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Indian exports to remain in troubled waters in 2012-13
Nayanima Basu, Business Standard

New Delhi, Feb 07, 2012: If 2011 was a difficult period for Indian exports, 2012-13 would be worse. Exports had a healthy run in the first half of 2011-2012, while growth rates had been steadily falling since August. However, exporters are set to begin the new financial year with growth rates that are already grim, and down to single digits.

According to analysts and economists, while exports are facing severe shortage of demand in developed countries, even new markets would fail to ease the burden, as these also depend heavily on exports to Europe and the US.

The order books for the summer of 2012 have already seen drops of 20-30 per cent, and exporters are not very hopeful of orders in the spring or winter as well. “The big stores and outlets in Europe are all asking for a discount. The situation is very grim, as the supply is more and demand is shrinking by the day. Compared to 2011 summer orders, this year these are almost 30 per cent down,” said M Rafeeque Ahmed, president, Federation of Indian Export Organisations (FIEO) and chairman, Farida Group, a leading leather exporting firm.

Commerce secretary Rahul Khullar had recently said 2012-13 would be harder for exporters, as a solution to the euro zone crisis was still uncertain, and recovery in the US was sluggish. Looking at the government’s fiscal condition, it might not be able to dole out incentives for exporters, unlike previous years, he had said.

“The first couple of quarters of 2011-2012 had been very robust, but things have come to a standstill since then. We have no hopes of doing better, even in the upcoming financial year, which is already starting on a very poor note. It is not easy to go to new markets at this juncture. There is a fear factor among exporters, owing to the high volatility in exchange rates,” said R Maitra, executive director, Engineering Exports Promotion Council.

Engineering exports had seen a robust performance in recent years. In 2010-11, engineering exports reached $60 billion. According to Maitra, engineering exports would not exceed $60 billion this financial year. He said one of India’s primary markets was Germany, and exports were not faring well even there. About 40 per cent of India’s engineering exports are meant for the European and American markets.

However, experts do not foresee exports going into negative territory, a scenario in which revenue would be lower than that seen in 2011-12, though growth rates are expected to be tepid.

“I do not foresee a negative rate of growth for exports, but surely, there would be reduced levels of growth. The EU is in a bad shape, and so is the US. Things are not that bright in the Asean countries as well. Lifestyle products such as gems and jewellery and handicrafts would take a major beating in 2012. But we might not see a reduction in absolute exports,” said K T Chacko, director, Indian Institute of Foreign Trade.

Exporters had demanded the extension of interest subvention to other sectors in the Budget for 2012-2013. In a pre-budget meeting with finance minister Pranab Mukherjee, FIEO had said exports should be included in priority sector lending.

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India among major commercial service exporters in 2010: WTO
PTI

New Delhi, January 31, 2012: India and China were among the leading exporters of commercial services in 2010, a World Trade Organisation (WTO) report has said, with the total value of these activities growing by 9 per cent to USD 3,695 billion during the 12-month period.

"In 2010, world exports of commercial services grew by 9 per cent... Despite this global rebound, exports remained below the level achieved before the financial and economic crisis," the 'International Trade Statistics 2011' report said, adding that the recovery has not been even across regions.

"... The most rapid growth has been in Asia, where exports rose by 22 per cent in 2010, led by India and China," it said.

During the period, the European Union's (EU) exports grew by merely 3 per cent. Nevertheless, Europe accounted for 45 per cent of total trade in commercial services.

In recent years, it said that Europe's share of global exports of commercial services has fallen significantly.

Asking the global community to refrain from protectionist measures, World Trade Organisation Director General Pascal Lamy said as the world enters the final quarter of 2011, it finds itself again in a situation of financial turmoil.

"The positive signs of growth in the first part of the year have been clouded by the sovereign debt crisis and ensuing currency turbulence, which have brought us to the edge of a new crisis," Lamy said.

"During these times, it is all the more important to avoid protectionist responses to domestic difficulties and to do all we can to keep trade open and flowing as smoothly, predictably and freely as possible," he said.

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WEF Davos 2012: 'India, G20 countries don't have enough resources to handle another recession'
Sudeshna Sen, The Economic Times

31 January 2012, DAVOS: India and other G20 countries do not have enough fiscal headroom

to tackle another global crisis of the magnitude that happened in 2008, commerce and industry minister Anand Sharma said.

"The situation was much more comfortable in April 2009 than it is now, and governments will find it difficult to provide the kind of stimulus packages we were able to offer then," he told ET after meetings with world trade leaders and IMF chief Christine Lagarde.

"We are keeping a close eye on capital flows and the situation in the Euro zone," he said.

He also assured international investors at Davos that the Indian government has not rolled back its decision to allow 100% FDI in multi-brand retail. "It is going to happen, there's no question of a rollback, we are just building consensus," he said, though he refused to specify a time frame. Speaking to ET, he pointed out that he'd had a stream of meetings with representatives of top global retail brands. "They live in countries where there is a democratic set-up, and I think they understand," he said.

He expressed concerns on a contraction in global trade. "Exporters are sitting on inventories, and we have not seen the growth in trade that we hoped or expected, in EU or the US. It worries us, because if exports don't grow, there is pressure on the trade account, especially given the very high oil prices," he said. "However, we are still growing in exports," he said.

Anand Sharma also insisted that multilateral WTO trade talks have hope, "because even in differences, we had a very open and frank discussion."

Bilateral trade deals, he pointed out, can only supplement multilateral talks, and cannot replace them. He said that collectively, political leaders and ministers were committed to move on the stalled Doha talks.

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Crisis must not change India's course

Martin Wolf, Financial times

February 08, 2012: What do the financial and economic crises of the high-income countries mean for emerging and developing countries? I addressed this in New Delhi last week, at a discussion sponsored by the Federation of Indian Chambers of Commerce and Industry (FICCI), the Consumer Unity & Trust Society (CUTS) and the Financial Times. The conclusion I drew was that the crisis is dangerous. But this is not so much because of its direct effects. It is far more because of the lessons that might be drawn. The right lessons have to be drawn, not the wrong ones.

In the years since the financial crisis broke upon the high-income countries, the economic performance of the biggest emerging countries has been remarkable. Even allowing for the slowdown forecast for 2012 in the International Monetary Fund's recent World Economic Outlook update, India's gross domestic product is set to rise by 43 per cent between 2007 and 2012. This is below China's rise of 56 per cent. But it is far superior to the high-income countries' 2 per cent.

This is a revolution. It also shows a large measure of decoupling. We learnt in late 2008 that a big shock in high-income countries would adversely affect developing economies. But the Asian giants were relatively unaffected. They found ways of offsetting the shock.

Would that be the case again? The worst likely shock might be a combination of an oil-price jump - perhaps following conflict in the Gulf - with the collapse of the eurozone. The latter would temporarily disable, if not destroy, the eurozone's financial system. That would generate large global shocks, via trade, remittances, finance and pervasive uncertainty.

One can also identify risks inside big emerging economies. China, in particular, might be unable to offset another deep recession in the high-income countries with a huge rise in credit-financed investment, as it did three years ago. According to the economist Andy Xie, fixed asset investment has reached 65 per cent of GDP. It is almost impossible to imagine the investment rate could be raised further, without risking a huge overhang of unneeded capital and a subsequent investment bust.

Another global "bust", possibly worse than that of 2008 would also damage the Indian economy. In its January Global Economic Prospects, the World Bank noted that "conditions today are less propitious for developing countries than in 2008". India has high fiscal deficits and a high rollover rate for public debts. With a current-account deficit of close to 4 per cent of GDP in 2010, it would be vulnerable to another big global shock.

Yet such direct threats should not be exaggerated, for two reasons. First, the scenarios are possible, but far from probable. Downside risks are large, as the IMF notes, but they are just that: risks. The eurozone may do the right thing, in the end. Similarly, conflict with Iran may be avoided. Second, a vast and relatively poor country, such as India (with GDP per head, at purchasing power parity, only a 12th of US levels), can still generate rapid growth by catching up on the world's richest countries, almost regardless of the global environment.

Thoughtful Indian observers are well aware that the principal obstacles to rapid economic development are internal, not external. Among obvious constraints are failures of governance, including wasteful spending on subsidies at all levels of government, a dire record on the provision of education and health to the bulk of the population, rigid labour laws, inadequate infrastructure and costly restrictions on efficient use of land. Much of this is laid out in an excellent collection of essays by Shankar Acharya, former chief economic adviser to the government of India. Yet such failings are also opportunities. Given how well India has performed despite these disadvantages, consider how well it might do without them.

The biggest danger from a further global shock would be indirect, not direct. It would come via backsliding on reforms. I can see two threats.

The first and least important would be a consequence of global responses. So far, however, the regulatory response, at least in finance, seems unlikely to damage India. The Indian financial system would, for example, be no worse for adopting the emerging global norms, and probably better. A bigger threat would come from imitating external protectionism. But so far, nothing too serious has occurred in that area, though the risks certainly exist.

The second and far greater threat would be undiscriminating embrace by Indians of the "capitalism-in-crisis meme". In the same way, it might be remembered, one of the worst consequences of the 1930s Great Depression was the embrace of anti-trade and anti-market policies in much of the developing world after the second world war. It would be a catastrophe if any such response occurred, when "reform and opening up", as the Chinese call it, has begun to work so well, even in India.

The crucial point is that what has happened is not a crisis of the market economy, but of mistaken ideas about it. Appropriately supported and regulated, competitive markets remain incomparably the most successful means of generating sustained increases in wealth. This is as close to a proven fact as we are likely to obtain in social sciences.

For India, where so many markets are unnecessarily and disastrously distorted by counterproductive government interventions, this remains overwhelmingly true. But by doing what they should not do, Indian governments have too often failed to do what they should do: to create the conditions for sustained and broadly shared growth. The reforms listed above remain essential. Nothing has changed that.

So what should a country such as India learn from the crisis in forming its own policies? I suggest two big lessons. First, the financial system is capable of generating huge instability and needs to be watched. Second, the integration of India into the global financial system has to be managed carefully. Huge crises may be socially and economically manageable for high-income countries. They would be grossly irresponsible for a country like India.

What, then, are the conclusions? First, India's fate rests mainly in its own hands. Second, the reforms that made sense before the crisis make as much, if not more, sense now. Third, India must proof itself against big macroeconomic risks, particularly from excessive fiscal deficits, ill-managed integration with the global financial system and, in the longer run, out-of-control domestic credit. Last, Indians should resist the notion that the crisis proves market economies do not work. They should recall that the adversely affected economies are still the high-income countries, for a reason. Learn from the mistakes. Remember the reason.

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Foreign trade policy: Rules to be set in clear words to curb graft
Amiti Sen, ET Bureau

Feb 6, 2012, NEW DELHI: The government is scrutinizing the foreign trade policy to weed out provisions that give discretion to the authorities or are ambiguously framed.

"The policy is inadvertently worded in a way that it is open to interpretation of officials at customs ports. This leads to confusion and breeds corruption and has to be set right," a government official told ET.

The annual supplement to the five-year foreign trade policy is likely to be announced in April this year."We are going through the policy with a tooth-comb to identify all ambiguous areas," director general of foreign trade Anup Pujari told ET.

For instance, in some places the policy mentions a set of guidelines for "items of steel" and another set of guidelines for items "made of steel". "It is nowhere mentioned what comprises items of steel and how much steel has to be in a product to qualify it as an item made of steel," the official said, adding that it could be interpreted in a number of ways.

Exporters and importers say the ambiguities lead to harassment.

"Some rules are so unclear that they are interpreted in a certain way by exporters and in a different way by customs officials which leads to harassment and our goods get held up for days," said S P Agarwal, an exporter of handicrafts and madeups to Europe.

Welcoming the government's attempt to bring clarity in the policy, Agarwal said in case some confusion still remains, it is the DGFT and not the customs officials who should take the final decision.

"At times, exporters and importers bribe officials to take advantage of loopholes or to just get their consignments released," a Delhi-based textile exporter said.

The policy should lay emphasis on improving procedures and trade facilitation especially since acute constraints on finances will make it difficult for the government to announce major concessions and incentives, said K T Chacko, former DGFT and director, Indian Institute of Foreign Trade.

"The policy can be refined in a way that scope of different interpretations is narrowed down," he said, adding that the DGFT should take inputs from exporters, export promotion councils and commodity boards to identify all problem areas.

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Centre plans agri FTA across India
Mukesh Ranjan, Asian Age

Jan 29, 2012: Unfazed by its failure to roll out FDI in multi-brand retail in the light of strong Opposition from regional parties, particularly from key UPA ally Trinamul Congress, the Centre has now embarked on preparing a law to streamline inter-state trade and transportation of agricultural produce, which involve state taxes.

The aim of such a law is to free traders from multiple local taxes like octroi and toll tax. Under the proposed law the traders would be required to register themselves only to a centralised system by paying a stipulated fee for a minimum five years and would then be free to trade all across the country.

The agriculture ministry's move, which has the backing of Prime Minister Manmohan Singh and the law ministry, is considered a step towards reforming the marketing side to ensure free flow of commodities like rice, wheat, pulses and oilseeds all across the country and, in turn, help reduce inflationary pressure. But the flip side is that the move is likely to hit the FDI-in-retail kind of political roadblock as it encroaches upon the revenue streams of state governments.

Sources in the agriculture ministry, however, have argued that the government would not allow such a situation to arise as, before finalising the Cabinet note (in progress), "states will not only be informed about the law, but will also be taken on board on the revenue-sharing mechanism". Ministry officials feel that once a consensus is built among the states that a part of "the registration fee will be shared with the state governments in lieu of the estimated loss in their revenue", the benefits of the proposed law would be manifold. "It will not only reduce red tape, but also help keep inflation under control," they said, adding that at present local taxes like octroi, toll tax, entry fees etc account for almost 15 per cent of the actual price of farm produce.

As per the plan, once a trader registers himself with the centralised authority, he will be issued a certificate that will give him the flexibility to move his goods from one state to another to sell, or purchase, without paying any state levies. He can also trade in more than one agriculture produce marketing committee either within or outside his state.

The proposed legislation, which has been cleared by the law ministry, is to be called the Inter-State Agriculture Produce Trade and Commerce (Development and Regulation) Bill.

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India may exclude clause on lawsuits from trade pacts
Asit Ranjan Mishra, Livemint

The DIPP which allows firms of the partner country investing in India to take legal action against the govt at a global forum in case of any dispute has in principle decided not to include such a condition

Jan 29: India is likely to exclude in bilateral trade pacts a clause that permits a foreign investor to sue the host country at an international dispute settlement agency.The department of industrial policy and promotion (DIPP) has in principle decided not to include such a condition, an official said on condition of anonymity, which allows firms of the partner country investing in India to take legal action against the government at a global forum in case of any dispute.

"This is now the view worldwide that the state should not get drawn into private disputes," the DIPP official said. "That's why we are cautioning to be more careful."

India had declined to include such a clause, also known as investor to state dispute settlement mechanism, in negotiations over a trade pact with the European Union, *Mint* had reported on 4 July. The negotiations are not over yet.

Hong Kong-based Philip Morris Asia Ltd, owner of Australian affiliate Philip Morris Ltd, last year threatened to sue Australia at a global forum on the government's cigarette-packaging norms, which the firm said would violate that country's obligations under a bilateral investment treaty with Hong Kong.

An Australian draft legislation, which aims to make tobacco products less attractive to consumers, seeks to prohibit all logos, along with different colouring and layout, on cigarette packs. It also requires that health warnings cover a substantial portion of each package, the International Centre for Trade and Sustainable Development said on 29 June.

Australia has said that it will not include a clause that allows an overseas investor to sue the country at any global arbitration body in any of its future bilateral trade agreements.
India has comprehensive economic partnership agreements (CEPAs) with Singapore, South Korea, Japan and Malaysia. Besides the European Union, it is negotiating similar pacts with Australia, New Zealand, Canada and Indonesia.

Customary international law requires foreign investors to sue governments in domestic courts for any claims, or at the World Trade Organization dispute panel.

However, many bilateral agreements on investment allow foreign investors to seek legal action at international arbitration bodies such as the United Nations Commission on International Trade Law or at the World Bank-affiliated International Centre for Settlement of Investment Dispute for alleged breaches of treaty obligations.

India was first sued in an international tribunal in 2002. White Industries Australia Ltd, a mining firm, dragged the Indian government into arbitration quoting the bilateral investment treaty singed between the two countries on a dispute with state-owned Coal India Ltd. The case is currently at the Supreme Court of India.

The contentious clause is part of the bilateral investment promotion and protection agreements (BIPAs) that India has signed with 82 countries. Out of these, 72 have come into force and the remaining pacts are in the process of being enforced.

Whenever a CEPA is signed with a country or region, the BIPA is weaved into the investment chapter of the trade agreement.

While CEPAs are the turf of the commerce and industry ministry, BIPAs are signed by the finance ministry. The DIPP official said the department also wants to review this particular clause in all the existing BIPAs.

However, a finance ministry official said BIPAs help Indian companies more than the foreign firms. "With the growing clout of Indian companies investing in countries around the world, including the less stable countries in the African and South American regions, they need the protection of the local governments," the finance ministry official said on condition of anonymity. "So, we are not in favour of reviewing this clause."

The DIPP official said irrespective of the finance ministry's move, his department would like to review the clause in the existing CEPAs.

"When there is an international obligation, you cannot change it unilaterally," the DIPP official said. "At the time of review of such pacts, which is a routine affair, we will definitely want to correct it."

Given the controversy surrounding this clause and its implications in terms of a regulatory freeze that it sometimes leads to, a cautious approach may be advisable, according to Anuradha R.V., partner at Clarus Law Associates.

"It is not that the absence of such a clause will be a death knell for justifiable action in case of failure by the state to protect foreign investment or violation of commitments made by a state in an international agreement," Anuradha said. "There are in-built dispute resolution mechanisms in the CEPAs."

A balance has to be maintained to meet both objectives, said Krishnan Venugopal, Supreme Court advocate.

"Foreign investors often complain they do not have proper recourse in disputes. The danger of the government passing a law that impacts the value of their business is there," Venugopal said.

"However, if there is a genuine concern on the part of the government, you cannot take away the sovereign right of a state to legislate."

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India-EU summit plans 'strict' road map for free trade pact
Amiti Sen, ET Bureau

Feb 2, 2012, NEW DELHI: The India-EU summit scheduled in New Delhi next week will lay down a 'strict' road-map for conclusion of the ambitious bilateral free trade pact and also strengthen cooperation in security. Commerce and industry minister Anand Sharma briefed Prime Minister Manmohan Singh on Wednesday on the progress made in the FTA negotiations and the areas that still need to be sorted out.

"The PM was briefed on the status of the India-EU agreement and by when it could be reasonably expected to be concluded," a government official told ET.

Both sides are expected to agree on working towards completing and signing the pact before the calendar year ends, the official added. "Both India and the EU were keen to end negotiations in time for the summit. Since it is clearly not happening, the next feasible time line seems to be before the year ends," he said. Prime Minister Singh, together with EU president Herman Van Rompuy and European Commission president Jose Manuel Barroso, are expected to announce a detailed road map for concluding the pact, officially known as the bilateral investment and trade agreement, at the summit scheduled on February 10.

Negotiators from both sides have reached an agreement broadly on almost all issues, but "last-mile" give and take still remains. India has agreed to reduce duties on automobiles and high-end liquor like Scotch, but the EU is still trying to persuade it to cut duties further on automobiles and also reduce taxes on wine.

India, on its part, is trying to get steeper commitments on opening up of the services sector by the EU. It has been promised higher number of professional visas and removal of the restrictive labour market test by the EU.

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'We want an ambitious, balanced trade agreement'
Pallavi Aiyar, TNN

Feb 9, 2012: Polyphonic and pluralistic, the world's two most populous democracies, India and the European Union will hold their annual summit in New Delhi on February 10. What was to have been the big-ticket announcement, an India-EU free trade agreement, however, remains mired in disagreements. Europe, in the meantime, is struggling to bring a sovereign debt crisis under control which, if unchecked, will have serious implications for the global economy and India's own economic health. In an email exchange, European Union President Herman Van Rompuy spelt out Europe's take on the current state of play in India-EU relations:

Q: In India, the EU continues to be seen primarily as a trading block. But you are keen on developing a 'strategic partnership' with New Delhi that extends beyond this trade focus. What shape do you envisage this strategic partnership taking?

The European Union is a global leader in trade, but through the Lisbon Treaty our Union has acquired a new, more political identity as well. The EU is quickly becoming an actor with not only an interest but also a capacity to contribute to solving world's challenges. As global players India and the EU share a responsibility to work together in addressing the key issues, be it the maintenance of international peace and security, the improvement of global economic governance, setting the world on a path of sustainable development or combating climate change.

The trade dimension will maintain a privileged role in our relationship. It is perfectly natural in light of the fact that the EU is India's first long-standing trade partner. And this fundamental pillar would be further strengthened when the free trade agreement will be finalized.

Q: Is the EU disappointed by the pace of the free trade agreement negotiations? A result was widely expected by this summit; instead, we have another missed deadline. How transformative will the successful conclusion of the FTA talks be for India-EU relations?

We want to reach an ambitious and balanced agreement. This may indeed take some time. We have, since the beginning, agreed to put the content of the agreement before it's timing. Both sides have worked hard to progress towards the conclusion of the negotiations, but there are some critical areas which remain to be resolved. There is strong political will on both sides, and we are confident that an ambitious agreement will be achieved soon.

Progress in the negotiations for an ambitious and balanced FTA between the EU and India would be very useful to pave the way for concluding the largest free trade area the world has ever seen.

Q: EU leaders have openly turned to China for investment in the European Financial Stability Facility (EFSF), the EU's bailout fund for countries in fiscal trouble? Will you also be looking for Indian investments to shore up the fund?

Managing the difficulties of the Eurozone and the European sovereign debt crisis is primarily a European responsibility. In the course of the last two years, the EU has achieved significant progress in addressing the structural deficiencies of the euro architecture, and there is every reason to be confident that our efforts will be successful. The EFSF would, of course, welcome investment in its Co-Investment Funds from India as well as from other interested countries. From an economic point of view, it is a fundamentally sound decision to invest there.

Q: Regional issues will figure on the agenda of the India-EU summit. Are there any plans for concrete cooperation with India in Afghanistan?

Developments in our respective neighborhoods demand our shared attention and responsible action. The concerns on the Iranian nuclear programme or the unacceptable situation in Syria are indeed on our agenda. I plan to ask Indian leaders to apply their considerable leverage to Iran and help in convincing the Iranian leadership to give up their sensitive nuclear programme and return to the negotiating table.

The EU and India share the view that an independent, stable and prosperous Afghanistan is in the interest of both the region and the world. We are actively contributing to such an outcome, in a concerted manner, through long-term engagement in the country, beyond 2014.

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Cars, software, services threaten EU-India trade deal

Sebastian Moffett and Matthias Williams, Reuters

* *European automakers aim at expanding Indian market*
* *Tariffs on European autos still high*
* *Indian software industry wants better EU access*
* *Full accord unlikely before summit as leaders had hoped*

BRUSSELS/NEW DELHI, Feb 6 : Hopes of India and the European Union striking a free trade deal at a summit this week are fading fast, with differences over duties on cars and market access for software and service companies standing in the way of an accord.

At stake is an agreement that would create one of the world's largest free-trade zones by population - covering 1.8 billion, or more than a quarter, of the world's people.

Disagreement over duties on car imports, India's tariff on European cars is nearly 10 times greater than Europe's on Indian vehicles, and a dispute over access for Indian software companies to the EU market are set to scupper an agreement, with time running out on negotiations.

EU leaders will meet their Indian counterparts in New Delhi on Feb. 10, having declared at a summit last year that they hoped to sign a free-trade deal before the meeting.

Publicly, officials in both Brussels and New Delhi are remaining upbeat.

"We're trying to wrap things up, see what you can close, see what you can't close," said one senior Indian government official, speaking on condition of anonymity. "Things are slowly but surely falling into place."

But not everyone is hopeful. The EU ambassador to India suggested in January that the best that could be expected from the summit was a "political framework" for a deal further down the road, without a timeline being set.

With the Doha round of global trade talks effectively dead, the world's major economies are looking more to bilateral trade agreements. The European Union, the world's largest trading bloc by value, struck a deal with South Korea last year and is in negotiations with Japan, Canada, Malaysia and others.

For India, an Free Trade Agreement (FTA) would help its rapidly growing companies expand into the EU, the country's biggest trade partner, the buyer of more than 40 billion euros ($52 billion) worth of Indian goods and services in 2010. Europe, large parts of which probably sank into another recession last quarter, wants access to a vast, young, vibrant market of 1.3 billion potential customers.

Trade between the two is growing - the total value of EU-India goods and services exchanged was 86 billion euros in 2010. While trade with India represented just 2.4 percent of the EU's total, the percentage has been gradually increasing.

But while there are advantages to be gained on both sides from closer trade ties, the current economic fortunes of the two could not be more different.

SOMETHING FOR EVERYONE?

India, Asia's third-largest economy after China and Japan, has enjoyed two decades of rapid growth powered by IT and outsourcing, even if manufacturing has lagged, weighed down by red tape and creaky infrastructure.

Europe has been mired in financial difficulties, with rising unemployment and a debt crisis that has forced three countries to seek emergency loans and left several others on the brink.
Autos are a core export for Europe. Premium brands such as BMW AG and Volkswagen Group's Audi would like to sell more to India's newly wealthy.

But Indian places tariffs of 60 percent on imported EU cars, while the EU takes just 6.5 percent of the price of cars imported from India, according to the European Automobile Manufacturers' Association (ACEA).

As a result, the EU exported just 4,002 cars to India in 2010, compared to 223,000 imported from India.

"These are prohibitive tariffs," said Ivan Hodac, ACEA's secretary general. "The market is basically closed to us."

Last year, with FTA negotiations under way, a high-profile Indian politician wrote to Prime Minister Manmohan Singh asking for autos to be excluded from any deal.

"The industry people here...would like a few more years before they feel that they are really able to match up with the global players," said Biswajit Dhar, a New Delhi-based trade expert. "We're still not right out there in terms of scale."

So far, negotiations have established that India would be prepared to cut tariffs to 30 percent, according to Hodac, but it may not be sufficient to make a deal possible.

"Negotiating between equals means that at the end somewhere in time, not too far from now, we have to open markets - zero tariffs," said Philippe de Buck, director general of lobby group Business Europe.

"You can't open the market without any reciprocity."

For its part, India wants to ease visa regulations that restrict growth for the software and services companies, such as Tata Consultancy Services or Wipro, that have driven Indian growth. The companies want to deliver services to European customers in a way that involves engineers staying for a short period in the EU to do things such as installing systems. But some EU countries are wary of allowing more foreign workers at a time of rising joblessness.

"If we're entering into an FTA there has to be some preferential treatment for the partner country, otherwise why are you entering into an FTA?" said Manab Majumdar, Assistant Secretary General of the influential business lobby group FICCI.

The EU has its own wish-list for better access to growing Indian sectors, such as in legal services or supermarkets.

In November New Delhi decided to open its supermarket sector to foreign retailers such as Tesco and Carrefour , only to row back on the decision after protests from domestic retailers and opposition politicians. Brussels wants to see that big-ticket reform back on track.

As recently as November, India's trade minister said India and the EU expected to finalise an FTA by early 2012.

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Drift and decline in Indo-UK trade
Vidya Ram, Hindu Businessline

Britain's trade diplomacy has not kept pace with economic change.

Jan 29: Has India downgraded Britain as a global partner? The contention earlier this week by Labour Member of Parliament Mr Barry Gardiner that this may be the case, particularly when it comes to trade, provoked strenuous rebuttals by British politicians from across political parties, and the High Commission here in London.

Casting doubt on British-Indian relations, particularly in Britain, is pretty sacrilegious, with political leader after leader stressing the weight it accords that relationship. Prime Minister David Cameron is no exception: pledging to make Britain India's “partner of choice” when he visited India on his first foreign tour as Prime Minister two years ago, while Britain tasked itself with doubling trade with India by 2015.

UK-INDIA TRADE

Trade has certainly been growing in absolute terms: UK-India trade for 2011 crossed the 10 billion-pound mark by the end of November last year, against 9.8 billion pounds for the year before, and was up 40 per cent for the year as a whole, after a fall of nearly 15 per cent the year before.

Yet, relative figures tell a somewhat different story. As a recent UK parliamentary briefing paper notes, in 2010, India was just the 15th-biggest destination for UK goods, accounting for 1.5 per cent of the total, and the 16th-most important when it came to UK goods imports (1.6 per cent). The picture wasn't much better when it came to services, holding 22nd and 11th position, respectively. And while exports of goods and services to India more than doubled in the decade to 2010, it had barely moved in relative terms, rising to 1.4 per cent, from 1 per cent of UK exports. (The percentage has remained relatively constant since the 1970s).

Investment by Britain in India has also been lagging behind other parts of Europe: while FDI from France rose to $685 million in 2010 from $117 million four years before, British investment has fallen to $475 million from $1.8 billion during that period, according to WTO figures.

Meanwhile, from the Indian perspective, Britain has fallen further down the rank of its export partners — from 4th position in 2000, to 7th last year, and from 3rd to 22nd when it comes to imports during that period. Now, UK imports account for just 1 per cent of India's total, behind countries from Australia and Switzerland to South Korea, Nigeria and Iran.

STRATEGIC PARTNER

It's partly a reflection of how the British economy has been evolving during the past few decades: manufacturing — which accounts for the largest chunk of Indian imports — has been on the decline in Britain, a country, which, until recently, focused much of its efforts on the financial services industry (it still accords more weight to that sector than most parts of Europe, as protection of it was the key reason that Mr Cameron vetoed the European fiscal compact). But it's also partly a failure by Britain to pro-actively pursue its choices in a scenario that has changed rapidly during the past 10 years. “Particularly in the last decade, the UK has been somewhat behind the curve when it comes to dealing with India or increasing its trade,” says Mr Christopher Ogden, a lecturer in international relations at St Andrews University, and author of a forthcoming book on Indian foreign policy. “It's been behind the curve in dealing with India, just as it's been with its engagement with China.”

This has come at a time when India's choices and leverages have been widening: India has identified 23 strategic partners, and Britain is simply one of them. “My sense is that the UK may no longer be one of India's top 5 strategic partners, a position that it used to hold 3 or 4 years ago,” argues Rahul Roy-Chaudhury, a senior fellow at the International Institute for Strategic Studies.

“When (British Prime Minister) David Cameron visited India in July 2010, there were $1.1 billion of trade deals, when (US President Barack) Obama visited, there were $10 billion of trade deals, when (French President Nicholas) Sarkozy visited, there were $14 billion of trade deals. There is a difference.”

ASSETS IN BRITAIN

Still, on some counts — such as Indian investment into Europe — ties between Britain and India are streets ahead of other countries. Between 2006 and 2011, Indian firms bought $22.4 billion worth of assets in Britain — with runner-up Germany at just $3.4 billion. India is a major employer, with its companies employing around 90,000 people in Britain.

The government is keen to promote more such investments, and is introducing measures, such as reducing the time that those who bring certain substantial sums to invest in the country must wait to be eligible for a British passport.

The need for re-alignment and re-balancing, particularly in the wake of the financial crisis, and the troubles plaguing Britain's largest trading partner, the EU, has been recognised by Britain itself.

Chancellor George Osborne courted China on a recent visit to the country, and scored a number of deals, including promoting Britain as the yuan's second-largest offshore trading hub after Hong Kong. (It's seen as something of a coup, given fears that countries might concentrate their efforts on the European mainland, following Britain's increasing isolation from the rest of the EU.)

With India too, moves to improve trade have been accompanied by other gestures of solidarity, including the decision to maintain its direct aid payments (as part of its austerity drive, aid to countries from Russia and China, to Niger and Vietnam have been taken off the list). And last week, Foreign Secretary William Hague reiterated Britain's support for India's quest for a permanent UN Security Council membership — one of the stronger levers it still holds.

Outstanding issues — such as over non payments to British firm SIS Live during the Commonwealth Games — are being dealt with largely outside the public arena.

Someone pointed out to me recently, there's been much rhetoric but little concrete analysis of the state of the relationship, particularly economic, between the two nations. "Downgrade" is perhaps too strong a word, but the instinct that this is a relationship that needs to be worked at and analysed, rather than treated with the complacency it largely is, is no bad thing.

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Protectionism to hurt both -- US and India, warns Pranab

Himani Kumar, PTI

Chicago, January 30, 2012: Worried over the adverse fallout of protectionism, Finance Minister Pranab Mukherjee today said if the US stops outsourcing jobs to India, profitability of both the economies will be hurt.

"...if US stops outsourcing jobs from India to some extent profitability of the economies will be affected," Mukherjee told reporters here.

Speaking at the end of a two-day visit, he said that nations were free to adopt policies that suited their requirements, but the policies should not lead to protectionism.

Moreover, he stressed, the World Trade Organisation (WTO) too is working to free flow of goods and services across the globe.

US President Barack Obama had earlier said that the companies which provide jobs at home would get bigger tax breaks but those outsourcing work would have to pay more.

Mukherjee, however, pitched for uninterrupted flow of goods and services and removal of tariff and non-tariff barriers arguing that these measures have yielded desired results for all.

"Protectionism ultimately does not help the country that resorts to it", he said, adding "there is merit in giving up protectionism and I do hope the countries will not resort to it."

Mukherjee attributed the high growth in the past to liberalisation of international trade by reduction in tariffs.

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Krishna may discuss trade, border dispute with China
Elizabeth Roche, Livemint

Minister is also likely to discuss agenda of the upcoming BRICS summit to be held in New Delhi on 29 March.
7 Feb, New Delhi: Foreign minister S.M. Krishna will start a three-day visit to China on Tuesday, a foreign ministry spokesman said, during which he is expected to hold talks with his counterpart on issues including the disputed border and bilateral trade between the two countries.

He is also expected to discuss the agenda of an upcoming summit of Brazil, Russia, India, China and South Africa—collectively known as BRICS—that will be held in New Delhi on 29 March. Krishna's visit will "set the stage for (Chinese President) Hu Jintao's visit to India for the BRICS summit," said Swaran Singh, a scholar of Chinese studies at Jawaharlal Nehru University.

"There will be discussions on the joint statement that is expected to emerge at the end of the BRICS summit. India will be keen to have a substantial statement and it will be good if India and China present a joint front at such an event" focusing on major issues affecting the world economy, said Singh.

Krishna's visit also comes before the once-in-a-decade leadership change in China early next year that will see the entire top rung leadership stepping down. President Hu Jintao is expected to be replaced in 2013 by Xi Jinping, vice-chairman of the powerful Central Military Commission.

New Delhi has been making efforts to get Xi to visit India as president-designate and Krishna is expected to lend weight to the initiative, Singh said.

Foreign ministry spokesman Syed Akbaruddin said Krishna will hold talks with his counterpart Yang Jiechi, who last visited India for a bilateral visit in 2009. Krishna will also inaugurate the new chancery building of the Indian embassy in Beijing, he said. "India and China have maintained a healthy momentum of high-level visits and this visit comes in the context of that," he said. Ties between the Asian giants have been mired in suspicion despite booming trade ties, largely due to their unresolved border dispute, a legacy of their brief but bitter 1962 war. As it stands, China claims 90,000 sq km of Indian territory in Arunachal Pradesh and occupies around 38,000 sq. km in Jammu and Kashmir, which India claims as its own. Also, under the China-Pakistan "boundary agreement signed in March 1963, Pakistan illegally ceded 5,180 sq. km of Indian territory in PoK (Pakistan-occupied Kashmir) to China," Krishna told Parliament two years ago.

Many rounds of talks between the two have not yielded a solution though the border has been described as tranquil, thanks largely due to pacts signed in 1993, 1996 and 2005. In 2003, India and China decided to appoint special envoys to speed up the process of dispute resolution. Last month, India and China signed an accord to set up a border-management mechanism to maintain peace along the undemarcated boundary between them, following a suggestion by Chinese Premier Wen Jiabao during his December 2010 India visit.

The mechanism is aimed at addressing "issues and situations that may arise in the border areas that affect the maintenance of peace and tranquillity," the text of the pact says.

In another move, the two special representatives discussing the border conflict—India's national security adviser Shivshankar Menon and China's state councillor Dai Bingguo—agreed that they would prepare "a joint agreed record for their governments on the progress made so far in the talks on the boundary question," the Indian foreign ministry said.

This will codify the details of the many rounds of talks between Indian special representatives and Dai so that the next round of dialogue can carry on from that point, a person close to the developments said. Dai is also expected to step down during the 2013 Chinese leadership change.

India-China trade has crossed $73 billion (around Rs. 3.6 trillion) so far in 2011-12, according to media reports.

But India is worried about a yawning deficit that crossed $20 billion in 2010-11 in China's favour. Indian businesses have been seeking greater access to China's domestic market for its pharmaceuticals, information technology and agricultural products.

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Australia looking to strengthen trade relations with India
Elizabeth Roche, Livemint

Jan 30, New Delhi: Australia is bullish on trade prospects with India and is looking at renewable energy, automobiles, infrastructure, farm businesses and education to expand investments.

"Indian companies will be looking at the clean-tech space, renewables in the next few years," Grayson Perry, commercial counsellor at the Australian high commission, told reporters on Monday. Australian firms are also interested in investing in Indian automotive and infrastructure space, Perry said.

Trade between the two nations is expected to touch A$40 billion in three years, according to Perry. India, Asia's third largest economy, mainly imports coal, gold, copper ore, lead, wool and farm products from Australia.

India needs at least $1 trillion in the next five years to spruce up its infrastructure, which is slowing growth in one of the world's fastest growing major economies, according to commerce and industry minister Anand Sharma.

Australia is well placed to partner India in the infrastructure space, with the country boasting of a number of mid- and large-sized companies with expertise in partnering with the government, Perry said.

"If you are looking at another opportunity for India and Australia, it is in the auto sector," he said. "We have a very open auto sector. Australia is only one of 13 countries across the world that can build a car from the drawing board to rolling the car out of the factory."

"We have an auto mission coming out to India at the end of February, 18 companies in the auto space, all of them have a whole lot of good products," Perry said, adding that the companies are looking at sharing technologies with Indian partners.

Ties between India and Australia have been buffeted in recent years by many factors that included Australia's refusal to sell uranium to India and a spate of alleged racial attacks in 2009 on Indian students studying in Australia. But a move by Prime Minister Julia Gillard's ruling Labor Party to overturn the ban on selling uranium that fuels nuclear power plants has led to a thaw.

Education, which involves vocational training, executive management service, retail services or hospitality, continue to be an area of interest to Australian firms, Perry said. "There is a massive gap in training that India needs and the capacity it has at present, so that is probably the number one big-ticket item for Australia," Biswajit Dhar, director general at Research and Information System for Developing Countries, a New Delhi-based think tank, welcomed the idea of increased joint ventures between Australian and Indian firms.

"In trade, Australia maintains a surplus in goods and services. Their investments here could help address this. One of the issues before India was that we were not getting access to the Australian market and that is why we started free trade talks" with Australia last year.

"Right now, we don't have any substantial presence in the Australian market, so joint ventures are a good way to address this," Dhar said.

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With FTA, scope of trade will at least double
Elizabeth Roche, Livemint

Israel's ambassador on the shared goal for FTA by year-end; offering expertise in defence, agriculture, high-tech

Feb 4: India and Israel marked two decades of the establishment of diplomatic ties on 29 January. From a pariah, Israel has quickly established itself as a key and critical partner of India in fields as varied as defence, agriculture and high technology. In an interview, Alon Ushpiz, Israel's ambassador to India, spoke about the prospects for the future and other issues. Edited excerpts:

This week, India and Israel mark 20 years of diplomatic relations. How do you look at what has been achieved and the way forward?

When one looks at what we—India and Israel—have achieved in the last 20 years, it's breathtaking. We have done magnificently together on what we define as existential issues. Take the volume of trade, for example. It's not easy to go from $180 million in 1992 to over $5 billion in 2011. The second example is agriculture. We had started with modest activities in a couple of states in India. I hope in the next three years we will reach almost 30 projects all over India, but one should not sit back idly and watch these achievements in last two decades. We have a very heavy burden to establish a road map for the next decade. We can do wonderful things in these critical issues, whether it's trade, agriculture, tourism or research and development (R&D), and these are just examples of what we can do.

You mentioned agriculture. We started off with drip irrigation that helped Indian farmers tremendously. Going beyond that, what are the new initiatives you are looking at? Food security is critical for India.

Israeli agriculture is based on knowledge, the know-how, on high-tech. It originates from the fact that we have very scarce natural resources. Now, our mutual understanding and our joint mode of operation in India are based on building centres of excellence or model farms that become platform for on-the-ground R&D combined with Israeli know-how, which is transferred in the most implementable way possible to the farmers on the ground. So what we try to do is to bring this combination and to adjust it to Indian needs and Indian conditions. We do not do copy-paste.

You have your unique qualifications. We try to apply what we know to what you can do. The second aspect is to create the combination of different elements that from our point of view are indispensable, when it comes to productivity, quality and price of products, which is basically what we have done, so far, with technology know-how together with fertilizers and pesticides. We should add to it seeds naturally; we don't do genetic engineering.

You have got some of the best technologies in waste water recycling and management. What is the kind of cooperation between India and Israel in this area?

We are very good at water management, even in very basic problems of leaks in existing infrastructure. Then there is purification. We recycle 75% of our waste water and bring it back to our cycle of agriculture. We're talking about a huge amount of money and a huge amount of water. And I should say another angle of it, when it comes to the solutions we can provide, is desalination. We can do things that are designed to take care of an individual farmer. Added to this, from the environmental point of view, the whole issue of purifying rivers, lakes and ponds, and on top of this, you can put the last layer of infrastructure projects. We have some good companies in it, private and governmental. Some of them are already active in India, and we hope that, if you look at it from more of a mid-term perspective of three-five years, this presence of Israeli water companies should be much more intensive.

You mentioned trade. What more can we add to the trade basket to boost trade? Where are we on the free trade negotiations?

We should be and could be very proud of ourselves because from $180 million to $5 billion; it is not a walk-in-the-park achievement. But we haven't even reached the outskirts of exhausting what we can do on these. Both sides strongly believe in a free trade agreement (FTA) as a platform to enlarge trade. We are going to have the fourth round of negotiations at the end of March in Jerusalem. Both governments have stated very clearly that it is their shared goal to sign the FTA by the end of 2012. Now the current composition of trade is 50% diamonds, then you have chemicals and machines, and the share of high-tech is growing. This is a good composition. But the minute you have the FTA, the scope of trade will at least double. Second, I believe the FTA, as is always the case, will change the composition (of trade). The share of high-tech, IT (information technology), pharmaceuticals and sophisticated agriculture will grow. The third thing, which is the most important, is that the minute you have the FTA, the interaction between private visitors in Israel and India will grow. You will have a larger number of flights between the two countries.

This was about civilian trade. What about military purchases?

Let me put it this way: we do not discuss these issues in the public domain, but we are very close friends. We strongly believe that if we are a friend of someone, the livelihood and well-being of this someone as a nation, society and individual is important.

There were reports of gas finds in the Mediterranean Sea, off the coast of Israel. Is energy a new frontier for cooperation between India and Israel?

Energy is an existential issue not only for India, it is also a serious existential issue for Israel as well. We have a source of energy of our own that belongs to us. It is almost a mind-boggling experience for us. This is a strategic issue by nature—what do we do with this, how do we deal with this, do we keep it for ourselves for our consumption, or do we export that, and if we export, how and where, in what quantities and for how long? These are strategic questions and there is very serious inter-agency work being done in Israel on the whole list of questions. Now obviously, once you define someone as your friend, you want to have a discussion on these issues. This is an open discussion. There are a lot of questions pending. We have to see where this heads.

Have any kind of talks happened? Between the two governments or energy companies?

I think we are still in a very initial stage. I cannot say talks have already started. But this is something that is floating in the air. There is a common ground for discussion. In addition to this, there is the whole universe of renewable energy. The most shining example of this in Israel is solar energy. We are quite rich with this form of energy and this is already happening; even I have seen some quite nice technology. For example, when it comes to communication towers, some of these use solar energy to provide energy for the towers so that generators become redundant, and so that is already another dimension of this and it is already happening on the ground between Israeli companies and your entities.

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India ramps up ties with Myanmar, Thailand
Jyoti Malhotra, Business Standard

New Delhi Jan 31, 2012: The road from Moreh, a town on the Manipur-Myanmar border, to Imphal was used by the Japanese army in 1944 to come right inside the heart of British India's north-east, even challenging the might of the empire.

For decades thereafter, the Imphal-Moreh road as well as other border roads in Arunachal Pradesh and Nagaland were pretty much left to their own fate, as India deliberately ignored the development of border infrastructure, fearful of easing an enemy's passage inside the country once it had broken through the frontier.

But as India revamps its mindset on border areas and begins to look at neighbouring states — such as Myanmar and Bangladesh — as part of a contiguous hinterland that must also participate in India's economic growth, the first glimmer of a shift in South-East Asia's balance of power is becoming slowly apparent.

Take the stream of visitors making their way to Delhi recently, in the run-up to India's commemoration in December 2012 of its "Look-East policy" and its 20-year-old partnership with the Association of South-East Asian Nations (Asean).

Vietnamese president Truong Tan Sang's official visit last October was quickly followed by Myanmarese president Thein Sein, also in October. Last week, just as Thai Prime Minister Yingluck Shinawatra, 44, arrived in the capital to attend the Republic Day parade, the first woman head of government in several decades, Myanmar foreign minister Maung Lwin was departing Delhi's shores.

Interestingly, 2010's chief guest at the Republic Day ceremonies was South Korean president Lee Myung-bak, while last year's chief guest was Indonesian president Susilo Yudhoyono, the latter a key member of Asean.

Yingluck, whose closeness to her brother and former Thai prime minister Thaksin Shinawatra is an open secret, is a businesswoman, as well as married to one. She is expected to follow in Thaksin's footsteps, which is to promote a CEO-like approach to governance, even though Thaksin, still a billionaire, remains in exile in London and Dubai.

That school of thought clearly struck a chord in Delhi last week, through the official dialogue as well as at her meeting with the industry associations. Annual India-Thailand trade currently touches $7.5 billion, but with Yingluck proposing greater Thai investment in India — in the hotel industry, in the food-and-vegetable cold chain — chances are that both countries will double their target by 2015.

Still, it was Yingluck's offer to India to invest in an Italian-Thai joint venture that is seeking to build a world-class port and attendant infrastructure in the Dawei special industrial zone on Myanmar's south-western coast, that has stirred the tea leaves in the region.

Dawei's geographical location — on the isthmus that separates the Andaman Sea from the Gulf of Thailand — is so compelling that it has the potential to completely transform India's relationship with Asean as well as East Asia.

Both Chennai and Kolkata are just across the Bay of Bengal, and both countries are already talking in terms of ramping up connectivity across this large lake by introducing ferries to Yangon, as well as Dawei.

As Myanmar emerges from its self-imposed isolation and reaches out to the world, and the world returns the compliment, Dawei could soon become a major stop on the maps of merchant ships. US Secretary of State Hillary Clinton's recent visit to Yangon and her announcement that the US would soon revoke sanctions on Myanmar (this is expected to happen once democratic leader Aung San Suu Kyi participates in the April elections) is both a reaffirmation of the democratic spirit in Myanmar — as well as the US return to challenging China's rising power in Asia.
In Clinton's wake, from Pakistan to France, the world is beating a path to Myanmar's door. Pakistani president Asif Ali Zardari has been the most recent visitor, but dignitaries from France, UK and Australia have travelled both to its interior capital, Naypydaw, as well as paid obeisance to Suu Kyi in Yangon. Interestingly, Myanmar's parliamentary speaker, Shwe Mann, told his Indian counterpart, Lok Sabha Speaker, Meira Kumar, as well as Indian officials during his visit here in December, that "India's model of inclusiveness was a model for Myanmar."

Myanmar's foreign minister, Maung Lwin, reiterated the message last week, giving Prime Minister Manmohan Singh a detailed account of Myanmar's "planned and orderly commitment to reform," both economic and political. Agreements with several dissident ethnic groups have been reached, he said, and discussions with those holding out, such as the Kachins, remain on the cards.

India's trade and economic figures with Myanmar, at $1.25 billion, are low, especially when compared to Myanmar's trade relationship with China, touching $4 billion. Myanmar exports natural resources, such as timber, and agricultural products such as kidney beans or 'rajma', to India, while India exports machinery, industrial equipment, pharmaceuticals and consumer goods.

Nevertheless, Delhi remains heartened by the fact that only days before Thein Sein came to India last October — he began his visit by paying his respects to Buddha's shrine in Bodh Gaya — the Myanmarese cancelled a $3.6-billion dam that China was building in their country.

Thailand's proximity means it is a natural player in Myanmar. Besides the Dawei investment, the Chinese news agency Xinhua reported last week quoting the New Light of Myanmar, four foreign companies were forming a joint venture with three domestic companies to run a special economic zone in Pathein, in the Ayeyawady region, also in south-western Myanmar. Two of the four foreign companies are from Thailand, one from Hong Kong and the fourth from Indonesia. Indian officials point out that strategic interest in Myanmar, as well as in the greater Asean region, can only be complemented by "greater Indian business interest. Indian companies should take advantage of the fact that India refused to kowtow to US pressure and withdraw from Myanmar. Now as Myanmar opens up, they have to be first off the mark," one official told Business Standard.

Essar and ONGC Videsh are making money from their 20 per cent stake in an oil block off the Rakhine coast, officials point out, while a detailed project report on building a 1,200-Mw project on the Chhindwin river is almost ready.

Officials say they hope the private sector will make use of India's $500-million credit announced during Thein Sein's visit to improve ties with Myanmar.

Delhi's intention to expand its presence in the region is at last showing on the ground. Finally, 132 km of a beautiful, road from Moreh, the Manipuri border town, and across the border to Mandalay, as well as the last 165-km stretch to Mandalay has been built.
With the Thais also building their share of the stretch from Myanmar, the trilateral highway between India, Myanmar and Thailand could soon put India's neglected north-east in the heart of Asean's action.

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India exempts Bhutan from export bans on essential commodities
PTI

New Delhi, February 03, 2012: India today exempted Bhutan from any export ban on essential commodities like wheat, non-basmati rice, pulses, edible oil and milk powder.

Bhutan had requested exemption from the application of any export bans on essential commodities.

Commerce and Industry Minister Anand Sharma informed his Bhutanese counterpart Lyonpo Khandu Wangchuk in a meeting that the Director General of Foreign Trade has issued a notification regarding the same, an official statement said.

"India values the special relationship with Bhutan and we will be happy to expand our multi-faceted cooperation, which already covers key sectors such as hydropower, health, education, human resource development, media, telecom, ICT and infrastructure," the statement said, quoting Sharma.

Bilateral trade between the two countries stood at USD 377.57 million during 2010-11.

Both leaders also expressed confidence in meeting the target for developing 10,000 MW of hydropower capacity in Bhutan by 2020.

Three major hydroelectric power projects have been built with Indian assistance in the neighbouring country.

In July, 2006, both nations signed an agreement wherein India agreed to develop and import 5,000 MW of electricity from Bhutan by 2020. This target was revised to 10,000 MW during the PM's visit to Bhutan in May, 2008.

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Drug exports up 30% in first half of FY12

Joe C Mathew, Business Standard

New Delhi Jan 30, 2012: An analysis by the Pharmaceutical Export Promotion Council (Pharmexcil) early this month showed exports of basic drugs, finished medicines and fine chemicals jumped 30 per cent to Rs 24,661 crore during April-August 2011 as compared to Rs 18,967 crore recorded over the same period the previous year.

The rupee depreciation had some impact on the figures, as revenue growth was 19 per cent in dollar terms.

The US market, which grew 13.6 per cent (in dollar terms) to $1,199 million (Rs 5,902 crore) during this period, continues to be the biggest export destination for Indian drugs, with 23.2 revenue share of the total.

Exports to most other regions grew. Several African, CIS, South Asian and European countries recorded 39 per cent growth, said P V Appaji, executive director, Pharmexcil.

He said the market access programmes organised by the ministry of commerce in CIS and African countries, and the economic cooperation treaty with Japan, were beginning to show positive results for the pharmaceutical industry.

Exports to Japan, the 26th largest destination for Indian drugs on Sunday, grew 36.7 per cent to $217 million (Rs 1,065 crore) during April-August as compared to 10.9 per cent growth in the same period of 2010. Export revenue from Japan during April-August 2010 was $158 million (Rs 779 crore).

“The UK is the second best destination, with a high growth rate of 29.9 per cent. Exports to Germany, Russia, Vietnam, Canada, Spain, Australia and Japan have grown exceptionally well and are between 30 and 61 per cent,” said Appaji.

Industry experts said the effect was greater due to the low growth in pharma exports in 2010-11.

“The impact of global recession hit pharma companies very late. Hence, last year’s export growth was very low, giving rise to a higher growth percentage this year,” a Mumbai-based analyst said.

Appaji agreed the recent slowdown in the European economy may not have yet impacted the sector.

Though the ministry of commerce gets monthly updates on export figures from the Directorate General of Commercial Intelligence and Statistics without much delay, export promotion councils access the data with a lag of four to five months.

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Basmati export price may be cut by $200
Bloomberg

New Delhi Feb 01, 2012: India, the world’s second-biggest rice grower, may cut the minimum export price (MEP) of the basmati variety by $200 a tonne to boost shipments, according to a government official with direct knowledge of the matter.

A ministerial panel on February 7 will consider a proposal to reduce the minimum price from $900 a tonne, or may scrap the floor, the official said, asking not to be identified, citing government policy.

Basmati shipments may increase 14 per cent to 2.5 million tonnes in the year ending March 31, should the government abolish the minimum export price, Vijay Setia, president of the All India Rice Exporters’ Association, said in a phone interview on Tuesday. If the price stays unchanged, exports may drop to 1.9-2 million tonnes in the year ending March, he said. The panel may consider cutting the benchmark export price or dismantling it, food minister K V Thomas told reporters on Tuesday. Indian traders have contracted to ship 3.5 million tonnes of basmati rice as of yesterday since the financial year began on April 1, 2011, according to the rice association.

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Additional export duty likely on deoiled rice bran
Anindita Dey, Business Standard

Mumbai, Feb 01, 2012**:** The ministry of agriculture has proposed imposition of additional export duty on deoiled rice bran, to ease the supply of animal feed and bakery ingredient, in the domestic market. Production of deoiled rice bran in 2011-12 was estimated at 8-8.5 million tonnes of which around 170,000 tonnes or two per cent would be exported.

“The export currently carries a duty of 10 per cent but the domestic price of animal feed is increasing, a significant input in composition of prices of milk and poultry. On the other hand, domestic prices of milk and poultry are consistently increasing. Therefore, there is no reason why India should export deoiled rice bran when the demand in the domestic market is high, going by the prices of animal feed," explained an official source.

This is based on the recommendation of the department of animal husbandry under the ministry of agriculture. Besides rice milling, animal feed is also extracted from oil cakes after oil extraction. India imports crude oil and the refining edible oil. Thus, when this is domestically marketed, it will be at a premium compared to in-house supply of animal feed. So, exports should be discouraged.

De-fatted or deoiled rice bran is obtained after extraction of oil from either raw or parboiled bran and contains a higher percentage of protein (17-20 per cent), vitamins (A and E) and minerals than full-fatted bran obtained from raw and parboiled paddy.

Meanwhile, to increase milk production and strengthen dairy co-operatives, the National Dairy Plan (NDP) proposes to set up producer firms under the Companies Act. The objective is to facilitate co-operatives to retain their 50 per cent share in milk production, amidst stiff competition from the private sector. Officials explained that a producer company would be registered under part XI of the Companies Act and set up to cover the entire value chain in the milk production process.

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India to Defend Local-Buy Policy in Solar Mission as US, EU Protest
AMITI SEN, The Economic Times

NEW DELHI, 3 February 2012: India is readying to defend its policy requiring companies to source local content for the national solar mission project, a rule that has triggered protests from the US and the EU.

The commerce department is talking to the ministry of new and renewable energy on how to argue its case should the dispute reach the World Trade Organisation.

The ministry is responsible for executing the Jawaharlal Nehru National Solar Mission, which was launched in 2010 to promote use of solar energy.

All solar mission project investors have to compulsorily use India-made solar modules and buy 30% of their inputs from within the country.

But the US and the EU have argued that the agreement on Trade Related Investment Measures (TRIMs) and certain provisions of the General Agreement Of Tariffs And Trade (GATT), the agreement that preceded the WTO, do not permit mandatory local sourcing."We are in talks with the ministry of new and renewable energy to strengthen our arguments in defence of the domestic sourcing clause.

We have to be prepared in case a formal dispute is launched against our country," a government official told ET.

Japan and the EU have already sought dispute settlement panels against Canada for a similar provision in its legislation to promote green energy, prompting India to take pre-emptive steps.

India has already argued the JNNSM programme does not violate WTO rules because GATT allows government agencies to source locally for specified purposes."Since public sector NTPC will buy solar power generated by the projects, India could argue that it actually amounts to government procurement.

As India is not a part of the limited government procurement agreement of the WTO, it is not bound by any rules governing purchases made by government agencies," a Delhi-based trade lawyer said.
Another line of argument being explored is that JNNSM's domestic content requirement is not aimed at seeking an advantage over other countries and, therefore, it is not covered by the illustrative list of the agreement on TRIMs.

Although the US has not yet made any moves to drag India to the WTO, it has been lobbying hard to pressure the country into dropping the local content clause."There is increasing concern about one recent action that has tilted the playing field (the solar mission) here in India away from the US businesses and other foreign firms," US undersecretary for international trade Francisco J Sanchez had said at a meeting in New Delhi last November."In clean technology, local content requirement explicitly discriminates against the imports."

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India, Brazil, S Africa upset over Doha impasse
PTI

Davos, Jan 29, 2012: Expressing disappointment over impasse in WTO Doha talks for a global trade deal, India, Brazil and South Africa (IBSA) today underscored the need for resisting protectionism in the current economic scenario.

"Global economic conditions are challenging, this is almost fourth year of recession. The only way is to engage more and work for a multilateral trade regime," Indian Commerce and Industry Minister Anand Sharma told reporters here.

At the IBSA meeting, on the sidelines of the World Economic Forum (WEF) annual event, the trade ministers said that developed countries had caused distortions by high-level of protection in the form of tariffs and subsidies in agriculture.

These distortions "continue to undermine the development prospects of developing countries, especially the least developed among them," an IBSA declaration said. It said, "The ministers expressed deep disappointment at the current impasse in the Doha Development Agenda (DDA) negotiations..."

The IBSA ministers met ahead of the informal meeting of important WTO members, including India, US and South Africa. Besides Sharma, Brazilian Foreign Minister Antonio Patriota and Rob Davis of South Africa were present. The meeting hosted by the Swiss authorities was also attended by Director General of the World Trade Organisation (WTO) Pascal Lamy.

US Representative Ron Kirk said "We need to have a new start and have a beginning towards putting something concrete on the table.... I am hopeful."

Kirk's remarks are important given the impression among the developing countries in the midst of slowdown and the US elections, America does not seem to be keen on pushing for opening up of its economy.

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Lack of political will holding up WTO conclusion: Pascal Lamy
PTI

January 29, 2012, Davos: With not much movement towards concluding the decade old Doha Round, WTO chief Pascal Lamy said that lack of political will on part of member countries is holding the global trade deal.

"You need a lot of political energy to do things multilaterally and it`s not just available, he said and added, "It`s in short supply, just as it is in climate change."

Instead of concentrating on the WTO talks, Lamy said government leaders are focusing their energies on bilateral talks and regional arrangements, such as the proposed Trans-Pacific Partnership comprising of the US, Australia, Vietnam, Peru and four other countries.

He was speaking during a panel discussion at the World Economic Forum (WEF) annual meeting, which concluded on Sunday.

The WTO`s new strategy on Doha is to set aside the big issues for now and instead concentrate on small wins, such as agreements on relatively uncontroversial trade areas like trade facilitation, WEF quoted Lamy as saying.

The WTO will stay in the quiet mode for now, get things done and build confidence that the organisation can then tackle the big issues, he added.

Launched in Qatari capital in 2001, the Doha Round involves all 153 member countries of the World Trade Organisation (WTO).

The talks have been held back due to differences between the rich and the developing countries over issues such as agriculture, services and intellectual property, and the advent of the global financial crisis in 2008.

US Trade Representative Ron Kirk said that his country has not given up on the Doha Round, but the reality is that it is easier to negotiate bilateral agreements, which can create more jobs and bring benefits to the two parties.

India, Brazil and South Africa (IBSA) have meanwhile underscored the need for resisting protectionism in the current economic scenario.

European Trade Commissioner Karel De Gucht said that the problem is certainly political within WTO.

"Doha round began 10 years ago. The emerging economies have largely emerged since then. Not just China, even India and Brazil have emerged as major players on global platform," he added.

Despite the long delay, trade ministers and business leaders are not giving up on the trade negotiations, but they admit it is not in the best of health, the statement added.

"Doha is not dead," Australian Trade Minister Craig Emerson said, adding, "I think there is enough life in the Doha Round to persist with it."

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Doha round - talking in circles
T S Vishwanath, Business Standard

Liberalising global trade will require some fresh ideas instead of repeating what has been said for long

Feb 02, 2012: At the recent Davos summit of the World Economic Forum (WEF), Pascal Lamy – director general of the World Trade Organisation (WTO) – blamed the absence of political will and the focus on regional trade for the lack of progress in the decade-old Doha Development Round of multilateral trade negotiations of the WTO.

UK Prime Minister David Cameron amplified Lamy's apprehension of Doha getting sidelined when he called on European Union (EU) leaders to bypass the WTO and seek bilateral agreements with willing partners. He even suggested a US-EU trade agreement that many analysts aver would be a non-starter. Cameron said instead of getting all countries to agree on a deal at WTO, it was better to move ahead and seek bilateral engagements.

The reason many leaders across the globe are seeking to move away from the Doha Round is because no new and acceptable ideas have been advocated to move the Round forward for the past few years. Negotiations have remained stuck on the same issues with countries making no effort to bring a plausible deal to the table.

Before the start of the WEF Summit at Davos, Lamy was part of the 11 heads of institutions called the Global Issues Group (GIG), who as individuals had shared their thoughts to address the challenges faced by global economy. The other members of the GIG included Mark Carney, Margaret Chan, Angel Gurría, Donald Kaberuka, Haruhiko Kuroda, Christine Lagarde, Luis Moreno, Josette Sheeran, Juan Somavia and Robert Zoellick.

The GIG has raised three main concerns for 2012. These included decelerating global growth and rising uncertainty; high unemployment, especially youth unemployment, with all its negative economic and social consequences, and; potential resort to inward-looking protectionist policies.

To overcome these challenges the GIG called for an open trading system, resilient, cross-border finance, sustainable government finances, determined and coordinated structural reforms and finally addressing inequalities in all countries. All these thoughts have been on the table for long and have formed part of several declarations in the last few years. Given the intellectual prowess of the group, a lot more new and innovative ideas for tackling the current crisis could have been generated.

Lamy's talk at Davos on the Doha Round was also, in a way, a repeat of what has been said for long. Lamy is probably the only leader who has seen the Doha Round falter following its grand launch in 2001 – first as EU Trade Commissioner and then as director general of the WTO.

Though it is true that the WTO process can be moved forward only by member countries given the very member-driven mandate of the multilateral organisation, there may be a need for the director general to use strong platforms like the Davos to put across some fresh ideas that are also politically neutral to all member countries of the WTO. He naturally can only suggest and it is for members to take it forward. But using strong platforms like WEF to suggest innovative ideas is essential if the Doha Round is to move forward.

It is interesting to note that it may not be the lack of will alone among countries to liberalise trade that is holding back the WTO negotiations. If that had been the case then there would not have been a spurt of bilateral agreements in the last few years.

Nearly all important countries have signed important trade agreements in the recent past. China has agreements with many countries ranging from New Zealand to Australia, while South Korea and the EU have signed an agreement to increase bilateral trade. India has been very active on this front as well. The US, too, has pushed for a Trans Pacific Partnership Agreement covering a wide range of countries. Many of these agreements between countries have gone beyond just trade and looked at issues ranging from government procurement to investment.

Therefore, the lack of progress at the WTO is not because of protectionist tendencies alone. There is a need to go deeper and look for possible solutions. Lamy and his team need to focus on that if they would want to keep the multilateral trade institution relevant. However, it is important to underline that the onus of keeping the WTO afloat is not on the secretariat but on the membership. It is time leaders and officials look beyond rhetoric and identify some innovative solutions to liberalise global trade at the multilateral level. *The author is Principal Adviser with APJ-SLG Law Offices*

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