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November exports increase 3.87%
Business Standard Reporter

January 3, 2012, New Delhi: Imports surge 24.6% over the year, confirming worries on trade deficit and year's targets.

Owing to the ongoing crisis in the euro zone and limping recovery in America, the rate of growth of merchandise exports from India in November came down to single-digits, at $22.3 billion, which is 3.9 per cent higher from the $21.5 billion in the same month of 2010-11. Imports, on the other hand, grew 24.6 per cent to $35.9 billion over the $28.8 billion in November last year.

Total export during April-November reached $192.7 billion, rising 33.2 per cent from the $144.7 billion during the corresponding period of 2010-2011. With three months left for the financial year to end, the government's target of achieving $300 billion of export by March 31 seems unachievable.

"We would be able to reach $275 billion by the end of this fiscal. The trade deficit would not be less than $150 billion in 2011-12. The government should provide export finance at a concessional rate of not more than seven per cent for micro, small and medium companies and nine per cent for large business houses," said Ramu S Deora, president, Federation of Indian Export Organisations (FIEO).

The rupee has depreciated 16 per cent against the dollar since August. But this has not helped propel exports, mainly because of an increase in prices of inputs. "With the abnormal increase in the cost of inputs and packaging material, our exports are day by day becoming uncompetitive, nullifying the scope of margins offered by the rupee depreciation," Deora added.

Economists says the trend is unlikely to change in the near term. Europe, the US and Japan together account for 30-35 per cent of our exports. Newer markets haven't helped much in pushing growth, as they're themselves not in a comfortable zone. So, offering incentives to exports meant for the Latin American, Southeast Asian and African markets have not helped much in growth. "The second half is going to see a weakening of exports due to the crisis in the European markets. The target of $300 billion is not possible this year. Our imports are unlikely to come down until oil and other commodity prices decline," said D K Joshi, chief economist, Crisil India.

The scenario on the trade deficit looks alarming. Last month while releasing the initial export numbers, commerce secretary Rahul Khullar said it may be $155-160 billion by the end of this financial year. The trade deficit during April-November was $116.8 billion, compared to $93 billion in the same period last year.

A ballooning trade deficit was also responsible in impacting the current account deficit (CAD), according to a Goldman Sachs report. During the quarter ending September, the CAD widened to 3.7 per cent of gross domestic product from 3.4 per cent of GDP in the previous quarter.

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Tea exports up 13% in November 2011, but output down 4%
PTI

6 Jan, NEW DELHI: India's tea exports rose by 13 per cent during November last year to 17.47 million kg, but output fell by 4 per cent to 90.30 million kg, according to the latest government data.

During November, 2010, the country's tea exports stood at 15.41 million kg, while production stood at 93.92 million kg, according to Tea Board data.

Tea exports from North India rose by 7 per cent to 10.46 million kg in November, 2011, from 9.82 million kg in the year-ago period.

Overseas shipments from South India increased by 25 per cent to 7.01 million kg in November last year from 5.59 million kg in the corresponding period of the previous year.

India is the world's second-largest producer and the biggest consumer of tea.

Tea production in North India fell by 7 per cent to 65.79 million kg in November, 2011, from 70.82 million kg in November, 2010.

Output in South India, however, increased by 6 per cent to 24.51 million kg in November last year from 23.10 million kg in November, 2010.

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RBI cuts exports figures by $6 billion, baffles experts
Devika Banerji, ET Bureau

NEW DELHI, Jan 3: The central bank has revised its export figures down by $6 billion in its balance of payments statement for the first quarter of 2011-12, drawing flak from experts and once again raising questions on the dependability of government data.

The downward revision follows an admission by the commerce ministry last month that it had overstated export estimates by $9 billion. Data from the Reserve Bank of India (RBI) are considered to be more reliable. While the commerce ministry relies heavily on customs data, the RBI's estimates are based on actual payments verified through collection of receipts, making it less vulnerable to revisions.

"There is no real explanation for the downward revision. Export data has become very unreliable. As of now, it's an open question and the government should come up with more explanations," said Nisha Taneja, a trade expert with research organization ICRIER.

Till last month, there was a difference of $7.2 billion between the ministry's revised estimate and the balance of payment estimate of the RBI. With RBI's revision, this has reduced to $0.9 billion.

Some economists say that the Director-General of Commercial Intelligence and Statistics (DGCIS), whose figures the ministry uses, and the RBI may have a common source for data, which could explain why both had to revise their estimates.

"Such revisions are worrisome. It is difficult to say what the reason is, but there might be a source problem," said DK Joshi, chief economist with Crisil India.

KT Chacko, director of Indian Institute of Foreign Trade, said, "For merchandise exports, the RBI has no way to collect data but through the DGCIS, and that explains the downward revision. For services exports and remittances, they look at the financial inflows and outflows, but for goods they rely on DGCIS."

Some say overstatement of figures may have existed for some time and the issue has come to light because global economic conditions have revealed a disparity in trend among numbers for industrial production, imports and exports.

"It might be that over-reporting to a certain extent had been the norm for export data, but this time the difference was so stark that the need for corrective measures became evident," Taneja said.

Economists said the disparity in the particular quarter would not significantly alter the current trend of current account deficit.

"I am hoping that this is the only quarter in which this has happened. If that's the case, there will not be much impact on the overall current account deficit," Joshi said.

India's current account deficit for the first half of the fiscal stood at $43 billion, against $16.9 billion in the year-ago period.

"In a quarter, a $6 billion or $9 billion seems to be a large number, but assuming it is a one-off, it is not going to have much impact," Taneja added.

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Policy deficit
Business Line (The Hindu)

A weak rupee can boost export competitiveness and encourage firms to consider domestic manufacturing options, as opposed to blindly resorting to imports.

4 January 2012: In 2010, India had the world's third largest merchandise trade deficit, at $ 107 billion, behind only the US ($ 691 billion) and the UK ($ 154 billion). This ranking might change for the worse when the World Trade Organisation (WTO) comes out with the next edition of its International Trade Statistics. The reason is India's latest trade deficit – the gap between its goods exports and imports – for April-November. At $ 116.84 billion, it is well over a quarter more than the $ 93 billion for the corresponding eight months of 2010-11. The Commerce Ministry sees the deficit touching $ 160 billion for the whole of 2011-12 – though this figure pertains to the fiscal ending March 31, whereas the WTO data is for the calendar year. Either way, it would mean the country closing in on, if not overtaking, the UK for the No. 2 slot.

Of course, there is nothing new or unmanageable about trade deficits per se, as far as India goes. Unlike China, Russia and many other emerging economies, the country has a humungous services exports profile, with its net earnings from software, remittance transfers, tourism and other 'invisibles' significantly offsetting deficits on the merchandise trade account. As a result, the consolidated current account deficits (CAD) have been kept at levels that could be financed through such external capital inflows that the economy handle. Even in 2010-11, for example, a $131 billion trade deficit was reduced to a CAD of $46 billion, which, in turn, was more than plugged through net capital flows of $ 62 billion. The current fiscal, however, has seen a widening of both the trade deficit and CAD, alongside a drying up of inflows. During April-September, the CAD stood at $ 32.7 billion, working out to almost 3.6 per cent of GDP. That makes it worse than even the 3 per cent level in the crisis year of 1990-91. The only difference is that the Reserve Bank of India's (RBI) foreign exchange reserves of over $ 300 billion today can cover some eight months of imports, compared with less than 3.5 months in March 1991.

Given this background, what are the policy options available? Well, not much in the short term, even while one must commend the RBI for not draining away its forex reserves in a futile intervention to defend the rupee. A weak rupee, if anything, should help boost export competitiveness and encourage firms to seriously consider domestic manufacturing options, as opposed to blindly resorting to imports. It would also put some necessary brakes on imports. But that requires the Government allowing the higher import costs – especially on oil or fertilisers – to be passed on to consumers, so as to rationalise consumption. In the long run, the CAD has to be brought down to more sustainable levels, just as the domestic policy environment must be conducive enough for the country to attract capital flows.

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Exporters yet to realise potential of bilateral trade agreements
Nayanima Basu, Business Standard

New Delhi January 5, 2012**:**Benefits not encompassing, depend on sector; experts blame lack of awareness and complex procedural issues for lacklustre performance.

India has stepped up its approach in clinching bilateral trade and investment pacts over the last five years to obtain market access. But this has not really boosted merchandise exports to the partner countries, as exporters possess inadequate knowledge of the benefits of such deals.

Trade analysts and experts blame lack of awareness and complex procedural issues for the lacklustre performance.

Ten years after India started implementing its Plan B, bilateral trade agreements, to beat the impasse at the World Trade Organisation's Doha Round of liberalisation talks, the country seems to be rolling as far as inking these pacts are concerned, after a slow start.

India's approach to trade talks has also evolved since its first negotiation on an early harvest scheme with Thailand in 2004. For instance, the cloud of secrecy has given way to a consultative process, where industry associations and trade bodies are consulted and their concerns are taken on board.

However, data assessment is a problem, as the government does not keep a record of trade taking place through the bilateral vis-à-vis the general route.

According to a study by Jaipur-based think tank CUTS International, based on the commerce and industry ministry's data, India's trade with its trading partners through the bilateral agreement route stood at $163.74 billion in 2010-11, 27.46 per cent of the country's total trade of $596.20 billion.

Experts view these trade deals as having widespread geopolitical significance rather than just being mechanisms to boost trade.

"FTAs (free trade agreements), PTAs (preferential trade agreements), CECAs (comprehensive economic cooperation agreements) are still not considered to be completely an economic instrument, as these are largely governed by geo-economic considerations, with a substantial geo-strategic pursuit. Recent engagements with Korea and Japan clearly reflect such orientations, which have much to do with the changing geopolitical equations in East Asia," said Faisal Ahmed, associate director, CUTS International.

India has nine such bilateral trading arrangements with Singapore, Japan, South Korea, Malaysia, Asean (Association of Southeast Asian Nations - Thailand, Singapore, Malaysia, Vietnam, Indonesia, Laos, Cambodia, Philippines, Brunei and Myanmar), Sri Lanka, Chile, Afghanistan and Mercosur (the Latin American trade bloc — Argentina, Brazil, Uruguay and Paraguay). Besides, India also has separate two-way trade arrangements with the Asia-Pacific bloc, South Asia, Nepal, Finland, Bhutan and Thailand.

In the last three years, it has signed broad-based bilateral trade deals with South Korea, Japan, Malaysia and the 10-member Asean. These deals cover trade in goods, services and investment. Currently, it is in the process of negotiating 13 such trade pacts, significant among these being with the European Union, the South African Customs Union (SACU) and Asean for services and investment, among others.

"The reality is exporters consider all these agreements to be yet another documentation in the entire scheme of things. Barring the big companies, most Indian businessmen do not consider these deals to be an instrument to improve market access. The awareness among exporters is poor," said Rajiv Raizada of the Export Inspection Council under the commerce and industry ministry.

STRIKING A DEAL

Countries (Implementation year)	EXPORTS: Trade when pact was implemented	EXPORTS: Current (2010-11)	EXPORTS: Growth (%)	IMPORTS: Trade when pact was implemented	IMPORTS: Current (2010-11)	IMPORTS: Growth (%)
Chile (2006)	250.21	549.94	**119.79**	1,923.48	1,550.25	**-19.40**
Afghanistan (2003)	175.00	411.78	**135.30**	34.37	146.03	**324.88**
Brazil (2009)	2,414.29	3,970.80	**64.47**	992.35	3,548.88	**257.62**
Argentina (2009)	269.96	398.20	**47.50**	876.00	1,022.73	**16.75**
Uruguay (2009)	48.33	90.38	**87.01**	16.04	17.32	**7.98**
Paraguay (2009)	37.05	42.27	**14.09**	5.22	5.31	**1.72**
ASEAN (2010)	18,113.71	27,277.81	**50.59**	25,797.96	30,607.96	**18.64**
Sri Lanka (2003)	640.00	4,039.90	**531.23**	45.00	501.73	**1,014.96**
Singapore (2005)	6,053.84	10,302.71	**70.18**	5,484.32	7,139.31	**30.18**
South Korea (2010)	3,421.05	4,140.37	**21.03**	8,576.07	10,475.29	**22.15**
Malaysia (2011)	NA	3,956.98	**NA**	NA	6,523.58	**NA**
Japan (2011)	NA	5,191.23	**NA**	NA	8,632.03	**NA**

Source: Department of Commerce and Industry; Figures in million dollar, NA: Not applicable

FTAs are generally negotiated based on the feedback of industry chambers and associations, which forms the main basis of the negotiating text for the government. Though the commerce ministry negotiates such deals, inputs and suggestions are sought from other ministries and departments.

Despite offering a range of flexibilities and freebies, these deals had not been successful due to problems in dissemination of information such as product coverage, preferential margins and rules of origin, said Raizada.

For example, India signed a PTA with Chile in September 2007, when two-way trade stood at $2.3 billion. Instead of growing, trade with Chile declined to $2.10 billion in 2010-11.
In trade parlance, rules of origin are referred to the criteria needed to determine the source of a product. Their importance is derived from the fact that duties and restrictions in several cases depend upon the source of imports.

“We are not very sure about how much of the preferences are being utilised by exporters, as the data on preference utilisation is not available. Sometimes exporters don’t avail of preferential treatment because there are too many RTAs (regional trade agreements) and it’s difficult for them to assess the best option,” said Nisha Taneja, professor, Indian Council for Research on International Economic Relations.

Taneja highlighted the fact that separate bilateral agreements within a bigger trade deal made external trade more cumbersome. A case in point is India’s FTA in goods with Asean, which became operational from January 2010. Despite that, India is negotiating separately with some Asean members such as Thailand and Indonesia.

To protect the interests of the domestic industry, these agreements provide a sensitive or negative list of items on which limited or no tariff concessions are granted. Benefits from these trade and investment agreements sometimes depend from sector to sector.

According to Premal Udani, chairman of the Apparel Export Promotion Council, the apparel industry has gained a lot from the deal with Japan, as it is the world’s third-largest market for apparel, after the EU and the US. But the industry would not gain at all from the deal with Korea, since garments have not become duty free there.

Individual trade agreements are also helping India in enhancing export in sectors in which it has comparative advantages. Such deals had also helped India in integrating with the global economy, added Ahmed.

At a time when exports are feeling pressure from slowdown in some of India's traditional markets, like the US and Europe, bilateral trade deals can be utilised effectively to boost the country's merchandise exports and help India achieve its target of $500 billion in exports by 2013-14.

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Time intra-SAARC trade improved
Ritesh Kumar Singh, Hindu Business Line

Amidst global recession, the future lies in regional trade. Reduced distances make it a low carbon option

January 8, 2012:Intra-regional trade accounts for roughly 65 per cent of European Union's total trade; it is 51 per cent in the North American Free Trade Agreement (NAFTA) area, 25 per cent in the Association of South East Asian Nations (ASEAN) and 16 per cent in the Latin American trade bloc, Mercosur. However, this ratio is just 5 per cent in the South Asian Free Trade Area (SAFTA) despite the existence of logistical advantages.

Is it political hostility alone, especially between two major partners, India and Pakistan, that has kept intra-regional trade and investment flows among SAARC nations low? This question acquires significance when developed countries, faced with economic slowdown and rising unemployment, are resorting to growing use of non-tariff barriers, e.g. tighter emission controls to check imports into their territories.

This leaves developing nations with no other option but to look for increasing trade among themselves. In the absence of large domestic markets, intra-regional trade can help to achieve economies of scale (more so in case of smaller nations such as Nepal or Bhutan) and rapid economic growth.

Increasing trade can also help to reduce political animosities. Besides, intra-SAARC trade can be a low carbon option compared with, say, India-Latin America trade because of geographical proximity and low transport cost among SAARC nations.

Roadblocks to Trade

Over the years, several attempts have been made to increase intra-regional trade through preferential trading arrangements. The agreement covering South Asian Free Trade Area (SAFTA), which became operational on January 1, 2006, is the most important among all such attempts.

Yet, India's trade with South Asia has not kept pace with its otherwise rapidly growing external trade. As shown in the accompanying chart, the share of SAARC region in India's export remained stagnant over the last decade. Its import share has, in fact, declined. This is expected as SAFTA is limited in nature and focuses mainly on gradual duty reduction for promotion of trade, which is only one of the trade barriers. SAFTA has not been successful in addressing other trade barriers affecting growth of intra-regional trade flows.

What has kept intra-regional trade so low?

While politics is certainly one of the key factors to restrict growth of trade among South Asian nations, there are other factors probably more important, such as enabling policy environment and supporting infrastructural facilities which have not let intra-SAARC trade, including between India and Pakistan, the two major nations of the region, take off.

India-Pak trade routes: At present, India-Pakistan trade can take place either through Atari (by rail) or Wagah (by road) or Mumbai-Karachi sea route. Trucks carrying goods are not permitted to cross over one side to another, adding to the cost of cargo loading/unloading, damage and delays. Again, moving goods from Delhi to Mumbai by rail and then to Karachi by sea route costs almost three times that of moving them directly from Delhi to Atari by rail route. This has to change if we want India-Pakistan trade to realise its true potential, which is several times higher than the current $2.6 billion.

Transit trade problems: While goods from Afghanistan may come to India via Pakistan (through land route) Indian goods are not allowed into Afghanistan via Pakistan. Similarly, Pakistani goods are not allowed to go to Bangladesh or Nepal via India. Only Nepal and Bhutan have got transit facilities from India for their trade with Bangladesh. Intra-SAARC trade can easily multiply if seamless movement of goods and services across the region is ensured.
Further, complex rules of origin make it difficult to benefit from SAFTA duty preference. Many a time, exporters, especially SMEs, forego preferential duty access because of the difficulties associated with compliance in terms of time and cost.

Poor infrastructure: Infrastructure is a key determinant of trade competitiveness. Most SAARC countries, except Sri Lanka to an extent, fare badly in terms of trade-friendly infrastructure, in particular export-import formalities, time/cost of documentation, Customs procedures, efficiency of ports and inland connectivity, as shown by World Bank's *Ease of Doing Business* reports.

These factors keep intra-SAARC trade low. Restriction on transit movement of merchandise further adds to the transaction cost.

Areas of potential

Given the poor record of South Asia in infrastructure, especially port-related infrastructure, its development needs urgent attention for businesses to benefit from progressive duty reduction under SAFTA. Experience of South-East Asia shows that trade and investment go hand in hand, so it is time policy-makers contemplated deepening the existing FTA into a comprehensive cooperation agreement covering not only trade in goods but also services and trans-border movement of investment and personnel. The other areas that need immediate attention are rationalisation of trade documentation and removal of non-tariff barriers.

Considering the shared cultural heritage and similar demand patterns, there are immense possibilities to multiply intra-regional trade in South Asia.

Nepal can supply its surplus hydroelectricity to India for greener manufacturing. Bangladesh has natural gas which Indian producers of fertilisers and power badly need. Pakistan can cater to large Indian markets for wheat, cotton and other agricultural goods. Sri Lanka can supplement Indian supply of natural rubber for tyre manufacturers.

With growing awareness about carbon content in trade leading to preference for low carbon goods, it makes more sense for pushing intra-SAARC trade through every possible means. While Pakistan granting MFN status to India is certainly a welcome step, we need to do more to take intra-SAARC trade from the current level of 5 per cent to, say, 10 per cent by 2015 and to 20 per cent by 2020.

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India, Pak to start power, petro trade
The Times of India

2 January 2012, NEW DELHI: India and Pakistan are strengthening business links in 2012, with the stage set to start trading in electricity and petroleum products.

Officials from the two countries have decided to trade in electricity through a specially-built high voltage direct current link between Amritsar and Lahore. The plan is to transfer 500MW through the Punjab border with the tariff linked to the market rate.

The proposal is awaiting a clearance from the defence ministry before an agreement is signed.

In addition, talks will start in the second week of January on a 200-km pipeline originating from the Bathinda refinery to move surplus diesel from India to Pakistan. Sources said discussions at the commerce secretary level have taken place, and now specialists from the two countries would thrash out the details, when a delegation from across the border visits the country.

The Guru Gobind Singh Refinery Project — being jointly built by Hindustan Petroleum and LN Mittal's Mittal Energy Investment Pvt Ltd Singapore — is expected to go on stream shortly and add to the country's surplus refining capacity. In contrast, Pakistan faces scarcity and will have quicker access to fuel.

Officials said that HPCL-Mittal Energy will gain as the cost of transporting fuel through a pipeline will work out be much less than shipping it.

The contours of the deal are expected to be finalized over the next few weeks, and may be announced when commerce and industry minister Anand Sharma visits Pakistan in mid-February with a business delegation. Apart from minister-level and business-to-business talks, the government has also lined up an India Show to strengthen the recent bonhomie on the trade front.

In February, the Pakistani side is expected to end the present system of allowing trade in only around 2,000 products and replace the positive list with a negative list. India is pushing for a small negative list of around 200 items where trade will be restricted.

By October even this list is going to be phased out, and Pakistan will move to a World Trade Organization-compliant mechanism and grant Most Favoured Nation (MFN) to India, almost 16 years after New Delhi granted the benefit to Islamabad.

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India-US trade talks postponed indefinitely
Asit Ranjan Mishra & Elizabeth Roche, Livemint

Three days before the crucial eighth round of US-India Trade Policy Forum talks were to begin, the meeting has been deferred indefinitely by US officials. This is the second postponement of the talks by the US since October.

The US was convinced that the talks were being held at the wrong time with India unlikely to yield to its demands for greater market access, according to commerce ministry officials who did not want to be identified.

United States trade representative (USTR) Ron Kirk was scheduled to visit New Delhi on 12-13 January to hold bilateral talks with his counterpart, Indian commerce minister Anand Sharma. But late Saturday, US officials informed the commerce ministry that Kirk was deferring the visit.

A commerce ministry official said the US may have realized that it wasn't going to get any significant market access assurance from India immediately. Copyright piracy has also been high on the US agenda. The US has voiced its concern about Indian authorities failing to protect its producers of pharmaceuticals, films, computer software and other copyrighted material from widespread piracy.

"If you want to talk to us about intellectual property and piracy, then you must be able to talk about issues concerning us like market access in services, restrictions on service suppliers, visa fees, tax on procurement and totalization agreement," the official cited above said. "Everything that we ask for they say no. If you do not address our concerns, we will not yield to your demands."

A recent report by the USTR 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.

The US embassy in New Delhi had not responded to an e-mail query at the time of going to press.The elections in five states next month also played a role in delaying the trip, said another person familiar with the development on condition of anonymity.

"There are issues of investment in retail that the US would want to discuss with us. But with the government stating that a consensus on FDI in (multi-brand) retail being taken up only after the polls, I guess the US side had decided to delay the visit," this person said. "There are some policy decisions that have to be taken, but with polls announced in the five states, these decisions cannot be taken now."

In July 2005, the US and India announced the establishment of a bilateral committee, the United States–India Trade Policy Forum that replaced the US–India Working Group on Trade, which was established in 2000. In November 2005, both sides set up five focus groups on agriculture, tariff and non-tariff barriers, services, investment and innovation and creativity to resolve outstanding issues and promote bilateral trade and investment.

When two major economies such as the US and India are involved, there has to be mutual give and take, said Biswajit Dhar, director general at Research and Information Systems, a New Delhi-based think tank. "You cannot negotiate with your hands tied. Unfortunately, the US government finds itself in such a place where they cannot take any major trade policy decision due to domestic economic uncertainties."

If Kirk had come now, he would have had to answer difficult questions on bilateral trade issues which he must have wanted to avoid, Dhar said.

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A European pill best avoided
S. Srinivasan, Business Line (The Hindu)

The proposed India-EU FTA will compromise our generics segment and health security.

January 3: Even as India's generic pharma industry establishes itself as a major supplier for developing countries, barriers are being put up to inhibit the free flow of trade. The WTO was set up to ensure that trade flows "as smoothly, predictably and freely as possible." Its multilateral dispute-settling mechanism has been functioning reasonably well, though it has its share of critics.

All this is set to change with bilateral free trade agreements (FTAs). Secret negotiations have been on — since 2007, with early 2012 as the deadline — between the Government of India and EU for finalising the India-EU FTA. Indeed, one needs to ask why these negotiations are conducted without consulting Parliament and State Governments.

PROPOSED TRIPS REGIME

The basis of bilateral FTAs is reciprocity, but reciprocity between unequal partners never works — well, it always works against the interests of the less equal party. To illustrate how unequal: India's GDP is 3 per cent of the EU's GDP; while India accounts for just 1.8 per cent of the external trade of EU, the EU accounts for 20 per cent of India's trade; India's largest source of FDI is EU, while India accounts for 1 per cent of EU's total FDI.

The India-EU FTA aims to liberalise "substantially all trade" between the two trading blocks on a "reciprocal" basis and apart from trade in goods, the FTA will have substantive provisions on services, investment, public procurement, intellectual property (IP) rights and some other areas. The proposals on IP are likely to create new hurdles for generic medicine manufacturers in particular. The IP measures demanded are 'TRIPS Plus' — that is beyond what is mandated by TRIPS/WTO. These include data exclusivity, patent term extensions, enforcement measures, border measures, increase criminalisation of IP infringement under the guise of acting against "counterfeit" medicines.

Acceding to data exclusivity measures would delay entry of generics in India. It will require generic manufacturers to repeat the clinical trials already done by the originator company. Such an act would be a violation of human rights, where proving bio-equivalence to the originator's products would have sufficed.

In Guatemala, a study published in 2009 in *Health Affairs* concluded that IP measures on data exclusivity and patents of the CAFTA (Central American Free Trade Agreement) were "responsible for the removal of several lower-cost generic medicines from the market in Guatemala and for the denial of entry to a number of others."

Another way to delay entry of generics — and this was being demanded earlier in the EU-India FTA talks — is the extension of patent term beyond the TRIPS-mandated 20 years, calculated usually from the date of filing of the patent. The move is to “compensate” for the time taken by the patent office to examine the patent and by the Drug Controller General of India to approve for marketing and manufacture.

BROADER PUNITIVE STEPS

Closely allied to these are IP enforcement measures: injunction provisions, border measures, and third party liability. Border measures in the proposed FTA legitimise the seizure of goods on visual inspection/mere suspicion of IP infringement, and even destroy seized goods — this is what happened in the several seizures of medicine exports from India to Africa/South America while transiting Amsterdam. This interferes with India's freedom to export generic medicines to countries in need and the right of such countries to import such medicines.

TRIPS allows for seizure only on violation of copyright/trademark and, that too, at the border only. The proposed TRIPS-Plus border measures applies not only to import, but to export, re-export, goods in transit and the duty of intermediaries to disclose information.

Also on the anvil is a proposal — called third party liability — to hold to task everybody involved in the supply, sale and manufacture of “counterfeit” goods. And this would make liable those in the trade chain as well as suppliers of bulk medicines and excipients used to make the medicine.

Injunction provisions being suggested in the FTA will make it incumbent on the Indian judiciary to give preference to IP status of medicines over the health rights of the poor, sometimes giving injunctions even before patent validity is established.

INVESTMENT PROPOSALS

Investment in EU-India FTA is being sought to be defined to include “IP rights, goodwill, technical processes and know-how as conferred by law.” Foreign investors, if the investment proposals go through, would be able to sue the Government of India if any measures (say price control or compulsory licensing) taken by the Government, are seen not to protect their investments (read IP / patent rights, or profits or “goodwill”).

The resulting arbitration will be before secret arbitral tribunals in places like London or Singapore. The decisions arrived at are binding and cannot be challenged under national laws. Till date, at least 81 governments have been sued in more than 400 investment treaty arbitration claims. Millions, and in some cases billions, have been paid by governments to investors, as a result of such arbitration. Chapter 11 of the North American Free Trade Agreement (NAFTA) has helped North American investors sue Mexico, a developing country, and of course helped US investors sue the Canadian government and the other way around.

Investment proposals, first conceived in then West Germany, in 1957, are a “legal monster” that refuses to go away. Finally, the chickens have come home to roost with recent news of Germany's nuclear phase-out being challenged by the Swedish energy company, Vattenfall.
A Government of India that is reluctant to issue compulsory licenses will be further inhibited, when such draconian investment proposals are in place, to use TRIPS flexibilities for public health reasons.

Additional investment proposals are being sought in the name of “fair and equitable treatment” and “full protection and security” to investors. These terms are undefined as the case law on this is still a work in progress and it is left to the arbitral tribunals to determine what is “fair and equitable”. Arbitral decisions often aren't concerned with the public health motivations behind any regulatory action.

A related requirement that is being put forward is granting European investors the same treatment as domestic investors. This isn't fair, as governments giving preferential treatment to local stakeholders, say SSIs, can be sued. Indeed, some of the proposed “performance requirements” provisions make it illegal to ask foreign investors to use local inputs and local personnel.

At stake is access to low-priced medicines for millions of poor patients in Africa and Latin America who source medicines from India's generic medicine industry.

The EU Parliament routinely instructs the European Commission on what stands are to be taken on various contentious issues in the FTA. We would wish our Parliament and our courts take *suo moto* action to take the India-EU FTA out of the closet and put it in public domain, before letting the Government sign on the dotted line — and sign away, perchance, our health security, and the livelihoods of the poorest. *(The author is associated with LOCOST, Medico Friend Circle and All India Drug Action Network.)*

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EU insists on government supply contracts
Amiti Sen,ET Bureau

11 Jan, 2012, NEW DELHI: The European Union (EU) has indicated that if India keeps government supply contracts out of the bilateral trade and investment agreement, it could affect flow of business to Indian joint ventures and subsidiaries established in the region.

The Indian government makes purchases from other countries but has not made any commitment to continue doing so.

The EU, which is negotiating the terms of the agreement with India, is keen on making it binding on India to do so.

At a recent official-level meeting in Brussels, EU officials claimed that EU's purchases from non-EU sources was about 16% of total government sourcing done in the region, and not below 1% as claimed by research bodies in India and some other countries. "EU officials say that all firms in Europe that have investments from a foreign country are also to be considered as non-EU sources.

By including government contracts going to such firms, the EU claims that foreign sourcing increases to 16%," an Indian official told ET. If India does not get into a bilateral government procurement agreement (GPA) with the EU, then Indian companies, including subsidiaries and joint ventures established in the 27 EU countries, could be deprived of the current business they are getting, the EU officials warned.

Since India is not a part of the GPA of the World Trade Organisation, the EU could ban government sourcing from Indian companies, if it likes. The EU's annual procurement is estimated at $277 billion, against the global government sourcing valued at $1.3 trillion and India's $1.5 billion.

"While the EU cannot discriminate on the basis of ownership of firms established in the region, it can certainly discriminate on the basis of sourcing that these firms do from foreign countries," said Abhijit Das, head, Centre for WTO Studies, IIFT.

This means that if there is a subsidiary of an Indian company in the EU or a joint venture that sources from India, then the GPA allows banning such firms for bidding for government orders. Das, who recently concluded a study for the commerce department on the benefits of GPA, maintains that India has little to gain in the EU.

Contesting the EU claim of 16% sourcing from non-EU countries, Das said that as per the EU's notification in the WTO's GPA committee in 2006, the sourcing was just 0.3%. "We do not know on what basis it is making its claim," Das said.

Unfortunately, India's own data on the business that Indian joint ventures and subsidiaries in the EU get from the government is almost non-existent. "We have tried to get the data from Indian IT and other companies, but they are not forthcoming. The commerce department has to carry out a detailed study on the numbers to analyse the situation better," a government official said.

The EU is keen to get into a GPA with India to ensure that the country does not stop its global purchasing at any point of time. "The Indian government does make purchases from foreign countries, but the country has not taken on any commitments in the area. The EU wants India to give a guarantee that the sourcing would not stop in the future," the official said.

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Saudi Arabia sees 'huge potential' for trade with India
PTI

NEW DELHI, January 4: Against economic troubles in Europe and uncertainty in the US, Saudi Arabia on Wednesday said it sees "huge potential" for stepping up commercial engagement with India.

However, Saudi Arabia which is home to two million Indian workforce, asked the Indian government to relax visa rules to boost bilateral trade and investment. "We are eager to do more trade with India. Huge potential is present in both the nations as both are emerging economies," Saudi Arabia commerce and industry minister Tawfeeq Bin Fouzan Al Rabea said at a Ficci meeting here.

Al Rabea, who is leading a 35-member business delegation, said there are opportunities for bilateral engagement in sectors like infrastructure, IT and education.

With economic troubles affecting the entire Eurozone and the US economy giving uncertain indications, Saudi businesses are looking at India as an alternative investment and trade option, industry officials said.

Al Rabea urged the Indian government to liberalise visa norms for its people. "... what I heard from some of our colleagues that they get only one month with single entry visa (from Indian

Embassy in Saudi Arabia). So, I think, we need to do something here and there, to make sure we facilitate the movement of people between the two countries," Al Rabea said.

On the other hand, Saudi Arabia gives multiple entry visa for one year. The visiting minister said that about two million Indians are working in different sectors in Saudi Arabia. The bilateral trade has increased by about 60 per cent to $25 billion in 2010.

Addressing the gathering, Ficci President-elect R V Kanoria said that Saudi businessmen can explore investment opportunities in areas like bio-technology, telecommunication and automobile.

"Huge investments are required in infrastructure sector in India. India is going to invest as much as $1 trillion in next five years," Kanoria said.

India's exports to Saudi Arabia mainly comprises Basmati rice, meat, man-made yarn, cotton yarn, chemicals and machinery. Imports largely include crude oil, as India imports a quarter of crude requirement from Saudi Arabia.

"There is big sale of oil to india...Our bilateral trade is increasing and I see this growth continuing and I see more potential for cooperation and trade," the Saudi minister added.

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India Lifts Anti-Dumping Duty on Import of Saudi Polypropylene

Rajesh Kumar Singh, Bloomberg

Jan. 2: India has lifted an anti-dumping duty imposed on polypropylene imported from Saudi Arabian suppliers, including Saudi Basic Industries Corp., the world's biggest petrochemical maker.

The change is effective from the day the notification is published in the Gazette of India, the official record of government rules, the Central Board of Excise and Customs said in a statement dated Dec. 30 on its website. There was no reason given for the amendment.
India imposed a 6.5 percent anti-dumping duty in November 2010 on polypropylene imports from Saudi Arabia, Oman and Singapore because it said the shipments were valued at less than normal prices and would hurt domestic manufacturers. Reliance Industries Ltd., controlled by Mukesh Ambani, India's richest man, has a 70 percent share of the country's polypropylene market, according to its website.

Saudi companies affected by the duty, including Advanced Petrochemicals Co. and National Industrialization Co., said at the time they would ask the World Trade Organization to pressure India to lift the tax. India and Saudi Arabia would be able to resolve the dispute without going to the WTO, India's Trade Secretary Rahul Khullar said in December 2010.

Central Board of Excise and Customs Chairman S.K. Goel couldn't immediately be reached on his office telephone for comment.

Total petrochemical exports from Saudi Arabia to India amount to $200 million a year, Abdulrahman al-Zamil, a trade representative for Saudi petrochemical makers, said on Nov. 28, 2010.

The statement didn't mention the tax on polypropylene imports from Singapore and Oman. The duty was retroactive to July 30, 2009, and valid for five years from then. Polypropylene is used in straws, carpets and garden furniture.

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DGAD probes dumping of bonded wood, fibre boards
Press Trust of India

New Delhi, Jan. 9: The Government has initiated a probe into alleged dumping of certain types of organic substances — bonded wood and fibre boards — by China, Indonesia, Malaysia and Sri Lanka with a view to protect domestic players from cheap shipments through the levy of anti-dumping duty. Countries initiate anti-dumping probes to check if the domestic industry has been hurt by a surge in cheap imports.

As a counter-measure, they impose duties as permitted under the multilateral WTO regime. The Directorate-General of Anti-Dumping and Allied Duties (DGAD) has initiated the probe into alleged dumping of "resin or other organic substances — bonded wood or ligneous fibre boards of thickness below 6mm, except insulation boards, laminated fibre boards — originating in or exported from China, Indonesia, Malaysia and Sri Lanka," a notification by the Commerce Ministry said.

Sufficient evidence

On finding sufficient evidence of dumping of the product by these countries, the DGAD "hereby initiates an investigation into the alleged dumping, and consequent injury to the domestic industry... to determine the existence, degree and effect of alleged dumping and to recommend the amount of anti-dumping measure, which, if levied, would be adequate to remove the injury to the domestic industry," it said. The investigation is focused on the April 2010-June 2011, period, it added.

Balaji Action Buildwell had filed an application for the probe on behalf of the domestic industry. The applicant accounts for more than 50 per cent of total Indian production of bonded wood and ligneous fibre boards.

India has so far initiated 149 anti-dumping cases against China, which account for over half of such actions taken by the country against foreign nations.

Unlike safeguard duties, which are levied in a uniform way, anti-dumping duties vary from product to product and from country to country.

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Quality norms for electronics may shut out Chinese goods
Surabhi Agarwal & Asit Ranjan Mishra, Livemint

Jan 4, 2012,New Delhi: In a move that could spell trouble for Chinese electronics manufacturers in India as well as local firms sourcing electronics from that country, the government is proposing mandatory quality norms for 16 electronic items, including mobile phones, computers and television sets.

The action, which could increase tension in trade relations between the two Asian neighbours, is being taken to eliminate spurious and substandard electronic goods that have flooded the Indian market, mostly made in China.

According to estimates, 30% of the over $45 billion (Rs. 2.4 trillion) electronic equipment market is low quality, posing serious health and safety hazards for consumers. The market for electronic equipment in the country is expected to grow to $400 billion by 2020, of which $300 billion is expected to be imported unless the domestic manufacturing industry scales up dramatically.

To enforce quality standards, the government will set up testing and sampling labs, said a senior official of the department of information technology (DIT). It will also, in consultation with the Bureau of Indian Standards (BIS), announce a policy on the issue. “Through this policy mandate, we will reinforce existing standards, which are internationally acceptable, instead of reinventing any new standards,” said the DIT official, who did not want to be identified as the policy is yet to be notified.

The same person added that the move follows accidents involving such goods. The policy, when released, has the potential to change the dynamics of the industry as local manufacturers and multinational brands are both under intense price pressure from cheap Chinese imports. Alok Bharadwaj, president of electronics hardware lobby Manufacturers’ Association for Information Technology, said: “We have to decide what should we tolerate.”

He added that when manufacturers conform to standards in other countries, be it for voltage or plugs, they should do so in India as well. “Even though the price is much lower compared with branded goods, the consumer ends up getting a bad bargain,” he said. Bharadwaj is also senior vice-president of Japanese camera and printer m-aker Canon’s India operations.

According to the DIT official, the most significant impact is likely to be on mobile phones. The last four years have seen a significant growth in the number of non-branded phones being sold in the country, most of them imported from China.

According to Gartner, the Indian mobile device market has more than 150 manufacturers selling devices to consumers, with most of them being local and Chinese manufacturers focused on low-cost phones. Mobile device sales in India are forecast to reach 231 million units in 2012, an increase of 8.5% over 2011, according to the market research firm.

A senior commerce ministry official confirmed that such a policy is on the anvil. However, he said that DIT is yet to formally consult the ministry. “We know it is being contemplated. We’ve to evolve the same standards for domestic manufacturers as well,” he added.

The standards will apply equally to local manufacturers as well, said the DIT official. However, most of such products use components imported from China.

The government banned the import of mobile phones without a unique international mobile equipment identity (IMEI) number in 2009. Chinese handsets without IMEI numbers had a market share of about 13% at that time.

India had banned the import of Chinese toys in January 2009, alleging that such products had toxic parts. In June 2009, the ban was relaxed for the import of toys from any country that met international safety standards. Since the move was not World Trade Organization (WTO)-

compliant, in May 2010, the government made it mandatory for domestic manufacturers to obtain BIS certification showing that their products conform to toxicity norms.

According to the WTO agreement on technical barriers to trade, member countries can maintain technical standards that are scientifically verifiable, transparent and non-discriminatory, said independent trade analyst T.N.C. Rajagopalan.

“Such uniform standards have to be devised for electronic items as measures like anti-dumping are difficult to impose in these cases,” he added.

India’s widening trade deficit with China and the lack of access for Indian firms to the Chinese market have been contentious issues between the two countries. A proposal to impose customs duties on imports of Chinese power equipment to safeguard domestic manufacturers such as Bharat Heavy Electricals Ltd and Larsen and Toubro Ltd is under consideration.

China is India’s second largest trade partner, behind only the United Arab Emirates. Indian exports to China were valued at $19.6 billion in 2010-11 and imports from that country at $43.5 billion.

Setting up standards for a particular industry cannot be seen as a trade war, even though Chinese manufacturers may be the ones impacted most, said T.S. Vishwanath, principal adviser at APJ-SLG Law Offices.

“As long as these standards are not specific to China— which they cannot be—then it is fine,” he said.

Such measures cannot be used as instruments to address the trade deficit with any country, said Abhijit Das, head of the Centre for WTO Studies.

Vishal Tripathi, principal analyst at Gartner India, said: “On the flip side, the availability of such products keeps the multinational brands on their toes as their margins are under pressure.”
It is the responsibility of the government to ensure that the products available are of good quality, since mobile penetration is happening more in rural areas, where literacy rates are lower, said Pankaj Mohindroo, founder and national president of the Indian Cellular Association.

“It is the unbranded segment, which constitutes almost 25% of the market, which will get the most impacted,” he said. “This segment stops at nothing, be it counterfeiting products, making wrong declarations to consumers in terms of specifications, no after-sales service and warranty, etc. There is a major fraud being played on the consumer by this segment, which has to stop.”

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Iron ore exports seen plunging after tax rise
Reuters

3 Jan, NEW DELHI: India's iron ore exports are likely to be 75 per cent lower than previously expected in the quarter ending in March as a rise in export duties kicks in as part of the government's push to conserve supplies for domestic steelmakers.

Asia's third-largest economy announced a 50 per cent jump in export duties on Monday to 30 per cent, prompting traders to slash their forecasts for exports for the year to March 2012 to around 50 million tonnes from 65 million. That was already down from 97 million tonnes last year.

Given that India had exported about 45 million tonnes in the nine months to December, it is likely to ship only another 5 million tonnes in the three months to March 31, top industry body, Federation of Indian Mineral Industries, said on Tuesday.

India is one of the world's biggest exporters of iron ore, with much of it bought by China, which has the world's largest steel industry. The shortage is expected to push up global prices by 7 to 10 per cent over the current $140 a tonne, traders said.

"We are shocked at the decision to hike export tax on iron ore as such volatility in policy does not promote India's image as a reliable supplier," said Glen Kalavampara, secretary of the Goa Mineral Ore Exporters' Association. Goa is India's biggest exporter of iron ore.

"Absence of supplies from India will help Australian and Brazilian suppliers to consolidate their domination of the global market."

Indian exports were already down around a third from last year primarily due to legal wrangling over stalled shipments from a key producing state and efforts to conserve supplies.

Shares in Indian exporters Sesa Goa and NMDC slid on Monday after the announcement of the tax hike but closed up on Tuesday on fund buying at lower levels.

Deutsche Bank sharply reduced its earnings estimates for Sesa Goa -- by 29 per cent this fiscal year and by 24 per cent for 2012/13 -- on Tuesday, factoring in the increase in iron ore export tax among other reasons.

Steel companies continued Monday's gains. Tata Steel Ltd rose 6.1 per cent to 361.85 rupees. Credit Suisse upgraded the world's No. 7 steelmaker to 'neutral' from 'underperform', citing valuation comfort at current levels.

The government has shown an inclination to conserve resources, though it does not support a blanket ban on exports, largely because the domestic steel industry does not have the technology to use ore fines. India mostly ships fines to China.

New Delhi also hopes that sustained Chinese demand means buyers would be willing to pay a slightly higher price.

"We think global demand will be able to absorb a slight adjustment in prices on the upside, which leaves a bit of room for us to adjust duties," an Indian ministry official said.

GLOBAL PRICES Chinese steel mills had been expected to replenish stockpiles before their New Year holidays, which start on Jan. 22. Chinese markets are closed on Jan. 2.

China's iron ore imports are expected to rise 6 per cent to a record 720 million tonnes in 2012, according to a Reuters poll conducted in December.

India's government is trying to cut down on illegal iron ore mining and shipments but favours better tracking and monitoring along with higher taxes rather than blanket bans on exports. It last raised the export duty in February 2011.

In April, the Supreme Court overturned an export ban imposed by Karnataka's state government in July 2010, but shipments have yet to pick up because of administrative delays.

The court has itself banned mining in some parts of the state due to environmental worries and allegations of illegal mining, allowing only state-run NMDC to mine in the areas.

Such regulatory uncertainty deflates industry confidence of India being a stable supplier.

Indian exports could slump below 10 million tonnes within three years as more ore is earmarked for domestic consumption, according to David Flanagan, managing director of Australian iron ore miner Atlas Iron.

Indian ore exporters say the government policy makes little sense as domestic steelmakers can hardly use fines.

Moreover, India's steel demand is likely to grow by only 6 per cent in the current fiscal year, nearly half the earlier forecast, as higher interest rates squeeze demand from the automobile and construction sectors.

"Low-grade iron ore should have been free for exports," Kalavampara said.

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Cotton exporters back in market as cotton prices decline
Madhvi Sally, ET Bureau

29 Dec, 2011, AHMEDABAD: Cotton exporters are making brisk purchases across Gujarat and Maharashtra as prices weaken to Rs 33,800 to Rs 34,000 a candy (of 356 kg each). Simultaneously, demand from local mills has begun flowing thanks to requirement from garment manufacturers.

Cotton prices are still volatile with a movement of Rs 500-1,000 a candy a day, say traders. "Robust demand from China is expected to ensure cotton export of over 85 lakh bales (of 170 kg each) and more this year, similar to the 2007-08 figure. Our prices are the lowest in the international market," said Cotton Association of India president Dhiren N Sheth.

Coimbatore-based cotton broking house JG Pujara and Sons owner Baldev Pujara said major buying was being done by Bhadresh Trading Corporation, Louis Dreyfus Commodities India, Gill & Co, Jaydeep Cotton Fibres, Olam Agro India, Cargill India and others. "Contracts of over 46-48 lakh bales have been signed while actual shipments are at 29 lakh bales. By January, we should export 50 lakh bales," he said.

Owing to the delayed availability of cotton crop and with farmers holding the yield, exports have been slow this year and gradually picking up. "We will be able to achieve our export targets. But we must address the concerns of buyers over the low micronaire value -- a measure of fibre fineness and maturity -- and the mix of low and high variety cotton this year," he added.

In the domestic market, ginners are getting orders and queries from Ludhiana, Kolkata, Tirupur and Coimbatore mills. "There is a movement in finished goods like fabrics and garments," said Saurashtra Ginners Association president Bharat Vala who added that demand from mills varied from 500 to 1000 bales.

Ludhiana-based Vardhman Textile, a textile conglomerate, expects buoyancy in trade for the next few months. "There is improvement in yarn prices due to the increased offtake in export and domestic markets. Spinning mills have booked good orders and we expect the business to revive," said Vardhman group chai-rman SP Oswal, who is exporting 5,000 tonne yarn per month.

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Centre urged to raise import duty of tapioca starch

S. Ramesh, The Hindu

1 Jan, TAMIL NADU, ERODE,: Increase in import has led to drastic fall in prices The farming community has appealed to the Centre to raise the duty on the import of tapioca starch and modified starch to protect tapioca growers and domestic starch and sago manufacturing industry in the State.

The increase in the import of tapioca starch from Thailand and Vietnam had led to the drastic fall in the prices. “The prices, which stood around Rs. 9,000 a tonne, had come down to Rs. 2,700 now, due to the massive import of tapioca starch,” Lower Bhavani Farmers Association President, S. Nallasamy, says.

Since tapioca starch and modified starch are agricultural products, the bound rate of customs duty on these items could go up to 150 per cent, Mr. Nallasamy says.

Over four lakh growers and farm labourers in the State depend on the income from tapioca cultivation. Farmers in Erode, Salem, Namakkal, Dharmapuri and Krishnagiri are the major cultivators of the crop.

These areas are home to most of the sago and starch manufacturing units.

“The government should consider slapping safeguard duty on the import of tapioca starch and modified starch in the country. Though banning the import may not be possible under the WTO regime, it is very much possible for the government to slap safeguard duty and raise the tariff on the import to 150 per cent,” Mr. Nallasamy says.

The raise in the tariff will check the import and enable the farmers to get remunerative prices for their produce.

But the government seems to have taken no notice of the issue, which has been highlighted by the farmers from different parts of the State for a long time, Tamil Nadu Farmers Association district secretary T. Subbu alleges.

Mr. Subbu has appealed to the Tamil Nadu government to take this issue to the notice of the Centre. The extensive use of chemicals for the production of sago led to the fall in the demand, which resulted in the decline of the prices of tapioca.

The government should also take measures to control the use of chemicals in the sago production, he says.

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'Darjeeling Tea' tag: EU-India meet in February
Sutanuka Ghosal, ET Bureau

KOLKATA: The European Union is all set to clear the air over its decision to allow some European blenders a five-year transition period for selling 100% Darjeeling tea in packet. EU lawyers will engage in a discussion with the Darjeeling tea industry, commerce ministry and Tea Board officials on February 10 to work out a solution to this issue which has irked Darjeeling tea producers.

The EU notification says that for the existing blends mixing Darjeeling tea with non-Darjeeling tea, the EU regulation foresees a five-year transition period during which the term can continue to be used. After this period, these blends would have to be renamed.

"This notification has come into effect from November 10, 2011. We had been pursuing the matter with the Union government as well as with lawyers in Germany, France and the UK for a review of the decision," said Sanjay Bansal, chairman, Ambootia group.

The blenders have been handed a caveat in the sense that only those people whose products were in the market five years before October 14, 2009 can continue selling their blended product as Darjeeling tea for the next five years.

EU has registered the term Darjeeling as a protected geographical indication (PGI) for black tea originating from the West Bengal region. It is the seventh non-EU product name to get a protected status within Europe, following Columbian coffee and five Chinese products.

At least one of the stages of production, processing or preparation must take place in the specified area for the industry to obtain the label. EU's decision to grant PGI is being considered as a defining moment because nearly three-four million kg of made Darjeeling tea is exported to European countries.

The 80-odd gardens in Darjeeling produce around 10 million kg of made tea annually but industry officials estimate that around 40 million kg gets sold as Darjeeling tea across the globe a year.

In this light, the EU's decision is considered important. The process of granting a geographic indicator began with India according the GI status to Darjeeling tea in 2003. This was after the World Trade Organisation approved the Trade Related Intellectual Property Rights in 1995.

Darjeeling tea has been added to over 1,000 names of agricultural products and foodstuffs protected as PGI in the EU. Meanwhile, Darjeeling tea industry has clocked a 12% increase in production in 2011

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Balance of trade
T S Vishwanath, Business Standard

Non-tariff barriers must not become a tool of the developed world

January 05, 2012: Non-tariff barriers have for long been an issue of discussion at platforms that liberalise trade flows among nations. The World Trade Organisation (WTO) has also witnessed several such discussions. Though this important aspect that hampers global trade has received attention from negotiators, there is no structured process to address it.

The problem that countries have faced in sorting out this issue is that many of the regulations and standards that may be mentioned as non-tariff measures are needed to ensure that high standards are applied in the domestic market to protect human, animal and plant health.

Therefore, it is a significant development that the WTO in its World Trade Report for 2012 plans to focus on this issue. The report "Looking Beyond International Cooperation in Tariffs" would not just look at regulations that impact trade in goods, but services regulations as well.

This would be a good beginning to put together an analysis of global non-tariff measures for discussion to ensure transparency for exporters across countries. WTO envisages that there would be an increase in the number of regulations in goods and services to meet the higher levels of standard that people would expect from products in the market.

This would be very evident for food products. There are some very legitimate measures that countries adopt – the Sanitary and Phyto-sanitary Measures (SPS) – to regulate the market for food products. The number of notifications has been on the rise due to the increasing living standards of people across the globe.

For instance, in 2011 over a 1,000 SPS notifications were issued by the member countries of the WTO. This means that nearly 100 notifications were issued every month. Of this the most important component has been the notifications on pesticide levels and food additives for different products.

Though the WTO report will put together data and analysis to understand how non-tariff measures hurt global trade, the trade body has also identified some challenges to the preparation of this report. According to the WTO, challenges appear to crystallise around four dimensions: transparency mechanisms, space for public policies, regulatory convergence and governance structures.

Each of these will have to be studied to understand the potential impact on trade. One aspect that requires important attention is space for public policies. It is important to note that when WTO frames regulations, it has to keep in mind that its member countries are at different levels of development. Therefore, some of the developing and least developed countries that are trying to build policies for sustaining or increasing growth rates are not put under pressure.

At the same time, policy should not end up creating a huge divide among countries, with developed countries adopting standards that are difficult or expensive to meet for exporters from developing countries, thereby excluding them from the market. This balance will be critical. One major issue for exporters from developing countries has also been the increase in private standards. This may not be a matter of debate among the negotiators since it is not under the purview of the WTO. The report to be published, however, should take cognisance of this issue as well.

It may be slightly easier to put together a document for goods, but it would be a mammoth task to identify regulatory barriers that hurt export of services between countries. The WTO, too, accepts that services regulations remain opaque and, therefore, documenting them would be difficult. However, given the fact that services exports are slowly increasing, there is a need to ensure that trade in this segment remains fair and transparent. The protection of domestic industry at the cost of foreign suppliers should be checked so that developing countries can export their products to developed country markets.

When the WTO team works on this important document, it will surely receive lots of data that have been put together by industry and academics over the years. However, it is possible that most of the data may be concerning policies in developing and least developed countries since business in the developed world has been looking and funding this kind of work to put pressure and open markets in emerging countries.

However, business and governments in the developing and least developed countries have not been able to work on this aspect very seriously. Therefore, it will be important for the WTO to take a balanced view and conduct some research of its own to ensure that the report brings a balanced viewpoint.

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Doha Talks going in rounds
C.R. L. Narasimhan, The Hindu

The Doha round of trade talks launched in the Qatari capital ten years ago has had a chequered history.

2 January 2012:. A meeting of trade ministers under the aegis of the World Trade Organization (WTO) was held in Geneva in mid-December. On the eve of the ministerial meeting, there were very few expectations over the Doha development round.

Meetings of trade ministers are normally held once every two years to give crucial political direction to trade talks. This time, the only outcome that every one expected was that the meeting of trade ministers would finally and formally acknowledge, after ten years of tortuous negotiations, the Doha round of talks was going nowhere and that in its present form it is unlikely to reach a closure anytime soon. Therefore, there was no disappointment when the Geneva meeting ended without breaking the impasse. The communique at the end of the meeting acknowledged the fact that the Doha round was for all practical purposes dead. At the same time, it urged member countries to “more fully explore different negotiating approaches while respecting the principles of transparency and inclusiveness.” These words, like many forming part of declarations at previous meetings, do not amount to anything tangible. What is certain, however, is that without formally giving up their commitment to multilateral trade as embodied by the Doha round, each member country privately agrees that the Doha round is dead and to further trade links seek more practicable avenues such as bilateral and plurilateral preferential trade agreements.

THE POSITIVE AREAS

The Geneva ministerial meeting did achieve something positive in certain other areas, however. It reached an agreement on government procurement and on streamlining the accession process for the least-developed countries. The trade ministers also admitted Russia — the only big economy that remained outside the WTO so far — and three smaller countries into the WTO. But as the lack of progress on development-related trade issues, the yawning gap between precept and practice continues to bedevil the WTO and its members.

The Doha round of trade talks launched in the Qatari capital ten years ago has had a chequered history. Moving in fits and starts, the talks reached a dead end in July, 2008, when another ministerial meeting, also in Geneva, collapsed in acrimony. The differences with the U.S. over a special safeguards mechanism for agricultural products had reached a boiling point. In India, the then Commerce Minister Kamal Nath was projected as one who stood up to the might of the U.S. "for the sake of marginal and subsistence farmers whose livelihood would be compromised by unbridled imports of agricultural products." In much of the western press, however, Mr. Kamal Nath was branded as a deal-breaker, the one who put the Doha round to sleep.

TALKS BACK ON TRACK

Now under Commerce Minister Anand Sharma, India has tried to put the multilateral trade negotiations back on track.

A mini-ministerial was held in New Delhi. But the deadlock in trade talks has persisted. One very basic point about trade negotiations, especially multilateral ones, ought not to be missed. Inherently of long durations, these tend to involve many political leaders from each country.

Also, even successful negotiations have outcomes that will be seen after many years. Taking these together, it is fairly certain that the trade ministers, who negotiate, will not be the ones to see the benefits of a concluded trade deal.

In the early years of negotiations however, commerce ministers and officials will have to deal with several pressure groups and lobbies. These partly explain why the Doha round was severely handicapped right from the start.

WHAT NEXT?

With all the failures behind it, it seems naive to even speculate on the resumption of the Doha round, leave alone its successful culmination. Yet, that is what all countries must wish for.

Failure to conclude the Doha round, at least at some future date, will lead to a further erosion in the authority of the WTO. That would be highly regrettable.

Apart from negotiations, the WTO has created fair and equitable machinery for overseeing the implementation of agreements, monitoring and surveillance, capacity building and dispute settlement. These have brought the rule of law to world trade and dispute settlement mechanism especially enables the smallest country to take on the world's biggest economy.

PREFERENTIAL AGREEMENTS

The WTO's initiatives in these have checked protectionism. It would be unfortunate for India if, as a consequence of losing its pre-eminence in negotiations, the WTO becomes less effective in these roles.

The failure of the Doha round has made many countries, including India, to enter into other forms of preferential agreements, either bilateral (India-Japan) or plurilateral (India-EU, India-ASEAN).

These are easier to conclude and the benefits from them can be reaped quickly. However, many trade economists feel that these would stand in the way of future multilateral agreements.

For almost the past decade of negotiations under the Doha round, if there is one point of agreement among countries, it is the less than stellar role of the U.S. Time and again, it has been alleged that the U.S. has been lukewarm in its efforts to move the discussions forward.

The U.S. naturally figures in any discussion on the future of the Doha round. Even a likely date of resumption of talks will depend on how soon a new administration gets into stride after the elections.

Already the U.S. is in an election mode and a new set of key officials dealing with trade may not be keen to restart a multilateral round of trade talks. That is why India's Commerce Secretary Rahul Khullar does not think it will be possible to start afresh before 2014.

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Breaking the deadlock in WTO talks
Suparna Karmakar, Livemint

Dec 29 2011: The eighth World Trade Organization (WTO) ministerial conference concluded on 17 December, with the chairman citing an improved atmosphere but no concrete moves forward on the Doha Round trade talks. Honestly, trade ministers of the 153-member club attended the conference without expectations of any positive outcome, other than to welcome Russia, Samoa, Vanuatu and Montenegro as new members. The deadlocked negotiation has caused a crisis of confidence in the global trade body.

The biennial ministerial conference was held against the backdrop of continuing global economic slowdown and a bleak forecast for 2012. Recent reports indicate a rise in protectionism among the Group of Twenty countries (G-20). Efforts to conclude the trade round by the end of 2011 were abandoned earlier this year; this was followed by a similarly unsuccessful attempt to agree on the early harvest of a least developed country focused mini-package. A reportedly 80% complete draft has been in a comatose existence since July 2008. The US, in particular, has argued that the Doha Round cannot be completed on the basis of the current draft text, unless large developing countries such as China and India agree to grant greater market access for US industrial goods and agricultural products. The one success of the conference was a last-minute deal to seal a reform package of the plurilateral government procurement rules.

On the one hand, the past year also saw the usual entreaties by pro-multilateralism trade commentators such as Jagdish Bhagwati to conclude the Doha Round at the earliest. On the other hand, experts like Mehdi Shafaeddin contend that the idea of life without the Doha could destroy the hope for fair trade is "pure fantasy". The business community seems to agree with this latter group; David E. Lewis, vice-president, Manchester Trade Ltd, has argued that, "we need to get a life please and keep things in perspective". It is interesting to note that the latter two differ in their justifications for the disenchantment while firmly concurring that non-culmination of the Doha Round is not the end of the world as we know it.

The Western business community believes that the outcome of the Doha Round is inconsequential, while trade policy analysts such as Shafaeddin and Dani Rodrik hold that (1) the General Agreement on Tariffs and Trade (GATT)/WTO rules suffer from asymmetries as well as contradictions between the agreed rules and their implementation by the main developed countries, and (2) as far as the Doha Round is concerned, the wealthy nations have not "genuinely" pursued a development agenda despite the fact that the Doha Round was supposed to be a development round. Hence, not only should developing countries not worry about burying the Doha Round, but they should also aim to revise the GATT/WTO agreements to make them development-friendly.

Notwithstanding an official declaration (or lack of it) of the Doha Round's demise, it has been clear for a while that the status quo in negotiation strategies is not working. The problem, however, is in determining a viable way forward. For decades, many have lamented the extent to which Western countries dominate the global economic system, especially in the governance of multilateral organizations which is seen as favouring Western interests. Despite the talk of reform, industrialized countries have repeatedly countered serious efforts that would result in meaningful erosion of their entitlements. However, while to claim that in the present global economic scenario emerging countries need to step up the plate and take charge of negotiations is justified, the question remains whether the rest of the world, and in particular the industrialized world, is ready to accept their leadership.

For as in the early days of GATT, should China and India (much like the then US and Europe) decide with the other developing countries on a trade package, would the former powers be open to signing on the deal? Would they be agreeable to accepting the consequences of such an economic leadership? For example, will the world accept a global agenda set and run by the emerging economies, where development gets more importance than intellectual property rights and "developmental globalization", would be a motivating force for trade and welfare gains have greater weight than financial sector profitability? Unlike GATT, WTO is both overtly and covertly more mercantilistic, with negotiations solely focused on reciprocal trade liberalization. It appears that the Western world is not yet ready to embrace this change, and it's not merely because of the fears of the consequences of a Chinese hegemony in the Asia-Pacific maritime route.

What is the way forward? It is clear that the process requires acceptance of joint leadership by the emerging world as a true and equal partner of the Western powers. Until the global economic and political power play settles in a new equilibrium, it will be futile for ministers to meet for these biennial jamborees.

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