INDIA'S TRADE NEWS AND VIEWS

3 November to 17 November 2011

'MFN is our right under WTO'

Interview with Union Commerce Secretary Rahul Khullar…

'Both India, Pak normalising trade arrangement'

Q&A: Zafar Mahmood, Commerce Secretary, Pakistan…

Immense potential for intra-Saarc trade

For too long, members of the South Asian Association for Regional Cooperation (Saarc) have deprived themselves of the benefits of regional economic integration…

SAARC Summit concludes with pacts on regional cooperation

The eight-nation SAARC Summit today reached a series of agreements on regional cooperation and decided to consider reducing non-tariff barriers and ad valorem duties to promote freer trade…

Final push to India-Asean FTA in services on anvil

Prime Minister Manmohan Singh will make yet another attempt to convince the ten-member Asean group to conclude the long-pending free trade agreement on services at the upcoming India-Asean summit in Singapore…

Trade pact with South Africa Customs Union by next year

So far, eight round of negotiations have taken place. India is expected to sign the musch awaited Prefrential Trade Agreement agreement (PTA) with South Africa Customs Union (SACU) by the first quarter of 2012 …

India-EU trade pact 'unlikely' by Feb

In a sign that the ambitious India-European Union (EU) free trade agreement (FTA) could be delayed further, a senior European official said the pact was unlikely to be signed in February when India is scheduled to host the annual India-EU summit…

India's exports grow slowest in two years

India's merchandise exports growth slumped to its lowest level in two years in October, confirming fears that the crisis in the euro zone and the slow recovery of the US economy have impacted demand for Indian goods…

Services exports dip in Sept

Reflecting the adverse effect of global economic uncertainty, India's services exports dipped in September to $11.2 billion from $11.9 bn in August…

Exports-IIP gap shows more data troubles

India's recent phenomenal growth in exports is not consistent with industrial output numbers…

US raises concerns about India's solar tech policies

The US expressed concern over certain Indian policies that it says inhibit investments by foreign firms, keen on collaboration with local companies, in renewable energy and clean technologies…

US Snubbed for Fabricating 'Hidden Subsidies' Issue

The government has rebuffed US' attempts to bring the Indian subsidy programme under the scrutiny of the World Trade Organisation, saying the "undisclosed subsidies" identified by Washington had either expired or were not subsidies at all…

India warns against protectionist tendencies abroad

Commerce and industry minister Anand Sharma today called for a greater involvement among the G-20 members, to ensure that free trade is not hampered and the world does not fall back into the trade protectionism…

Rapid economic growth only solution for recovery: BRICS

Leaders of emerging giants Brazil, Russia, India, China and South Africa (BRICS) today expressed serious concern over fresh instability and volatility in markets and said rapid economic growth in a sustained and balanced manner was the only solution to recover from it…

The global South needs a multilateral approach

The real challenge that the world faces today is to develop modalities of strengthening international cooperation and build common minimum commitments…

Mess called Doha Round

The eighth ministerial meeting of the WTO is slated to be held in Geneva between December 15 and 17 and, naturally, all eyes are turned towards it…

***Centre for WTO Studies**, 7th Floor, IIFT Bhawan, B-21, Qutab Institutional Area, New Delhi - 110016*
Tel: Tel: 91-11-26512151(direct), 26965124, 26965300 Ext-710,725 Fax: 91-11-26515024 Email: cws@iift.ac.in
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MFN is our right under WTO'
Interview with Union Commerce Secretary Rahul Khullar.
G. Srinivasan, Frontline

COMMERCE Secretary Rahul Khullar is the chief negotiator with trading partners, at the official level. “We should be able to move forward,” he told Frontline in this interview following the confusion over Pakistan granting MFN status to India. Excerpts:

Can you explain the MFN issue and why India could not get this from Pakistan when it had granted the same to Pakistan in 1995?

MFN is a right available to us from the WTO principle of non-discrimination in trade. Currently Pakistan uses a positive list approach, which means only so many goods can be exported, and this is clearly in breach of the principle of MFN enshrined in the WTO.

We have been arguing with them that what is India's natural right under WTO laws should be given to us. The loss to India and to Pakistan is twofold. From our perspective, the very fact that we are not allowed to export certain goods goes against the principle of non-discrimination in trade and almost singles India out for discriminatory action. Equally, it is not that trade does not take place – it takes place through a third country, which means it goes to the Gulf [countries] or wherever [and] from there to Pakistan. In the end, Pakistan ends up paying higher prices for the goods because there is no direct transaction. How can that possibly do any good to Pakistan?

The moment you do this sort of trade through an intermediary you add on transport cost, which is otherwise unnecessary. For instance, it is cheaper to ship the same goods from here to Karachi instead of going via Dubai, or it is easier to send goods through the Wagah border rather than to ship or airfreight them to Dubai and from there to Karachi. This means the consumer in Pakistan ends up paying higher transport cost and the intermediary profit margin.

What is the official and informal bilateral trade flow? How does the MFN status make any difference?

The formal bilateral trade is $2.5 to 3 billion, while informal trade is at least twice that amount. The latter is legitimate trade going from here to an entrepot centre and from there being routed to Pakistan. So, combining official trade and the trade routed through Dubai, the bilateral trade now stands at $8 billion.

When you are an MFN, the $5 billion is not going to go through Dubai but directly to Pakistan. In a sense, official trade to Dubai will go less by $5 billion. So there is no difference. But the real gain will come from the fact that many people who are not able to export because of the positive list approach will be able to do now, and that will benefit them.

Is Pakistan's carping on non-tariff barriers (NTB) by India genuine? How will MFN status help solve this irritant on both sides?

I think it is more a perceptional issue. I suspect that their main concern is not NTBs but tariff barriers. For instance, Pakistan would like to export textiles to India. There are no NTBs but there are tariff barriers preventing textile exports. These tariffs are fixed in terms of specific rates and they tend to be high. So what they are seeking is concession on these tariffs.

The real point is that Pakistan needs to move in two different stages. First, it must accept the principle that MFN is the right of all WTO members and if it gives the benefits to all WTO members, why not to India? In the MFN system there is no such positive/negative list and all items are tradable. The tariffs at which they are traded are MFN tariffs.

The second stage is the derogations from MFN, which are legitimate under the WTO's regional trading arrangements (RTAs). Here you can make trade even freer and more open than the MFN trade by entering into a bilateral agreement where you offer tariff concessions. Should Pakistan be willing to do that at a later stage, it will be possible for us to consider bilaterally. If Pakistan wants to join SAFTA [SAARC preferential trading arrangement] and honour its commitments under SAFTA, then it can consider availing [itself] of the concessions we give to other members of the grouping.

So Pakistan should grant MFN status to India and then seek concessions on tariffs. Just as we extended to Bangladesh zero-tariff concessions on textile items recently, at some point of time these matters can get sorted out through negotiations. I don't think these are NTBs. There was some concern about licensing and standards for export of cement from Pakistan, but many of those issues have been sorted out. I told my counterpart in Pakistan that if they gave lists of sector-specific NTBs they wanted us to address, we would gladly address them.

'Both India, Pak normalising trade arrangement'

Q&A: Zafar Mahmood, Commerce Secretary, Pakistan

Nayanima Basu, Business Standard

New Delhi November 15, 2011: The government of Pakistan is moving steadily to normalise trade relations with India, including doing away with any ‘negative list’ for products, its commerce secretary, **Zafar Mahmood**, assures *Nayanima Basu*. Edited excerpts:

This was your second meeting with commerce secretary Rahul Khullar after the breakthrough meeting in April in Islamabad. How was today’s meet?

We discussed all issues on normalisation of the trade process. We briefed the Indian side about the steps being taken in Pakistan to do so. The Indian side was fully supportive, they showed understanding and demonstrated confidence in the process we have undertaken. We are working on certain timelines, with mutual content.

On what matters have you fixed timelines?

Various issues we'd discussed earlier, such as trade in electricity, in petroleum goods, opening of bank branches. For everything we want a timeline, because we will review the progress and then we will move forward to the next thing in the agenda.

What about MFN? Could you clear the air on this?

We briefed the (Pak) Cabinet about the trade normalisation process, which is ongoing. MFN (most-favoured-nation trade status) is not a certificate or a degree awarded to one country by the other. By simply being co-signatory to the World Trade Organisation (WTO) and GATT before that, we are automatically obligated in adopting MFN.

India and Pakistan were not observing MFN for each other from 1965 till 1995. Both were not compliant with GATT and then WTO. India did away with the positive list from 1995, but we are still continuing because the businessmen of Pakistan were concerned that India was adopting restrictive practices by having a non-tariff barrier. The atmosphere was not right.

Now, through this trade liberalisation process, we are moving in a direction in which there will be no list and there will be trade on MFN basis. We will do this gradually, after we eventually phase out the negative list by next year.

When are you doing away with the negative list?

We will phase out the negative list completely. We are following two tracks. In the first, we are having a positive list of 1,946 items for trade with India. In this, we added 12 items this year. We are now replacing the positive list with a negative list, which will be much smaller, containing fewer items. I hope we will be able to take this to our Cabinet by end-January or the beginning of February.

How many items in the negative list before you phase it out completely?

We don't know at this time. We are talking to stakeholders, with their own wish list. There are about 8,000 tariff lines being traded. Of these, less than 200 items are importable from India at the moment. When we replace this list, a massive range of items will be importable, almost everything under the sun, except those included in the negative list. We intend to phase out this negative list over a period of time, as it is under WTO obligation.

What about the sensitive list under Safta (South Asian Free Trade Area)?

This comes under a preferential trading arrangement under Safta, applicable to products other than those in the sensitive list. This is a no-go area for the preferential tariff regime. The effort on the part of all countries under Safta is to reduce the sensitive list. We reduced it by 20 per cent this month, through the Cabinet. We wanted to demonstrate our commitment to the SAFTA members. We are hoping to reduce it further.

How is the progress on a liberal business visa regime?

The home ministry of India and the interior ministry of Pakistan have done a good job. Their new agreement on this issue is a substantial improvement over the previous deal. However, there is some scope for improvement. I have requested the secretary of (our) interior ministry to further improve the conditions of visas. They will take it up with the Indian home ministry. After signing the agreement, which is in the process, both sides will be taking up the matter with their Cabinets. It is now not a matter of months, but weeks.

When do you see trade over the Wagah-Attari route getting normalised, as we have already crossed the deadline of October on opening the second gate?

We will open the second gate soon and we will allow trade for longer hours. We hope the infrastructure on both sides would be ready by February. This will bring a sea change in our trading arrangement and would benefit the up-country industry.

When do we see movement in a Preferential Trade Agreement, which both Prime Ministers discussed during the recent Saarc summit?

PTA is a step above the normal trading arrangement. At this moment, we are concentrating on normalising this (latter) arrangement. Under Safta, we have a track for a PTA and that would come into operation once our trade gets normalised with India.

Immense potential for intra-Saarc trade

Chandrajit Banerjee, Business Standard

November 13, 2011: For too long, members of the South Asian Association for Regional Cooperation (Saarc) have deprived themselves of the benefits of regional economic integration. With one-fifth of the world’s population, the Saarc region is home to two-fifths of the world’s poor. However, it accounts for only 3 per cent of global output and 2 per cent of world exports. Intra-regional trade has stagnated at around 5 per cent of its total trade, compared to over 50 per cent in East Asia and around 20 per cent in Latin America. Even Sub-Saharan Africa, with poor transport and telecommunication infrastructure, scores over South Asia, with over 10 per cent of its trade being intra-regional.

Regional economic cooperation is an acknowledged tool for regional prosperity. This was recognised by Saarc as early as 1993, when the South Asian Preferential Trading Agreement was signed. Since then, it has evolved into the South Asian Free Trade Area (Safta) in 2004, coming into effect in 2006. Bilateral and sub-regional trading agreements also exist between various members. At the previous Summit in Thimpu, the commitment to implement Safta was reiterated and a Saarc Agreement on Trade in Services was signed.

Despite these initiatives, members have retained a plethora of tariff and non-tariff barriers, which greatly inhibits trade and investments in the region. With a large list of negative items, the trade basket remains very narrow, with little value addition.

According to a CII paper, the major cross-border structural rigidities include 'behind-the-border' barriers in customs procedures, poor transport links, weak networking of private sectors, and administrative issues such as visas. Foreign direct investment (FDI) too is minimal, due to regulatory issues and a non-facilitative business environment.

India, a connecting land mass and the largest economy of the region, has a special responsibility in increasing intra-regional economic integration and must facilitate access to its large markets for Saarc members. Its above-average growth, expanding middle-class population, and demand for global goods can prove to be an engine of growth for the region. India's trade with South Asian countries has increased encouragingly, from $7 billion in 2005-06 to $15 billion in 2010-11, but much trade is below the official radar.

Further, India's trade with countries such as Nepal, Bangladesh, Sri Lanka and Afghanistan remains heavily skewed in its own favour. The services trade further adds to the trade imbalance, leading to concerns among other South Asian countries about trade sustainability. India must make every effort to minimise tariff and non-tariff barriers and source goods from its neighbours.

Three areas offer large potential for economic cooperation — the services trade, energy cooperation, and logistical connectivity.

Many South Asian economies source services from India directly by obtaining those services in India — primarily healthcare and education. However, consumption abroad is expensive. An improved FDI regime and business environment would help regional firms to provide such services directly to other South Asian countries, through direct investments or joint ventures in hospitals, schools and transport services.

Tourism, a major growth opportunity for countries like Afghanistan and Nepal, remains constrained by security problems. Allowing intra-regional trade in services would enable South-Asian economies to become more globally competitive. The services component of Safta should be made a priority and many more services should be brought under its ambit.

Energy and electricity cooperation are non-traditional areas of trade relationship development. Bhutan has managed to balance its trade with India with large exports of hydro-electric power, and similar potential exists for Bangladesh and Nepal.

An integration of electricity grids across South Asia will reduce power costs and enhance manufacturing competitiveness for all members, and should be high priority. Huge hydro-electric potential exists in Nepal, Bhutan, Afghanistan and India, which could be tapped for intra-regional power trade.

Further, major finds of natural gas are arising across South Asia. Countries bordering South Asia — i.e., Myanmar, Iran and Turkmenistan — also have excess capacity of natural gas. A pan-South Asian pipeline infrastructure would enable South Asia to transit to natural gas as the fuel of choice, with pipelines connecting parts of South Asia to neighbouring resources. Transit fees earned could be substantial and would help rectify the trade balance with power-deficient India to a certain extent.

The development of logistical hubs that facilitate the flow of trade across the region would greatly reduce the costs of doing business. Such hubs should be multi-modal, incorporating containerised and non-containerised cargo and moving via rail, road, air and shipping links.

These logistical hubs would connect critical regional corridors, especially with countries having no common borders.

Finally, private sector connectivity must be systematically encouraged. The Saarc Summit process should include a parallel business conference for linking business communities.

We look forward to the regional leadership for realising this potential. Intra-regional economic cooperation can serve well as a credible instrument for poverty alleviation, prosperity, and, ultimately, peace. *The author is Director General of the Confederation of Indian Industry*

SAARC Summit concludes with pacts on regional cooperation
PTI

Nov 11, 2011,ADDU (MALDIVES): The eight-nation SAARC Summit today reached a series of agreements on regional cooperation and decided to consider reducing non-tariff barriers and ad valorem duties to promote freer trade.

The announcement on the agreements was made by host Maldivian President Mohammad Nasheed in the concluding session of the two-day 17th SAARC Summit, which was held for the first time in the southern most point of the island lying south of equator.

Nasheed said the Summit agreed that the SAARC Ministerial Council will work on reducing non-tariff barriers and ad valorem duties to promote trade in the region.

In this context, Nasheed welcomed Prime Minister Manmohan Singh's announcement yesterday of India's decision to slash the sensitive list for Least Developed Countries under SAFTA from 480 tariff lines to just 25. Singh had also announced that zero basic customs duty access will be given for all items removed with immediate effect.

The Maldivian President said the Summit also mandated the Finance Ministers to discuss a mechanism to promote capital flows and investment.

With 'Building Bridges' as its theme, the Summit agreed to move ahead on a regional railways agreement and a motor vehicle pact, which will make travel among SAARC nations much easier than it is today.

The Summit also agreed to set up a South Asian Postal Union whose Secretariat will be established in India.

On security issues, the 8-nation grouping agreed on rapid response to natural disasters and to combat maritime piracy.

Final push to India-Asean FTA in services on anvil
Amiti Sen, Economic Times

17 November, NEW DELHI: Prime Minister Manmohan Singh will make yet another attempt to convince the ten-member Asean group to conclude the long-pending free trade agreement on services at the upcoming India-Asean summit in Singapore, but the commerce department is already weighing the option of exiting the talks if no headway is made soon in the negotiations.

Asean had promised to sign a services pact soon after the implementation of the India-Asean FTA in goods in January last year. The two sides are nowhere near completing the negotiations as the Asean countries have not come up with meaningful offers that would give India greater access into the services market in these countries.

"We have been going around in circles for the last couple of years and have already employed a lot of resources on the services talks," a commerce department official said requesting anonymity. "If Asean does not come up with meaningful offers soon, we might as well deploy our officials in other negotiations," he added.

A formal decision on the matter, however, needs to be taken involving the Prime Minister's Office, as India-Asean relation is high on the priority list of the PM. In fact, it was on the insistence of the PMO that the commerce department agreed to delink the services pact from the FTA in goods, which allowed the Asean to go slow on the services agreement which is not its area of primary interest.

Both goods and services were part of the original pact that the two sides had agreed to endorse. The prime minister is expected to make one last push for an agreement at the two-day India-Asean summit beginning November 18 reminding the countries of the promise made.

"The Prime Minister will put political pressure on Asean leaders during the summit reminding them of their promise. We hope something comes out of it," the official said.

Trade pact with South Africa Customs Union by next year
Nayanima Basu, Business Standard

New Delhi November 17, 2011: So far, eight round of negotiations have taken place.
India is expected to sign the much-awaited preferential trade agreement (PTA) with South Africa Customs Union (SACU) by the first quarter of 2012, as both sides are currently engaged in active negotiations on seeking greater access of each others' markets and easier movement of professionals.

SACU consists of Botswana, Lesotho, Namibia, South Africa and Swaziland. Since 2007, negotiations have been on over having a PTA with the grouping. So far, around eight rounds of negotiations have taken place.

"When you negotiate, there is always the aspect of give and take," said South African Deputy Minister for Trade and Industry Elizabeth Thabethe. "It has to be mutually beneficial for both the sides, taking care of sensitivities on each side. Every country within the union has its own set of demands. We are discussing that. We hope to reach an agreement by the first quarter of 2012 or the second quarter," she told Business Standard.

Thabethe, who is in India to take part in the India International Trade Fair that began here on November 14, also said the next round of negotiations would take place soon. The progress, so far, has been "considerable". However, she highlighted that the PTA should yield a win-win situation for both sides and boost bilateral trade and investment.

Under a PTA, the negotiating countries reduce their tariffs on a particular number of products from the level they maintain with countries that are not parties to the pact. Unlike free trade agreements (FTAs), a PTA does not slash or eliminate duties from a large number of tariff lines. Earlier this year, Minister for Commerce and Industry and Textiles Anand Sharma had indicated that the PTA would initially result in tariff cuts on a specific number of products.

It could be expanded into an free trade agreement (FTA) depending on the progress of the PTA, he had indicated during the visit of South Africa's Trade Minister Rob Davies. Since then, both sides are also discussing a bilateral investment promotion and protection agreement.
Thabethe is to hold a bilateral meeting with Jyotiraditya Scindia, minister of state for commerce and industry.

Both countries have earlier set the target of achieving $15 billion worth of bilateral trade by 2014 from around the present $11.12 billion. Thabethe said this target was "attainable" with greater cooperation in the small and medium sector, information technology, infrastructure, rural development and handicrafts.

India-EU trade pact 'unlikely' by Feb
Elizabeth Roche, Livemint

November 15 2011: In a sign that the ambitious India-European Union (EU) free trade agreement (FTA) could be delayed further, a senior European official said the pact was unlikely to be signed in February when India is scheduled to host the annual India-EU summit.

"I don't think we can sign the agreement no matter what happens by the summit" on 10 February, said David O'Sullivan, chief operating officer of the European External Action Service. Sullivan assists Catherine Ashton, the EU high representative for foreign affairs and security policy.

“I think the idea would be to say that we have successfully concluded the negotiations by the time of the summit,” said O’Sullivan, who is in India for the first India-EU foreign policy consultations ahead of a proposed visit by Ashton in January. Ashton’s visit is expected to prepare the ground for the India-EU summit in February.

“We are committed to the FTA with India. The negotiations are taking some time; and negotiations always take some time, especially trade negotiations,” he said of the talks on the pact that began in 2007.

Indian automobile and wine associations are opposed to significant concessions to European multinational corporations, fearing loss of market and competitiveness. Differences over intellectual property rights (IPR) and government procurement are also yet to be resolved.

While the EU is keen to have greater market access to India, including a large number of agricultural products, India is keen on fewer restrictions on the temporary movement of Indians working in Europe.

“It is not a mystery. We need some liberalization by India in automobile and a few sectors,” Sullivan said in response to a query on the contentious issues involved in the negotiation.
The pact is India’s most ambitious because the EU is already its largest trading partner. Annual bilateral trade between India and the European Union totals around €77 billion. India ranks ninth on the EU’s list of major trading partners.

India’s exports grow slowest in two years
Asit Ranjan Mishra,Livemint

9 November, New Delhi: India’s merchandise exports growth slumped to its lowest level in two years in October, confirming fears that the crisis in the euro zone and the slow recovery of the US economy have impacted demand for Indian goods.

Trade deficit in the month also rose to a four-year high as high commodity prices boosted India’s imports bill.

Indian exports grew 10.8% in October from a year earlier to $19.9 billion (around Rs. 98,300 crore), the lowest in the last two years, according to data released by commerce secretary Rahul Khullar on Tuesday.

Imports grew 21.7% because of rising prices of crude oil and other commodities to $39.5 billion, leaving a trade deficit of $19.6 billion—the highest ever in any month in the past four years.

During the first seven months of the current fiscal year, exports have gained 46% while imports rose 31%. Exports in the April-October period now total $179.8 billion. Union commerce minister Anand Sharma has set an export target of $300 billion for the year to 31 March.

"The slowdown in exports is across the board," Khullar said. "It will be a difficult autumn. The picture will not be rosy for the next six months."

The ballooning trade deficit is worrying, Khullar said. "At this rate, it may touch $150-160 billion this fiscal."

India's exports growth had so far shown unexpected buoyancy in recent months, despite the economic slowdown in developed economies and rising global uncertainty. While the official explanation was that the diversification of India's exports to developing countries had helped, analysts had expressed doubts over the accuracy of the trade data.

The export numbers now seem more realistic, given the overall global economic scenario, according to D.K. Joshi, chief economist at credit rating company Crisil Ltd. Joshi said annual exports growth this fiscal may slow to 15%, from 41% in 2010-11, and it may be difficult for the government to achieve the target.

Joshi said the rising trade deficit will add to the current account deficit worry. "The current account deficit may still remain below 3% of gross domestic product, unless software exports slow down sharply," he said.

The upside risks to the current account deficit have increased owing to a slowing global economy and debt-related stress in the euro area, the Reserve Bank of India had said in its half-yearly macro economic analysis. It had also cautioned that the slowdown in advanced economies may weigh on India's exports in subsequent months.

"The crisis in the euro zone will spread in the next couple of months, impacting exports in ensuing months," said Ramu S. Deora, president of the Federation of Indian Export Organisations.

Meanwhile, further confirming that the domestic economy is slowing, provisional data released by the finance ministry showed indirect tax collections in October contracting by 2.5% to Rs. 30,278 crore. A cut in customs and excise duties on oil products in June led to the lower accruals. Central excise collections contracted 5.3% while customs collections were down by 11.6% during the same month.

Services exports dip in Sept
BS Reporter

Mumbai November 16, 2011: Reflecting the adverse effect of global economic uncertainty, India's services exports dipped in September to $11.2 billion from $11.9 bn in August.
It was $10.4 bn in July. The Reserve Bank of India began releasing monthly data on trade in services only this financial year. Hence, comparable data for the same month in 2010-11 is not available to capture the trend.

The imports, payments for services, also declined to $6.8 bn in September from $6.9 bn in August. Imports for July were $5.9 bn.

The growth in services receipts and payments remained moderate during the first quarter as compared with that recorded in Q1 of 2010-11. These were also lower as compared to the preceding quarter, according to the RBI.
Some sectors, such as information technology (IT) are facing challenges in the global economy. IT exports have a large share in the services trade. There is also moderation in domestic economic activity. The data on services trade (exports and imports) is reflecting what is happening in the real economy.

Merchandise exports, after growing at an impressive speed for much of the first half, have are also begun to show signs of moderation.

Exports-IIP gap shows more data troubles
SMRITI SETH, ET Bureau

Nov 3, 2011,NEW DELHI: India's recent phenomenal growth in exports is not consistent with industrial output numbers, shows an ET study, reinforcing fears of economists and policymakers that the country's data gathering mechanism is becoming increasingly unreliable.

While July's industrial growth fell to a 21-month low of 3.84%, exports during that month grew at 72% in rupee terms. In August, export growth was 40% while industrial output rose 4.04%. An ET analysis of the latest disaggregated trade data shows exports of machines and instruments grew 65% during the first two months of this fiscal while their production in the comparable category of machines and equipments declined 1% and 6% during April and May, respectively.

"These figures obviously don't make any sense. The IIP growth needs to be at least 7% higher if the export growth is correct," said Pronab Sen, principle advisor, Planning Commission. "The only explanation is either the export or the IIP numbers are wrong."

In July, Reserve Bank governor too raised an alarm over the sharply varying macroeconomic data, including those on growth, which could lead to taking the wrong call on the economy.

The IIP and export data sets for April and May threw up a similar pattern in the case of other products. Exports of textiles, rubber and paper and wood products grew at 22%, 55% and 45% even though their production declined. Rating agency CRISIL's recent study estimates that 28% of machines and equipment and 41% of textiles produced are exported.

Economists say though high inflation could be responsible for bloating the nominal export growth, the inconsistency between IIP and export numbers is still not explained.

"Inflation can't explain these export growth numbers because price rise in these categories was not very high," said Biswajit Dhar, director of think tank RIS.

Wholesale inflation in machine and machine tools was 2.8% in 2010-11 and for rubber, wood and textiles it was 6.6%, 3.9% and 12%, respectively. Experts are divided over the source of the discrepancy. While most believe the export numbers to be exaggerated, some officials believe the problem is with the IIP figures.

"Even after accounting for all caveats, there's some part of exports which is unexplained, given trends in global imports, and there might be an element of over-reporting," said Saugata Bhattacharya, chief economist with Axis Bank.

Slow growth, both globally and in India, makes the high export growth numbers less credible, economists believe. The US and Singapore, India's second and third largest export destinations respectively, grew 1.3% and 0.9% in the Apr-June quarter. India's GDP growth also slowed in April-June to 7.7%.

US raises concerns about India's solar tech policies
Elizabeth Roche , Livemint

7 November, New Delhi: The US expressed concern over certain Indian policies that it says inhibit investments by foreign firms, keen on collaboration with local companies, in renewable energy and clean technologies.

Such measures, aimed at protecting specialized domestic industries, would be harmful in the long term, said Francisco Sanchez, US undersecretary for international trade in the department of commerce.

“There is clearly a lot of opportunity for collaboration. We encourage India to address concerns that many have about its business environment,” Sanchez told a business meeting organized by the Confederation of Indian Industry in New Delhi on Monday. “In particular, there is increasing concern about some recent action that seems to tilt the playing field here in India away from US businesses and other foreign firms.”

Sanchez is in India on a three-day visit with a delegation of US firms specializing in clean technologies. Specifically naming India’s national solar mission, which requires local power producers to source photovoltaic cells and modules from Indian manufacturers, Sanchez said,

“My concern is that many of the policies designed to protect Indian industries will only hurt them in the end.”

“For example, in clean technology, local content requirement explicitly discriminates against the imports,” he said. “Local content requirements deny Indian entities from accessing quality solar products from outside the country.

India has an ambitious target of generating 20,000 megawatts of solar power by 2022. The US is especially keen on taking a slice of this market against the backdrop of US President Barack

Obama’s aim of doubling US exports by 2015. Collaboration in renewable energy was one of the themes discussed between India and the US during Obama’s visit to India last November.

Sanchez said he understood that India was trying to protect its fledgling solar power equipment manufacturers. “That is a good approach, but the path India appears to be following will force India to miss out on innovative products. This in turn could end up hindering growth and result in missed opportunities,” Sanchez said.

This isn’t the first time US trade officials have raised the issue. Last month, at a meeting of the Committee on Trade-Related Investment Measures (TRIMs) at the World Trade Organization (WTO), the US expressed concern about what it said were mandatory local content requirements of India’s solar mission. “It said the guidelines require that all projects use modules manufactured in India. The EU (European Union) shared the concern. India maintained that the guidelines in question did not violate the TRIMs agreement,” the WTO website said.
Sanchez is expected to meet Indian commerce secretary Rahul Khullar in New Delhi before heading to Hyderabad for more meetings with representatives of Indian industry. The US business delegation includes representatives of Azure Power, Serious Energy, A123 Systems Inc., Amonix Inc., Picarro Inc. and Sopogy Inc., *PTI* reported.

A senior official in the ministry of new and renewable energy, however, said India has allowed all technology options for solar power producers. “It is only those companies that are supplying to the government on whom there is this demand, and they are very few in number. So I don’t think the objections are quite valid,” he said.

Ronen Sen, a former Indian ambassador to the US, noted that the US had raised issues relating to a particular sector while India-US relations spanned an entire spectrum of subjects. “There is an ongoing dialogue between India and the US on relations, so it can be sorted out.”
The India Semiconductor Association (ISA) said it supports the government’s policies. “We feel that this would be a shot in the arm for local products,” said P.V.G. Menon, president, ISA.

US Snubbed for Fabricating 'Hidden Subsidies' Issue
AMITI SEN, The Economic Times

NEW DELHI, 3 November 2011 The government has rebuffed US' attempts to bring the Indian subsidy programme under the scrutiny of the World Trade Organisation, saying the "undisclosed subsidies" identified by Washington had either expired or were not subsidies at all.

US trade representative Ron Kirk had in October accused India of hiding about 50 central and state government subsidy programmes from the world trade body in violation of WTO's free trade rules.

Terming the situation "intolerable", Kirk had said that India filed its first notification in almost 10 years and, even then, notified "only three of the many subsidy programmes we know to exist." Kirk's office had also identified nearly 200 subsidy schemes in China that it said have not been notified."Just because the US thinks it is a subsidy does not make it a subsidy," commerce secretary Rahul Khullar told ET."The US has picked up schemes, such as the Duty Entitlement Pass Book, where benefits have already expired.

And there are other programmes, such as advance licences and related schemes, where the exporters are being reimbursed input taxes." At a recent meeting of the committee on subsidies and countervailing measures, the US had demanded that India should notify these schemes, besides phasing out subsidies on textiles and apparel.

Countervailing duties are levies imposed on imports to counter the effects of subsidies given by an exporting country to its industry.

Khullar, however, said India had no obligation to notify these schemes."The US' understanding of the matter is very poor," he said, adding that India planned to do nothing about the allegations as the US had not officially moved the WTO on the issue.

Notifying export schemes as subsidies at WTO will give other countries an opportunity to target India and levy countervailing duties on Indian merchandise, said Ajay Sahai, director general & CEO of Federation of Indian Export Organisations.

Most of the schemes identified by the US as subsidies are compatible with WTO rules, Sahai said, adding that an exporter in India ends up paying more taxes than what is reimbursed to him as the Centre does not compensate for state levies such as octroi, electricity cess and sales tax.

India warns against protectionist tendencies abroad
PTI

Mumbai, November 13 -- Commerce and industry minister Anand Sharma today called for a greater involvement among the G-20 members, to ensure that free trade is not hampered and the world does not fall back into the trade protectionism.

"In difficult times, the tendency to look inwards, to have protective values (increases and), that is something the G-20 must reassure the world that we will not allow that to happen," Sharma said.

"The need is to engage more, not going in for protectionism, because that had happened since the 2008-09 (crisis)," he said, while speaking at the first day of the Indian summit of the World Economic Forum here.

He noted that India, as a major emerging economy, could play a stabilising role during the troubled global times.

Sharma said that the world needs to move faster on multilateral trading systems by completing the stalled WTO negotiations early, and thus correct the historical imbalances, which would help make the world, and global trade more equitable and more accessible.

Noting that G-20 is a much more inclusive and representative platform today, Sharma pointed out that earlier, the larger issues of the vast majority of world housing over 85 percent of the world's population was not represented in this body.

"It was a skewed body which had sustained since the second World War up to the first decade of this century," he said, adding but time has come for the new and emerging nations like China, India, Brazil, South Africa to be made part of the process.

Sharma expressed hope that the country will be able to sustain the higher growth trajectory despite the ongoing global crisis, but warned that the country needs to be more careful as it is part of a highly inter-connected world.

On the EU crisis, the minister said, "We wish these countries which are passing through a turbulent phase, the discussions at the g-20 meet in Cannes, particularly, on the EU stability fund succeed so that these countries can return to growth path."

Calling for more coordinated efforts by the G-20, he said the grouping of the world?s largest economies needs to do more.

"The multilateral system must reflect contemporary world realities, cosmetic changes will not affect particularly in the fiscal and monetary institutions (like) IMF and World Bank. We need faster reforms so that the countries which are factors of growth and stability are there," Sharma said.

On the worsening Eurozone crisis, he recalled what Prime Minister Mnamohan Singh said in Cannes last week that New Delhi would be part of the stabilisation process that is needed for the Eurozone. "But we have to mindful again of the fact that after one sub-prime mortgage crisis, there is another sub-prime crisis confronting the world - that is of the sovereign debt issues."

On the very poor showing by the IIP data in September, Sharma described the 1.9 percent growth in factory output numbers was a matter of concern and said he has asked for a review meeting on Tuesday. PTI

Rapid economic growth only solution for recovery: BRICS

From G Sudhakar Nair, PTI

Cannes, November 3, 2011 -- Leaders of emerging giants Brazil, Russia, India, China and South Africa (BRICS) today expressed serious concern over fresh instability and volatility in markets and said rapid economic growth in a sustained and balanced manner was the only solution to recover from it.

Prime Minister Manmohan Singh, Brazilian President Dilma Rousseff, Russian President Dmitry Medvedev, Chinese President Hu Jintao and South Africa President Jacob Zuma met at Hotel Carlton here in this French coastal resort prior to the meeting of the world's biggest economies.

"The leaders agreed that the Eurozone sovereign debt crisis was a matter of serious concern for the global economy and had caused fresh instability and volatility in markets after the 2008 economic crisis," said a BRICS statement issued after the meeting.

"They agreed that the only way to emerge from this crisis was to ensure rapid economic growth in a sustained and balanced manner, on a global basis," it said.

The leaders expressed their full support to Europe's efforts to find an early solution to the crisis, underlining that the solution to the crisis had to be found by the European Union and the Eurozone countries themselves.

The statement said the leaders expressed their support for a greater role of the International Monetary Fund (IMF) in efforts to help resolve the Eurozone sovereign debt crisis.

The leaders agreed to intensify consultations between their financial and fiscal officials on a continuing basis to enhance coordination and exchange of views among themselves, including on the margins of the G-20 meetings.

The global South needs a multilateral approach

Faisal Ahmed, Business Standard

November 6, 2011:The real challenge that the world faces today is to develop modalities of strengthening international cooperation and build common minimum commitments.

Hovering between the hope of implementation and the fear of closure on the one hand, and the alternative choices of Plan A and Plan B on the other, the Doha Round has definitely lost its sheen, if not the mandate, to strengthen multilateralism. Complete negotiation and implementation of the Doha Agenda does not seem to be possible in the near future. But its closure at this juncture would also be unworthy and undemocratic, as it would force disadvantages on the countries of the global South. The global South, comprising more than 150 developing and Least Developed Countries (LDCs) of the world, suffers from some of the most rudimentary development challenges.

The World Trade Organisation (WTO) essentially promotes a rule-based multilateral trading system. However, amidst such critical anomalies associated with the negotiations on the Doha work programmes, the real challenge that the world faces today is to develop modalities of strengthening multilateralism. This in turn will also help countries inculcate preparedness for the Doha Agenda.

In a recent address to CUTS International in September, Pascal Lamy, the director general of the WTO, chose not to speak on “the future of the multilateral trading system”, but preferred to voice his views on “the multilateral trading system of the future”. He argued that political leadership, pragmatism and the spirit of compromise, and the spirit of realism, were the three factors that needed urgent attention.

It is now for the international community to realise that these are not mere arguments or determinants. They are, in fact, major philosophical propositions which have the potential to enhance global co-existence, and are capable of creating sustainable livelihoods.

Throughout its various ministerial conferences, WTO has provided a sound platform for members to liberalise and enhance their global outreach. This obviously calls for a realisation that countries too, have their existing country systems and that they face a strenuous task of aligning their pursuits of economic diplomacy — carved out of their national interests — with that of their trading partners. Even trade costs like non-tariff barriers and those associated with logistics and trade facilitation generally become latent precursors of a country's negotiating stance at the WTO. Consensus-building at a multilateral forum thus becomes a complex web of mutually exclusive assertions.

The real task ahead is not to predict the future of the Doha Round, but to explore modalities which can empower country systems to cooperate internationally and build common minimum commitments. This is because even if the round ends in a fiasco, such compelling issues like duty-free and quota-free market access for LDCs will continue to remain pertinent.
Such cooperation may be explored within the framework of south-south cooperation. Statistics reveal that the global South has gained from multilateralism in terms of its international trading position. The total exports of the LDCs have increased substantially from $20.1 billion in 2001 to an estimated $144.3 billion in 2010. The developing economies have also seen a remarkable surge in their exports, which currently stand at $6,302.9 billion, as compared to $1,985.5 billion in 2001.

Also, the trade between the regions within the global South has been on a trajectory of growth. For instance, the total trade between Africa and Latin America & the Caribbean increased from $7.2 billion in 2001 to $22.1 billion in 2010. Interestingly, as per the International Monetary Fund's *World Economic Outlook 2011*, the emerging and developing economies are projected to grow at 6.5 per cent in 2012, as compared to 4.5 per cent for the advanced economies.

The onus thus lies in the hands of the developing economies themselves, which are gradually becoming the new locus of international trade and development. Some of the geo-strategically positioned congregations in the developing world that need to take a lead in strengthening multilateralism through south-south cooperation include Brazil-Russia-India-China-South Africa (BRICS), the League of Arab States (LAS), and the Economic Cooperation Organisation Trade Agreement (ECOTA).

BRICS represent 43 per cent of the world's population, has a trans-continental outreach and represent the developing world's most significant example of multilateral integration. These countries also engage deeply with the LDCs of Africa and contribute to trade, region-building and capacity-building initiatives.

The contribution of such multilateral initiatives to the global South can be seen from the fact that the BRICS countries' total exports to the developing world crossed $1,000 billion in 2010, which is around five times what they were in 2001. Also, their exports to LDCs increased from $9.23

billion in 2001 to $46.6 billion in 2010. Interestingly, exports from LDCs to BRICS also increased almost three-fold in the last decade and currently amount to $5.7 billion, thus reflecting better market access for LDCs as well.

Also, a significant step toward strengthening multilateralism can well be undertaken by the LAS, which comprises 22 countries in West Asia and North Africa, most of whom are LDCs and dependent on official development assistance (ODA) from countries like India, China and Saudi Arabia, among others. The heterogeneity factor attached to this League — from hydrocarbon-rich Saudi Arabia to a beautiful but poor Comoros — positions it as a lead candidate to be entrusted with the task of developing institutional mechanisms through south-south cooperation. Interestingly, multilateral initiatives in the global South have also helped the LDCs gain from oil-rich Gulf Cooperation Council (GCC) economies. The exports from LDCs to the GCC increased several-fold from a mere $0.12 billion in 2001 to an estimated $2.6 billion in 2009.

Moreover, another congregation with potential to lead such an initiative is ECOTA. Apart from strategically located Turkey, ECOTA comprises of the geopolitically vibrant and resource-rich Afghanistan, Pakistan and Iran, and the naturally endowed Central Asian republics of Azerbaijan, Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan. ECOTA's total exports are estimated to be $289 billion. Intra-ECOTA development cooperation can itself support the respective government's preparedness for multilateral negotiations.

It is therefore important to see whether the forthcoming WTO Ministerial at Geneva can introspect not merely about what is deterring the negotiations, but necessarily what can enhance global preparedness for negotiations.*The author is Associate Director at CUTS International, a Jaipur-based think tank and advocacy organization*

Mess called Doha Round

Ranabir Ray Choudhury, Business Line (The Hindu)

3 November 2011: The eighth ministerial meeting of the WTO is slated to be held in Geneva between December 15 and 17 and, naturally, all eyes are turned towards it. This, ironically, is generating some concern because, as things stand now, everyone is bound to know by the end of the year that, once again, the Geneva-based WTO has failed to provide leadership and guidance to the movement to liberalise international trade – in accordance with the Doha Declaration which was signed and sealed in November 2001.

The situation for the ministerial is so desperate that, while the agenda for the meeting is supposed to be finalised by this week, officials in Geneva are at sixes and sevens regarding what to put into the as-yet empty basket. Along with the agenda, the usual procedure for such ministerials dictates that, by this time, some progress is also made with the outline of the outcome of the meeting in the shape of whatever document is agreed to be released at the end of the event. Not much appears to have moved in this sphere either, there being no consensus as yet on whether there should be a formal declaration, or a statement, or just a summary of developments.

NO MEETING OF MINDS

The short question to ask is: why is the WTO December ministerial in this pitiable state? The equally short answer is: because there is no meeting of minds between the rich and the poor of the earth — particularly the former — on how much to concede to the poor so that international trade (and, consequently, the global economy) can be healthier and more efficient in the coming years. More critical is the point that the Doha Declaration, which governs the Doha Round of multilateral trade negotiations, has focussed unequivocally on a specific Development Agenda, which accords a special place to the developing economies (including the least developed countries). This means that any inability to clinch the Doha Round successfully should be directly attributed to the inability or unwillingness of the haves to accord a special place to the trade and economic problems of the have-nots, which is not only just unfortunate but also grossly regressive.

It is pointless to go into the details of the state of unpreparedness of the WTO membership for the December ministerial. What is more significant is that the WTO chief, Mr Pascal Lamy, has been forced to acknowledge that the only way out now appears to be to have recourse to Paragraph 47 of the Doha Declaration, which lays down that even though "the conduct, conclusion and entry into force of the outcome of the negotiations shall be treated as parts of a single undertaking," agreements "reached at an early stage may be implemented on a provisional or a definitive basis," the "early agreements (being) taken into account in assessing the overall balance of the negotiations."

SOAP OPERA

The enveloping tragedy of the entire exercise is that even if Mr Lamy's road-sign is adopted, there is still little idea of what the subjects are going to be on which a last-ditch effort will be made to hammer out agreements. The situation is so difficult that even LDCs are now finding themselves being shunted out of the general sphere of preference in which they have always basked in Geneva deliberations.

Clearly, as far as the Doha Round is concerned, the WTO is fast deteriorating into a soap-opera with its credibility sinking to unfathomable depths. This definitely does not augur well for healthy international trade liberalisation in the years ahead.