing at least 50 per cent of the quantity of exports mentioned in the first RC.

Generally, from the date of RC an exporter requires at least a month to physically ship the quantity of exports. The 50 per cent mandatory shipment clause, therefore, requires executing export orders fast to obtain another RC for the next consignment.

Welcoming the move, M B Lal, an industry veteran, said, “With the revised procedure, only genuine traders would be able to execute export orders fast.”

The price of the benchmark Shankar 6 variety remained stable at Rs 35,000 a candy (one candy = 356 kg) in the Ahmedabad spot market, despite exports being allowed by the government. So far, 16 million bales have been exported. By the end of this month, exporters expect this figure to move up to 20 million bales.

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India frees sugar exports, global prices fall

Mayank Bhardwaj and Ratnajyoti Dutta, Reuters

** Global prices could make exports unprofitable*
** Govt could reinstate limits if domestic supplies threatened*
** Committee to consider wider commodities export policy*

NEW DELHI, May 2:India has removed any limit on sugar export volumes for now, a government source said on Wednesday, adding pressure to global prices, but the world's second-biggest producer could reinstate restrictions later if domestic supplies are threatened.

Ministers met to try to sort out conflicting views on sugar and other agricultural exports from one of the world's biggest food producers.

Farm Minister Sharad Pawar, a powerful ally of the coalition government, had called for more sugar exports beyond the 3 million tonnes already approved for the year to September 30, while the food ministry had dithered on an allocation mechanism.

"Sugar exports have been freed, and there will not be any quantitative restriction, but we will stop it (exports) once it reaches a particular level," the government source told reporters on condition of anonymity.

The decision followed a series of policy flip-flops and delays to implementing overseas sales, which kept global markets on edge.

India took a similar line on wheat and rice exports late last year, removing restrictions on sales but tacitly eyeing a limit in case global demand threatened domestic supplies.

Raw sugar futures sank 1.77 percent to 20.58 cents a lb by 1628 GMT, close to a one-year low, pressured by the potential extra exports and by the start of the harvest in Brazil, the world's largest producer.

"The market does not need Indian export supplies, because the global market is in surplus," said James Kirkup, head of sugar brokerage at ABN AMRO Markets in London, adding that prices could fall enough to make it unprofitable for Indian mills to export.

The government remains anxious over supplies after having to import sugar following a severe drought in 2009, sending international prices spiralling upwards.

In the current year, production is expected to be 26 million tonnes and domestic demand around 22 million tonnes, the second year of a surplus.

"The decision has come due to adequate supplies in the domestic market as production exceeded demand in the last couple of seasons," said Harish Galipalli, head of commodities research at JRG Wealth Management.

"This a long awaited, positive step which will help the industry and farmers," said Narendra Murkumbi, managing director of Shree Renuka Sugars, the country's biggest sugar refiner which last week called for unrestricted exports.

Sugar mills, sitting on higher stocks than they need, owe 100 billion rupees ($1.9 billion) to farmers, Abinash Verma, director general of the Indian Sugar Mills Association, a producers' body, told Reuters on April 24.

The meeting of finance, food, farm and trade ministers with Prime Minister Manmohan Singh also agreed to set up a committee to agree on a long-term policy on grain exports. The issue has pitted Pawar, a champion of farmers, against the food ministry, which is concerned about domestic inflation.

Pawar has also clashed with Trade Minister Anand Sharma over cotton exports, but on Monday these too were freed.

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Exports of farm products under scanner
Appu Esthose Suresh, Mint

May 2, 2012: Law enforcement agencies are scrutinizing India’s exports of agricultural commodities on suspicion that the quantity of overseas shipments is being inflated by racketeers to corner export incentives and repatriate untaxed wealth stashed abroad.

Global efforts to trace, and consequent efforts to “legitimize” unaccounted money have given a fillip to the so-called fictitious exports in the last one year, said officials at multiple agencies tracking the phenomenon.

The agricultural items in question are relatively low-profile commodities such as guar and honey in the case of which exports exceeded domestic production. The money involved in the suspected racket could be as much as Rs.500 crore, according to some of the officials interviewed by *Mint*. To be sure, that's a fraction of the billions Indians are suspected to have stashed away in foreign countries (In February, the Central Bureau of Investigation put the number at $500 billion, or Rs.26 trillion today).

Guar was one of the commodities cited by a senior Central Economic Intelligence Bureau (CEIB) official, who spoke on condition of anonymity. The gum extracted from the beans is used as an emulsifier, thickener and stabilizer in a wide range of foods.

According to a preliminary CEIB investigation, India, which handles one-third of the global supply of guar gum, exported 600,000 tonnes of it in 2011-12. India's total supply of guar in the period was about 1 million tonnes (mt), which can only produce a maximum 300,000 tonnes of the extract.

"How is this possible?" said the CEIB official cited above. "Our investigations are pointing towards two facts. One, by inflating the exports, they are cornering the export benefits. Secondly, we found that the remittance is coming from a third country, different from that of the consignees. We suspect this is a method to route back the money."

The Forward Markets Commission last month barred the trading of guar gum after a sharp rise in its price on the futures market because of speculation. Following this, the National Commodities and Derivatives Exchange terminated all existing futures contracts on guar seed and guar gum.

A report by the Associated Chambers of Commerce and Industry of India on the anomalies in the trading of guar and four other commodities is due this week. The report suggests that unfair trade practices may have been involved in the five commodities, according to a person with the knowledge of its contents. He didn't want to be named.

A senior Directorate of Revenue Intelligence official, who didn't want to be named, said the agency is looking into exports of the commodity.

Enforcement agencies suspect over-invoicing of bills, with the difference being shown as legitimate receipts.

To be sure, there is a more innocent explanation for the mismatch in numbers.

"The export data was wrongly tabulated," said an official in the ministry of food and consumer affairs, also on condition of anonymity. "The husk of guar, which is used in cattle feed, has also been added to the data and that is the reason for the difference in actual production and exports," said this person.

Indian government data is riddled with errors, and data is frequently revised. The government slashed the Index of Industrial Production for January to 1.1% from the 6.8% it had reported previously. This followed sugar production being wrongly reported at 13.41 mt instead of the actual figure of 5.81 mt, the government said on 12 April.

"If there is an excess of exports in comparison to the production, the only possibility I see is that there are third-country imports, which are further exported," said Ajay Sahai, director general of the Federation of Indian Export Organisations. "There has been a lot of trading in the forward market on guar gum, so maybe to meet the demand there could be imports."

Honey is another commodity that's come under focus, according to an official belonging to the Research and Analysis Wing, India's external intelligence agency.

"We have received information from the Federal Bureau of Investigation about the suspicious import of honey from India to the US," the official said. "We collated the data and it is not matching. India's exports to the US in 2011-2012 is over 200 million pounds. This is several-fold more than the total honey production."

During 2010-11, the total export of natural honey was 69 million pounds. One pound is equivalent to 0.45kg.

The CEIB official cited above said that those with black money abroad are feeling the pressure of a global crackdown.

"The Financial Action Task Force efforts at the global level and the leakage of (details of) several (bank) accounts by disgruntled staff have increased their vulnerability and they are trying to bring the money back," he said. "These low-key products are now emerging as a safe route since much of the other commodities" are high-profile, where the chances of detection are higher.

The Financial Action Task Force is an intergovernmental organization formed to combat money laundering and terrorism financing.

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India to raise its concerns over Argentina's import restrictions bilaterally
Amiti Sen, Economic Times

April 30, 2012, NEW DELHI: India has decided to raise its concerns over Argentina's recent import restrictions bilaterally, instead of joining the US and European Union who have taken the country to the World Trade Organization.

The government has asked the Indian embassy in Buenos Aires to arrange a meeting soon with Argentine authorities. This follows discussions between senior commerce department officials and Argentina's ambassador in Delhi.

"The import restrictions, imposed in the form of import licenses and extensive paper work, is so onerous that it has become almost impossible for exporters to send their shipments to the country," a commerce department official told ET. "We cannot leave it on Argentina to settle the problem but have to step in and handle the matter urgently."

The official, however, said India has refused to be part of a group of nations that strongly criticised Argentina's import restrictions at the WTO last month. The group, which includes the US, the EU, Japan and 10 other countries, has accused Argentina of tying up its imports in red tape.

"We did not want to embarrass the country by joining hands with main players of the developed world. But that does not mean that we are going to let the matter rest as it has huge implications for future exports," the official said.

Argentina applied the import restrictions in February in response to a sharp dip in its exportable surplus last year.

The country is an important destination for Indian exporters who are looking at ways to diversify beyond the traditional markets of the EU and the US, especially in the backdrop of the uncertainty gripping the developed world. The government, too, is helping in the initiative by giving incentives under the 'focus market and focus product' schemes.

India's merchandise exports to Argentina were $400 million (about Rs 2,100 crore at current rates) in 2010-11. Although it was just 0.16% of the country's total exports in that year, it posted a jump of 47.5%. But exporters are apprehensive of a dip in figures now because of the new import norms. They are not able to ship consignments for which orders were placed earlier by Argentine importers, who are not able to obtain import licences under the new rules.

"Exports have been hit badly over the last few months. Importers from the country want to buy from us, but are unable to do so as it has become very difficult to obtain import licences after the restrictions were imposed," said Rafeeque Ahmed, president, Fieo.

This has come as a rude shock for exporters from a number of sectors such as commodities, handicraft, leather products and light engineering goods who were slowly and steadily establishing a foothold in the market.

"We have discussed it with the government and are hopeful that something would be done soon," Ahmed said.

The government, at present, is not looking at the WTO path at all to sort out the issue, the official quoted earlier said. "We are hopeful that we will get results through our bilateral consultations. If we don't, then we will plan our future course of action," the official said.

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India to export 2.1 m tonnes of iron ore to Japanese, Korean steel cos
PTI

New Delhi, May 1: India, on Monday, said it would export 2.1 million tonnes (mt) of iron ore to steel mills of Japan and South Korea under a long-term agreement, which would be signed next month.

The iron ore, having 64 per cent Fe content, or high grade lumps, will be sourced from NMDC's Chhattisgarh mines and will be exported through MMTC. The Cabinet had approved the agreement last month.

“I have also conveyed to the (Japanese) Minister about our Cabinet approval for the renewable of the long-term agreement for the export of iron ore. An inter-Ministerial delegation will be reaching Japan within the next two weeks to formally sign the agreement,” Commerce and industry Minister Anand Sharma said here at a joint press meet. Mr. Sharma and his Japanese counterpart Yukio Edano were talking to reporters after their bilateral discussions.

“...right now, the agreement, which will be signed, is for 2.1 million tonnes for this year,” the Commerce Minister said.

The supplies will begin from July and the agreements will be signed for three years, NMDC Chairman N. K. Nanda said here.

“We will begin exports from July as the agreements will be signed by May. Prices will be decided on a quarterly basis,” he said, adding that the export quantity would increase in the next fiscal.

The iron ore will be supplied to leading steel mills of Japan and Korea, including Posco, Kobe and Nippon Steel.

The supply of iron ore, although in smaller quantities, had been a core element of India's bilateral ties with Japan and South Korea and would further strengthen the relations, an official said.

MMTC's earlier contract to supply iron ore for five years to Japanese and Korean steel mills had expired on March 31, 2011, and since then it was pending as price negotiations had not taken place.

Due to expiry of the contract, NMDC had exported only 1.6 lakh tonnes in the last fiscal and that, too, to the Chinese firms on an ad-hoc basis, Mr. Nanda said.

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India likely to press for more access to Japanese pharma market
PTI

New Delhi, April 29: India is likely to press for further opening of pharmaceutical sector by Japan to help domestic industry take advantage of the comprehensive free trade agreement and increase its share in the Japanese market.

The issue is expected to figure in the meeting of Commerce and Industry Minister Anand Sharma and Japanese Minister of Economy, Trade and Industry Yukio Edano tomorrow, a commerce ministry official told PTI.

Both the sides would review the agreement, the official said.

"At present India's share is less than 1 per cent of total Japanese pharmaceutical market. India will urge the Japanese side to remove all non-tariff barriers so that real benefits envisaged under the comprehensive economic partnership agreement (CEPA) are materialised," the official said.

The CEPA between India and Japan came into effect from August 1 2011. Both the sides expects that it would boost bilateral trade to USD 25 billion by 2014.

Indian pharmaceutical industry was set to gain in a big way from the pact as Japan, the world's second largest market, had agreed to cut duties on imports of Indian generic drugs.

As per the pact, the Japanese government would accord no less favourable treatment to the applications of Indian companies than it accords to the like applications of its own persons for drug registration. This would greatly help Indian pharmaceutical companies.

An industry expert said that Indian companies are still facing non-tariff barriers in Japanese market.

With a view to reducing the overall cost of healthcare, Japan may be keen to expand the share of generic medicines, the official said, adding "the demand of generic medicines in the Japanese market and the capability of India to meet this demand will prove a win-win situation for both the countries".

Both the sides are also expected to emphasis on starting negotiations on nursing and health care professional service as soon as possible.

Besides, both the ministers would review the progress of Delhi- Mumbai Industrial Corridor (DMIC), India's USD 100 billion ambitious infrastructure project. Japan has expressed intention to invest USD 4.5 billion (about Rs 23,400 crore) in the project.

The two-way trade between the countries has increased to USD 18.31 billion in 2011-12 from USD 13.82 billion in 2010-11.

India's exports to Japan mainly includes petroleum, gems and jewellery, transport equipment and machinery, while imports include iron and steel, electronic goods, chemicals and metals.

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Bayer challenges India cancer drug ruling
AFP

6 April: NEW DELHI — German pharmaceutical giant Bayer AG has challenged a ground-breaking Indian ruling that allowed a local firm to produce a vastly cheaper copy of its patented drug for kidney and liver cancer.

India's patents chief ruled in March the price Bayer charged for the drug, Nexavar, was "exorbitant" and ordered the firm to give a so-called "compulsory licence" to make the medicine to Indian company Natco Pharma.

"We will rigorously continue to defend our intellectual property rights which are a prerequisite for bringing innovative medicines to patients," Bayer spokesman Aloke Pradhan told AFP in an emailed statement on Saturday.

The patent controller's order "damages the international patent system and endangers pharmaceutical research", Pradhan said.

It was not immediately known when the appeal, filed with the country's Intellectual Property Appellate Board on Friday, would be heard.

Drug firms insist they need patent protection for medicines to recoup costs of long years of research and development.

Under the World Trade Organization's TRIPS Agreement, which governs trade and intellectual property rules, compulsory licences are a legally recognised means to overcome barriers in accessing affordable medicines.

The Indian ruling in March marked the first time a so-called "compulsory licence" for production of a patented drug had been granted in the country of 1.2 billion, known as a global generics drug powerhouse. India has long been a key provider of cheap generic medicines to the developing world as it did not issue drug patents until 2005, when it was obliged to adhere to WTO intellectual property regulations.
But after a new patent law was introduced in 2005, newer medicines are increasingly being patented in India, keeping prices high.

Under the ruling, Natco will pay Bayer a six percent royalty on sales of the drug and sell the medicine for 8,800 rupees ($165) a month -- compared to the 280,000 rupees ($5,320) the company charges, which is more than 30 times as much.

Patent controller P.H. Kurian granted the right to Natco to produce the drug after concluding Bayer's pricing made it "out of reach" of most Indian patients.

Experts have said the Indian ruling could pave the way for a rush of other "compulsory licence" applications in India and in other poor nations, allowing access to patented life-saving drugs at a fraction of the cost.

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India protests US's move to put it on IP rights watch list
Asit Ranjan Mishra & Vidya Krishnan, Mint

May 8, New Delhi: The government strongly objected to the US placing India on a priority watch list in its latest trade representative's report, which raises concerns over the country's enforcement of intellectual property rights.

In a letter to the US trade representative Ron Kirk, commerce minister Anand Sharma termed the move "unilateral, unfortunate and unjustified".

India has a stable intellectual property regime fully compliant with trade-related intellectual property rights (TRIPS) and a strong enforcement mechanism, Sharma wrote in the letter, which *Mint* has reviewed.

In the US trade representative's Special 301 report published last week, it urged India to continue to work to streamline its patent opposition proceedings. "The US will closely monitor developments concerning compulsory licensing of patents in India following the broad interpretation of Indian law in a recent decision by the Controller General of Patents, while also bearing in mind the Doha Declaration on TRIPS and Public Health," it said.

Trade between India and the US has soured in the recent times with both the countries taking each other to the World Trade Organization (WTO) to fight out differences in policies.

The US approached the WTO seeking a consultation with India after the country in March banned imports of the US poultry. India followed this with seeking a consultation with the US over import duties levied on Indian steel products. India also said it will take the US to WTO against what it calls a discriminatory visa fee regime against Indian information technology firms. Consultations at the WTO is the first step towards resolving a disagreement before entering into a full-fledged legal dispute. Both sides have already postponed twice the crucial eighth round of US-India trade policy forum talks.

In March, India's Controller General of Patents passed an order allowing Hyderabad-based Natco Pharma Ltd to manufacture and market a copy of Bayer AG's liver and kidney cancer drug Nexavar—the first time an Indian firm was granted a so-called compulsory licence, which permits a generic drug producer to make and sell its version of a patented drug without the consent of the patent holder. The US raised concerns over the development holding that this may weaken the global patent regime under TRIPs.
"The world is eagerly watching India and if we give in now it will only lead to recolonization. The Indian government is favouring Indian drug makers, but if we succumb to US pressures, we will go back to the 1970s—when we had to depend on other countries for life-saving drugs," said Chinu Srinivasan, public

health activist and managing trustee of the non-governmental organisation Low Cost Standard Therapeutics.

“This is a battle between Indian companies and global giants. In any case, it is disheartening to note that people or public health does not figure in this debate and (the focus) remains purely on trade,” he added. Sharma said India was found to be compliant with all WTO regulations in a recent review of the country’s trade policy at WTO. India’s intellectual property regime has seen many steps in the recent times to improve efficiency and transparency and measures have been taken to accede to the Madrid Protocol, he added.

The Madrid Protocol is an international treaty adopted in 1989 enabling owners of trademark applications and registrations to extend their rights to dozens of other member countries. Also, “legal developments in the copyright field are at an advanced stage and are awaiting the required parliamentary approvals,” Sharma said.

A US report in December identified Nehru Place in New Delhi as among the 30 most notorious IT markets of the world dealing in goods and services that infringe intellectual property rights. Sharma assured the US trade representative that the intellectual property regime in India will continue to be responsive to the country’s needs, especially on public health issues, within the parameters of flexibilities available under TRIPS.

“The application of law will be equal across residents of all countries including India,” he said.

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China imports losing ground in India
Namrata Singh, Times of India

May 10, 2012, MUMBAI: The share of 'Made in China' goods in India's consumption economy has eased as the dragon struggles to keep its cost-competitive manufacturing story going. China's overwhelming grip over supplies of stationary products, fabrics, toys and lighting products started loosening over the past year.

Consider this: ITC sourced 100% of its stationery products like pencils, geometry boxes and scholastic products marketed under Classmate brand from China. But imports will fall below 10% this year as the Indian behemoth moves sourcing back to India in a big way.

Chinese products had over 70% share of the domestic toy market, which is falling to about 50%. Fabric sourcing from China by the local garment makers declined 10% in the last 12 months. It's share of the lighting sector - where the market for CFL bulbs was mostly developed by Chinese imports a decade ago -has dropped to 15% from over 50% in 2007. Indian manufacturers are sighting gains even as China's factory prowess weakens on the back of an appreciating yuan, rising inflation and soaring wages in the wake of labour reforms in recent past.

Indian companies are bringing production back home, or taking it to other competitive markets - part of a broader global phenomenon playing out for almost two years now. "We are developing vendors here now for all our products which we were earlier importing.

Imports will now be restricted to select premium products. China used to cater to the world's stationery requirement. Now, some of it will come to India. It is already moving into Vietnam," said Chand Das, chief executive of ITC's education and stationery products business.

China's discomforts present a significant opportunity for local manufacturers to serve a robust domestic demand as well as book a pie of the global sourcing from transnational corporations. Funskool, India's leading toy company, has been approached by global biggies to source production from its Goa plant to offset rising costs in China. "All the big players are looking at India for manufacturing support. While Indonesia has already got many orders, some are expected to come to India as well," said John Baby, CEO, Funskool (India), a joint venture between MRF and Hasbro of USA. "Two to three companies have approached us and are doing audits at our factory. We will be able to add capacity if we get these orders," said Baby.

The story is similar for the lighting industry where the Chinese glow is dimming fast. The 350-million-unit CFL bulb market in India has witnessed dwindling share of imports from the neighbouring giant. The evolution of the lighting industry in the past decade, from incandescent light bulbs, which did not require much of electronics, to LED lamps, which are entirely made from electronic ballast technology, has encouraged indigenization of the lighting industry.

"Chinese CFLs initially flooded the Indian market. But eventually they failed to create an impact because they couldn't meet Indian market conditions where power situation varies in different parts of the country," said Arun Gupta, managing director, NTL Electronics India, one of the largest electronic manufacturing companies in lighting in India. Gupta also argued that electronics, driven by intellectual properties, has become the backbone of lighting industry, where China has lagged behind.

But Chinese supplies have made inroads into India's infrastructure and capital goods industry at a time when its hold over the consumer products market has weakened. Anil Ambani's Reliance Group, for instance, has struck major equipment sourcing contracts in China for its power and telecom businesses in return for cheaper loans. Chinese equipment makers have also backed telcos like Bharti Airtel in their recent 4G roll-outs.

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Chinese, Indian Subsidies
Washington Trade Daily

April 27, 2012, Geneva – China and India yesterday fought back against US charges that they have repeatedly failed to notify the World Trade Organization of their subsidy programs – especially those granted by their sub-central entities, WTD has learned.

At a regular meeting of the WTO committee on subsidies and countervailing measures, the United States said it is concerned about the absence of notification by China of its sub-central programs.
Despite submitting a list of about 200 subsidy programs during the committee's last meeting, China has yet to notify another 190, a US official informed the committee, according to participants familiar with the meeting.

The European Union, Canada, Japan, Norway and Turkey joined in the US criticism of China.
China claimed there is lot of misunderstanding about its economic programs. A Chinese official said it had not only notified all the programs, but is ready to exchange information about the technical aspects of the contested programs.

On India, the United States charged that its recent subsidy notifications also did not include sub-central subsidy schemes. The US official complained that some 50 sub-central subsidy programs were not notified.

An Indian official said New Delhi notified all programs to the committee. He said India is not required to notify many of the alleged subsidy programs because they are not specific subsidies. The official stated that programs meant for industrial infrastructure development in backward areas, the steel development fund and leather investment fund were not specific subsidies subject to WTO disciplines. The United States and Turkey also complained that India continues to provide export subsidies to its textile and apparel sector despite attaining export competitiveness in 2007. India has a 3.5-percent share of the global market for textiles and apparel products, according to a WTO report.

Instead of phasing out export subsidies, the United States said India and China have gone in the opposite direction. Turkey said India’s textile and apparel export subsidies pose difficulties for its exporters.

On a separate issue concerning the US preliminary countervailing duty determinations on imports of its circular carbon welded pipes, India expressed sharp concern over what it called a highly unreasonably duty of 285 percent.

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India has initiated 275 anti-dumping cases since 1992

PTI

New Delhi, May 2: India has initiated 275 anti- dumping investigations between 1992 and March 2012, involving 42 countries, Parliament was informed today.

"From 1992 till March 31, 2012, the Directorate General of Anti-Dumping (DGAD) has initiated 275 anti-dumping investigations into cases involving 42 countries/territories," Minister of State for Commerce and Industry Jyotiraditya Scindia said in a written reply to the Rajya Sabha.

The DGAD is a nodal investigation agency under the Commerce Ministry.

He said as on December 2011, measures in respect of 112 cases are in force.

"The countries prominently figuring in anti-dumping investigations are China, Korea and Singapore and the major product categories on which anti-dumping duty has been levied are chemicals and petrochemicals, pharmaceutical, steel and consumer goods," he said.

Unlike safeguard duties, which are levied in a uniform manner, anti-dumping duty varies from product-to-product and country-to-country.

Countries initiate anti-dumping probes to check if their domestic industries are being impacted because of a surge in cheap, or below-normal-cost, imports.

As a counter-measure, they impose duties as provided for under the multilateral regime of the WTO.

Anti-dumping measures are taken to ensure fair trade and provide a level playing field to domestic players. It is not a measure to restrict imports or cause an unjustified increase in the cost of products.

In an another reply, Scindia said Rs 264.28 crore has been collected as penalty from tobacco growers since 2000-01 up to February 2012.

"During the same period, an amount of Rs 2.81 crore has been collected as cess," he added.

He also said the Tobacco Board is spending the money collected as penalties on several welfare activities being run by tobacco growers.

"The cess amount collected from the growers are remitted to the consolidated fund of India every year," he added.

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US, EU question India's special import levies to 'safeguard' domestic industry from import
Amiti Sen, Economic Times

May 3, 2012, NEW DELHI: The US and the EU have questioned India's special import levies to 'safeguard' domestic industry from import, saying they may have been calculated in a non-transparent manner.

India has said the safeguard duties were within the bounds of World Trade Organization (WTO) rules. "Our representatives at the meeting made it absolutely clear to those raising concerns that our safeguard procedures are fully consistent with the WTO," a government official told ET.

The US and the EU expressed concerns about the transparency and due process in India's safeguard investigations at a recent meeting of the WTO's safeguard committee.

Despite India's assurance that duties were in order, the US said it would be submitting specific concerns to New Delhi within a few days.

"We would gladly answer all queries, but they have to be made first," the official added.

The WTO allows member countries to impose safeguard duties, which are short-term import levies over and above the existing import duties, if there is evidence of a surge in import of a particular product. The affected country also has to prove that the surge in imports was causing injury to the domestic industry.

"We have a detailed procedure on the lines of norms prescribed by WTO to carry out our safeguard investigations and duties are imposed only when we are fully satisfied that all conditions have been met," the official said.

There were about 10 instances of safeguard duties imposed on imports by India between 1998 and 2004. The country did not impose any safeguard duties between 2004 and 2008 when it relied mainly on anti-dumping duties to check cheap imports.

It started safeguard investigations again in 2008 following an upsurge in imports in the backdrop of the global economic slowdown. In the past five years, the finance ministry has come up with about six notifications imposing safeguard duties.

"The cases that have been rejected are far more than the notifications made. This shows that we are not blindly imposing safeguard duties," the official said.

The US and the EU, like other WTO members, too, have been imposing safeguard duties on a number of products to restrict imports.

Interestingly, India, which had earlier requested the safeguards committee to examine whether or not the procedural requirements have been complied with in connection with the safeguard measures taken on cotton yarn by Turkey, asked for removal of the item from the agenda before the meeting.

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U.S. Envoy Seeks Lift in Trade with India
Amol Sharma, The Wall Street Journal

28 April 2012, NEW DELHI -- In her first public remarks since taking over as U.S. ambassador to India, Nancy Powell said the two countries can expand their commercial ties by negotiating a bilateral investment treaty and reducing barriers American businesses face.

"I firmly believe the partnership between the U.S. and India can deepen in every sense in coming years," Ms. Powell told a meeting of the American Chamber of Commerce in India on Friday. "The business of the U.S. mission in India is business."

Ms. Powell's stint as ambassador comes as U.S. companies and investors are becoming skittish about India's regulatory environment, especially proposed capitals-gains tax liabilities for transactions involving foreign companies, some retroactive to 1962.

The U.S. government also is concerned about India's purchases of oil from Iran despite international sanctions on the country. Iran supplies 12% of India's crude.

India, for its part, is expected to lodge a complaint soon in the World Trade Organization about a U.S. law that nearly doubled fees for skilled-work visas, according to a senior Indian official. That U.S move hit the bottom lines of Indian outsourcing firms.

Ms. Powell said her priorities in India during her tenure are to bolster trade relations as well as defense and counterterrorism cooperation, and to work closely with India to enhance its roles in the Indian Ocean region and international and multilateral groups.

"It is an incredibly important agenda for both countries," she said.

She noted that trade has grown substantially between the countries in recent years. U.S. goods exports to India jumped to $21 billion from $3 billion since 1995. "It can only go up," Ms. Powell said.

Among the most promising areas of cooperation for the U.S. and India are defense, infrastructure, homeland security, nano-technology and bio-technology, she said.

But U.S. firms and institutional investors are among the foreign players put off by a spate of proposals recently in Delhi—including a tax on international mergers in which Indian assets are transferred. They also are frustrated by New Delhi's slow pace of opening sectors such as retail, insurance and defense to boost foreign investment.

Ms. Powell said she has heard such concerns from U.S. executives and said the Indian policy moves have "dampened sentiment about India's investment climate."

She said the two nations could "enhance transparency and predictability" by striking a bilateral investment treaty. Washington recently announced a new model for such pacts.

The Indian tax proposals will come to Parliament for final passage next month as part of a budget package, and foreign investors from around the world have been lobbying India to relax the measures. Addressing the same event on Friday, C. Rangarajan, chairman of the economic advisory council to Indian Prime Minister Manmohan Singh, said that India "must continue to make an environment where foreign capital will be coming into the country" and that the government will "allay the fears and concerns" of foreign investors.

Ms. Powell presented her credentials to India's president on Tuesday. She has previously served as U.S. envoy to several South Asian countries, including Pakistan, Bangladesh and Nepal, and had diplomatic positions in New Delhi and Kolkata. Coming to India "feels like a homecoming," she said.

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India-EU trade deal runs into liberalization hurdle
Asit Ranjan Mishra, Mint

The deal may not happen unless govt eases foreign investment rules in banking, legal, postal services, say analysts

May 6, 2012, New Delhi: The proposed free trade pact between India and the European Union is stuck because India has failed to open up sectors such as legal and postal services for foreign investment and further liberalize sectors such as banking, insurance and pension, besides the contentious multi-brand retail.

Admitting this for the first time, a top commerce ministry official said the deal is unlikely to materialize unless India allows higher foreign investment in some of these sectors. “The future of the deal is now at the hands of the politicians,” the official said, requesting anonymity.

After the ongoing Parliament session is over on 22 May, the deal could still be sealed if the government pushes through some of the reforms till it gets busy with the presidential elections in July, he said. After that, the assembly elections in Himachal Pradesh and Gujarat by the end of the year may limit the scope of any significant policy decision, he said.

The government has become even more cautious in carrying out key economic reforms after it had to postpone its decision to allow 51% foreign direct investment in multi-brand retail following protests from opposition parties and some key allies such as the Mamata Banerjee-led Trinamool Congress. A decision on a less politically contentious issue of allowing FDI in the beleaguered aviation sector by foreign airlines has also been delayed even after open support from key ministries within the government.

Talks for the bilateral trade and investment agreement between the two sides started in 2007. Both sides have missed at least five deadlines, the latest being in April, to complete the negotiations. They held the 14th round of talks in the last week of April.

According to the EU, India is expected to gain €5 billion and the EU at least €4 billion in the short-term alone. The EU as an economic bloc is India’s largest trade partner. In 2010, it imported goods valued at €33.2 billion from India and exported goods worth €34.7 billion. Services exports to India stood at €9.8 billion and imports at €8.1 billion.

The deal is not making headway because India does not have the laws in place, according to Arpita Mukherjee, professor at the Indian Council for Research on International Economic Relations, a Delhi-based think tank.

“India’s approach of ‘give nothing and get nothing’ in trade negotiations does not work with the EU,” Mukherjee said. “They want a solid package which they can sell to their domestic stakeholders, especially when their economy is not doing well.”

She said India is also not able to derive a good package in services from the EU because it has nothing to offer in return.

Joao Cravinho, EU ambassador and head of delegation to India, told reporters last week that he expects the negotiations to be concluded by the end of this year.

However, he said clarity on issues such as duty concessions on wines and automobiles from the Indian side and liberalizing the visa regime for Indian professionals from the European side needs to be worked upon.

Cravinho hoped that greater clarity is expected on the pact during the scheduled June visit to Brussels by trade minister Anand Sharma.

“We hope when minister Sharma goes to Brussels, there will be an occasion for some clarity on the horizons,” Cravinho said. “When the political leadership meets in June, perhaps we can have a breakthrough.”

On the visa issue, Cravinho said: “We can liberalize the visa regime. I hope we can significantly improve the opportunity for India to send people to EU to send people to send services to European companies.”

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S.Africa, India trade to reach $15 bn before 2014: Zuma

AFP

JOHANNESBURG, May 3, 2012: Trade between South Africa and India will reach the target of $15 billion (11 billion euros) per year before a self-imposed 2014 deadline, South African President Jacob Zuma said Thursday.

The two countries agreed to increase their commercial exchanges during Zuma's state visit to India in 2010.

But they are on track to reach the mark ahead of schedule, Zuma said during a return visit from Indian President Pratibha Patil.

"We set a target of 15 billion dollars of trade between South Africa and India, to be achieved by 2014. According to current trade statistics this could be reached earlier than anticipated," he told the South Africa-India business forum in the South African capital Pretoria.

"The figure by the end of 2011 was close to seven billion dollars. We are on the right path indeed."

Africa's largest economy grew 3.1 percent in 2011, but is dragged down by a 23.9-percent unemployment rate.

Nigeria, the continent's most populous nation and largest oil producer, was India's largest trading partner at $10 billion in 2010.

"Let me remind you that you are in the right continent at the right time. The African continent is the new frontier of economic growth and development," said Zuma.

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India ready to open more land border crossings: Sharat Sabharwal
Asha Rai, Economic Times

8 May, 2012, LAHORE: India is willing to look at opening more land border crossings with Pakistan, for instance, at places like Munnabao in Rajasthan, India's high commissioner to Pakistan Sharat Sabharwal said on Monday. He was addressing the inaugural session of the 2nd Aman Ki Asha Indo-Pak Economic Conference. At present, the Attari-Wagah post is the only land border transit point between the two nations.

Later this month, home secretaries of the two countries are expected to sign on an agreement to liberalise the business visa regime. In the works are multiple entry visas, abolishing police check-posts and multi-city visas.

These measures are expected to give a fillip to Indo-Pak trade, which today is languishing at below $3 billion. The Indian commerce ministry believes that trade between the two countries can touch $12 billion in the next five years, Sabharwal said. He reiterated commerce minister Anand Sharma's promise that "for every one step Pakistan takes, India will take two", to further trade between the neighbours.

Delivering the keynote address, Pakistan Prime Minister Syed Yousaf Raza Gilani said core issues should be settled through dialogue and called for enhanced people-to-people contact. He said his government was committed to normalisation of relations. "Non-state actors from both sides of the border are determined to harm relations. We need to be vigilant. He said that in sectors like information technology, education, health engineering, there is huge scope for cooperation. He commended The Times of India and Pakistan's Jang Group for launching the Aman Ki Asha initiative when tensions were running high between the two nations.

Speakers at the conference highlighted the fact that improved economic relations between India and Pakistan would lead to peace and prosperity. But a few delegates said they were worried that offering most favoured nation (MFN) status to India might result in highly skewed trade relations with the balance tilting in favour of India. These worries were addressed by Pakistan business leaders like Mian Muhammed Mansha, chairman, MCB Bank, and Bashir Ali Muhammed, chairman, Gul Ahmed Group.

They were unequivocal in saying that more trade would only benefit the Pakistani people. Industry would benefit from greater competition in the long run. Mansha said he was keen on starting a bank in India. Adi Godrej, CII president and head of the Godrej Group, said the two largest economies of South Asia should work together to ensure that bilateral trade touches $10 billion in the near term. Textiles, agriculture, engineering, IT, education and health care are sectors which can see immediate traction, he said. "Removal of tariff barriers should set in motion processes for the removal of asymmetries in trade."

Group managing director of Jang Group Shahrukh Hasan said the Aman Ki Asha initiative had helped change perceptions in both countries. "Peace, which has been tantalizingly elusive, is inevitable," he said.

He and almost all speakers said that a liberalised visa regime was a must for any forward momentum in relations. "MFN and FDI are of no use without people being able to travel across the border," he said. Rahul Kansal, executive president, Times of India Group, said that history has shown that when foes develop deep economic stakes in each other, war becomes a non-option. "We are at a historic moment; it will be a pity if we can't seize the opportunity."

Aman Ki Asha is an initiative of The Times of India and the Jang Group of Pakistan and is co-sponsored by CII and Pakistan Business Council.

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A year on, India-Pakistan trade relations leapfrog

Nayanima Basu, Business Standard

New Delhi Apr 27, 2012: Saturday would mark the completion of a year of history being made in India-Pakistan trade relations. On April 28, 2011, both sides had issued an ambitious joint statement that vowed to improve trade ties between the neighbours, a move that had raised several eyebrows.

The statement was issued after the fifth round of commercial and economic cooperation talks between India's Commerce Secretary Rahul Khullar and his Pakistani counterpart, Zafar Mahmood, in Islamabad. The talks were spearheaded by Commerce & Industry and Textiles Minister Anand Sharma and Pakistan Commerce Minister Makhdoom Amin Fahim, though the foundation was laid by Prime Minister Manmohan Singh and his counterpart, Yousuf Raza Gilani. The discussions had heralded a new future in bilateral economic relations.

The statement had proposed some far-reaching and ambitious targets, which at that time seemed impossible to achieve, given the history of the two nuclear-armed neighbours. The proposals were strengthened by the successive visits of Fahim and Mahmood to India and Sharma's visit to Pakistan earlier this year.

One of the primary proposals in the joint statement was Pakistan granting a trade status of most-favoured nation (MFN) to India to increase trade between the two.

In November 2011, Pakistan's Cabinet gave an in-principle approval for 'trade normalisation' with India, and said the MFN status would be granted gradually. It was understood that when the MFN status would be granted, all items, excluding those in the South Asian Free Trade Agreement sensitive list, would get preferential access at the peak tariff level of five per cent by the end of 2012.

In March, Pakistan did away with the positive list with India completely, and introduced a negative list. So far, Pakistan had maintained a so-called 'positive list' for trading with India. This list accounted for 1,963 items it could import from India.

However, now, it opened its markets to a much wider range of Indian goods, though it introduced a negative list of 1,209 items it couldn't import from India. As a result, India can now export more than 7,500 tariff lines to Pakistan. The move was hailed by business communities from both sides.

Though it was initially planned that Pakistan would introduce the negative list by October 2011, the process was delayed, as India was not able to remove some non-tariff barriers it had promised, to increase the flow of Pakistani goods into Indian markets. Also, the Pakistan business community was apprehensive of domestic industry being hit by the flooding of Indian goods in that country.

Another significant proposal in the joint statement was the relaxation of the visa rules for businessmen. The joint working group set up for this purpose had finalised a proposal that would reduce the paperwork required to secure visas and do away with the mandatory police reporting for those visiting India for business purposes.

The Ministry of Home Affairs has now approved a policy with two broad categories of criteria, based on which a Pakistani businessman can secure a single entry or multiple entries in a year. The home secretaries of both countries would meet by the end of next month, after which the new visa rules would be notified.

The long-drawn proposal of opening bank branches in each other's territory has also made considerable progress. Officials from both central banks, the Reserve Bank of India and the State Bank of Pakistan, had recently met and finalised a deal to open banking outlets in each other's country, a move that would reduce transaction costs for exporters. Approvals of India's Department of Economic Affairs and the Department of Industrial Policy and Promotion and Pakistan's finance ministry are awaited.

An integrated checkpost at the Wagah-Attari border was scheduled to be made operational by October 2011 to boost trade through the land route. However, it was opened earlier this month. As a result, trading hours would now be increased and infrastructure for large container vehicles would be set up.

The checkpost at the border was opened days after Pakistan President Asif Ali Zardari visited India and held extensive discussions with Prime Minister Manmohan Singh. External Affairs Minister S M Krishna said both leaders discussed significant changes in economic relations. He added Prime Minister Singh had told Zardari to take strong action against terrorism to ensure a smooth bilateral relationship.

In another significant step, India would soon allow foreign direct investment from Pakistan by amending the Foreign Exchange Management Act. Though the government has already given its in-principle nod to the proposal, the formalities are still being worked. The ministries of home, defence and finance, which had earlier expressed reservations on the move, are now on board and it is expected the Reserve Bank of India would notify the rules soon.

Both countries have also agreed to try and increase bilateral trade from the current $2.7 billion a year to $6 billion by 2013-14.

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India's export imperatives and trade negotiations
Suparna Karmakar, Mint

India's commercial service sector prowess is under challenge and is in danger of being overshadowed

May 8: India is again at the centre of global foreign policy discourse, and not for good reasons. The present government's proclivity to sacrifice reforms at the altar of short-term political expediency has given rise to unkind remarks about India being a delusional great-power-to-be and suffering from a surprisingly xenophobic attitude.

Unsettling as disdain can be, it's the current disaffection with reforms and liberalization coupled with populism at both the centre and the (majority) state levels that has made the country its own worst enemy. Asinine priorities have sapped the government's ability to invest in meaningful projects and their manifestation in the country's recent budgets has seen an explosion of the nation's deficits. As a recent

Citigroup analysis puts it: “India has always had deficits, but now they are no longer small. The rising deficits—(1) current account, (2) fiscal (government profligacy), (3) governance (self-inflicted) and (4) liquidity (cyclical, with strains of structural)—are feeding on themselves and have contributed to a derating of the India story.” Not surprisingly, S&P’s recent sovereign outlook downgraded India from stable to negative, with a proviso that “there is a one-in-three likelihood of a(nother) downgrade over the next 24 months” (current rating is BBB-).

The downgraded outlook has its basis in the recent sad performance of the economy. For FY12, core sector growth was 4.3% against 6.6% in the previous year, with the crucial areas of Index of Industrial Production growing at dismal rates owing to a contraction in the energy and electricity sectors. In the circumstances, even the projected revised outlook of sub-7% gross domestic product (GDP) growth in FY13 seems optimistic, and could see a downward adjustment of up to a percentage point. The year started poorly with an insignificant headline Purchasing Managers’ Index rise that is easily reversible given the negative inventory trends, and looking ahead, strong headwinds indicate difficulties in achieving better economic performance in the months to come.

Simultaneously, India’s trade performance has come under a cloud. The official position appears optimistic, as despite challenging economic environments in major markets such as the US and Europe, India reportedly crossed the merchandise exports target of $300 billion for 2011-12. However, India’s trade deficit touched a record high at $184.9 billion for 2011-12 (about 10.6% of GDP) as imports outpaced exports by a huge margin. Government data also showed that exports for the month of March fell 5.7% to $28.7 billion compared with a year ago, while imports rose 24.3% to $42.6 billion.

More worryingly, India’s global commercial service sector prowess is already under challenge and will be entirely overshadowed unless our policymakers wake up from their current complacent slumber quickly. This is significant since India’s particular development path has relied on fast-growing services. But the outlook for some of the dynamic service sectors in the economy is now linked to the global economy and the unfolding events in the euro area could lead to further sluggishness in the export-oriented parts of the sector. Doomsday forecasters could, in fact, be forgiven for postulating a recurrence of the balance of payments crisis a couple of decades earlier which had brought the country to its economic knees.

But is that fate inevitable? It would appear that the government is hard at work to reverse the trend on the trade front, especially in view of the many free trade agreements (FTAs) under negotiation. The concern, however, arises from India’s ability to negotiate meaningful market access in both goods and services (either multilaterally or through FTAs) in a world which for all purposes is deglobalizing. Even at the recently concluded Unctad XIII meetings the Organisation for Economic Co-operation and Development countries never showed any sign that they are prepared to break the current World Trade Organization (WTO) deadlock and discussions centred more on matters of principle than on practical accommodation of concerns.

A recent trip to Brussels has made me aware of how utterly hesitant and insular the sentiments in individual European Union (EU) member states have become, despite their public assurances to the contrary. The financial crisis and ongoing recession-induced deglobalization of the financial markets have already found their parallels in trade (though maybe not in tariffs, unlike the 1930s), as was apparent from my discussions with functionaries in the European Commission as well as individual European parliamentarians. It is thus unlikely that India-EU trade negotiations will be concluded anytime soon, the latter requiring progress that the negotiating heads of states can proudly showcase to their electorate. India’s trade deal with the other regional blocks to its east is also stuck, facing serious roadblocks over the issue of movement of professionals.

Course correction, therefore, calls for urgent interventions from the polity, and action lies solidly at home. It may be recalled that China's recent commercial services export boom has been based on impressive growth in its infrastructure and trade-related services, liberalized as a part of its accession to WTO. India too must find ways to speed up domestic liberalization and regulatory reforms, both in traded and non-traded services sectors.

(Suparna Karmakar is a trade economist)

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