INDIA'S TRADE NEWS AND VIEWS

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India-Pakistan trade ties will help South Asia

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Pak 'in principle' decides to grant MFN status to India

The long-pending issue of Pakistan granting the most-favoured nation (MFN) status to India has resurfaced, with Pakistan Foreign Minister Hina Rabbani Khar announcing in the National Assembly that her country has decided in principle to grant the MFN status to India…

India-EU free trade pact nearing conclusion: Sharma

India is hopeful of concluding a comprehensive free trade agreement with the European Union (EU) in the near future, as the negotiations are in advanced stage with the 27-nation bloc…

Exim Bank to issue $5-bn fresh line of credit to Africa

Export-Import (Exim) Bank of India, the apex financial institution fully owned by the government of India, will be releasing a fresh line of credit to Africa in the next three years…

IBSA plan to accelerate trilateral FTA talks

Anand Sharma offers to host the first annual trilateral meeting in New Delhi in March next…

IBSA urges WTO nations to end impasse, conclude trade talks

India, Brazil and South Africa (IBSA) today called upon WTO members to end the impasse over Doha talks for a global trade treaty, build on consensus achieved and work towards successful conclusion of the negotiations…

Doha development agenda, aka Dodo

The Dodo is extinct…

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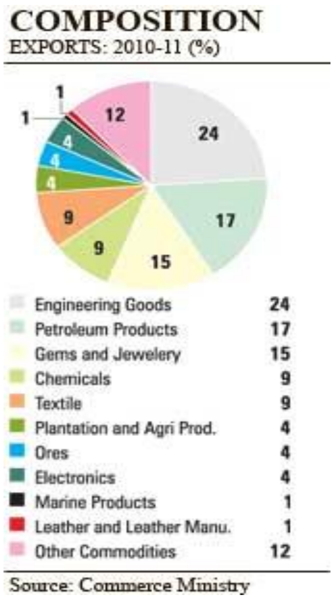
The Centre for WTO Studies was set up by the Department of Commerce, Government of India in 1999. The intent was to create an independent think tank with interest in trade in general and the WTO in particular. The Centre has been a part of the Indian Institute of Foreign Trade since November 2002. The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

Exports up 36.3% in September
Business Standard

New Delhi October 13, 2011: Exports continued to shine amid slowing down of other sectors of the economy, though pace of growth has decelerated in September due to external headwinds.



The government strategy to look for newer markets and change the composition of exports has paid off, as exports grew 36.3 per cent to $24.8 billion in September year-on-year, blunting the impact of slowdown in the Euro zone and the United States.

However, the growth in September was a five-month low. India's exports now constituted much more of engineering, electronic and petroleum products than traditional items like textiles.

Also, the share of the European Union and North America combined has come down by 10 percentage points to 30 per cent in India's exports between 2004-05 and 2010-11.
"The good run continues, though there are clear signs of slowdown... It is clear that there is deceleration in growth... This is the surest sign of times to come. That is telling you what is going to happen in future," commerce secretary Rahul Khullar said.

Imports on the other hand, grew by 17.2 per cent in September, the lowest in five months. In absolute numbers, they stood at $34.6 billion.

For the first six months, exports grew 52.1 per cent to $160 billion compared to the corresponding period of last financial year, and imports by 32.4 per cent to $233.5 billion. Interestingly, imports of gold and silver rose by a whopping 80 per cent to $31.1 billion during April-September, which Khullar attributed to asset switching. "People are moving out of cash and switching to gold," he said.

Even after factoring slowdown in major advanced economies, Khullar was pretty sure the target of $300 billion of exports for this financial year will be in the striking range.

"At this point of time, I will say the best estimate is in the neighbourhood of $290 billion to $300 billion and that is taking into account bad news available," he said.

However, widening balance of trade may cause a problem at the time when there are signs of slackening demand elsewhere.

Trade deficit stood at $73.5 billion in the first six months, which is quite a high number, according to Khullar.

On a pro-rata basis, it means $147 billion trade deficit this financial year. But, Khullar said growth in imports would come down much faster than exports in the remaining period of this financial year.

He did not agree to the view that in the current situation when India is not recording such a slow growth rate as other countries, imports will grow much faster due to the needs of the economy than exports. Tax collections do corroborate Khullar's this since customs duty, mop up was just 7.2 per cent in September and 19.4 per cent in the first six months of this financial year, clearly showing decelerating tax numbers.

However, Federation of Indian Export Organisations said the trade deficit number was huge and may touch $150 billion by the end of 2011-12, "which is a matter of concern".

Khullar said in the event of slackening foreign capital inflows, there should not be high trade deficit, as it might widen current account deficit, which would be difficult to finance.

WTO diplomat: 42 nations nearing deal on state contracting to unlock billions in commerce

JOHN HEILPRIN, Associated Press

18 October 2011,GENEVA - An international deal is nearing agreement that would open up government contracting to more transparency and foreign competition and unlock tens of billions of dollars in new opportunities, a World Trade Organization diplomat said Tuesday.

Nicholas Niggli, a Swiss diplomat to the WTO who chairs its government procurement committee, said 42 nations, including the United States, the European Union, Canada and Japan, are overcoming most hurdles toward an agreement in mid-December when trade ministers gather in Geneva.

Other nations that could join the deal include China, Jordan and Ukraine.

"I bet on the fact that we'll strike a deal," Niggli told reporters at WTO headquarters.

To many governments, the incentive is that they can find cheaper ways to do business and come up with more money to repay debt, he said.

China's participation is a major attraction to other nations hoping to crack that enormous emerging market. But the negotiations have been under way for a decade, and Niggli said a major remaining obstacle is that the U.S. and Japan are each holding talks with the EU aimed at wringing the most possible concessions.

The deal takes aim at corruption and favoritism in government supply contracts -- typically 15 to 20 percent of a nation's gross domestic product. It would essentially update the WTO's only legally binding agreement on government procurement.

Niggli said the December meeting of trade ministers -- the last one was in 2009 -- will be something of a make-or-break session.

"If the negotiations are not concluded in December, the whole package will crumble," he told diplomats at the WTO according to a statement he later released to reporters. "The text will go stale and parties will come under pressure to withdraw concessions that have been put on the table."

The earlier WTO anti-corruption agreement on government contracting took effect in January 1996 and covered trade in a huge variety of goods, services and construction initially among 28 WTO member nations, ranging from drugs and high-tech computer items to machinery and building.

It generally applies to goods and services over $200,000 and construction projects starting at about $5 million.

Participation by WTO members is optional, trade officials say, though there's strong incentive to do so because it can help nations get a foothold into new markets by expanding the deal among 200 new ministries, government agencies and other entities.

A WTO study of the 42 nations' economies and some others, such as China and Brazil -- which hasn't shown an interest in joining the contracting deal -- says it could lead to anywhere from $380 billion to $970 billion a year in new market access.

"These market access gains will result in significant commercial opportunities for parties' suppliers, representing tens of billions of dollars or euros annually," Niggli said.

Few gains seen from west by opening govt supply contracts to foreign players
Amiti Sen, ET Bureau

11 Oct, 2011, NEW DELHI: India may not make significant gains by taking on global commitments to open up government supply contracts to foreign players as a number of developed countries, especially in the EU, protect markets through procedural norms that foreign players cannot fulfill, according to initial findings of a government study.

The study, which is yet to be finalised, reveals that in certain years, government purchases made by the EU from non-EU sources was less than half a percent of total sourcing, an official told ET.

"The benefits that government procurement pacts could bring to the country in terms of increased business and improved transparency also have to be weighed against the costs of putting in place relevant systems and practices", the official said.

India is facing pressure from the developed world including the EU, Japan, Australia and the US to get into bilateral government procurement pacts and also become a signatory to the plurilateral

GPA at the WTO which, at present, has 14 members including the EU and the US.

Although India allows foreign companies to bid for government orders, it has the freedom to impose curbs as and when it wants as it has not signed any agreements and taken on commitments on the same. It also is not obligated to switch over to alternate bidding and accounting systems as laid down in various agreements to ensure transparency.

"The commerce department wanted a comprehensive study on the costs and benefits of GPAs so that there are no illusions about the possible market access gains and other benefits and losses," the official said. The Centre for WTO Studies, which is a research centre on WTO issues under the commerce department, was assigned the task of carrying out a comprehensive study on the possible gains and losses from bilateral GPAs as well as the GPA under the WTO.

Although total global business from government purchases is estimated at over $1.5 trillion, more than six times India's total goods exports, very little is actually open for foreign players as the bidding process and other qualification procedures in most countries is non-transparent and favours domestic suppliers.

"The study highlights that in some years, government procurement in the EU from foreign countries was as low as 0.3%," another official said.

Anti-dumping duty on caustic soda imports

Anindita Dey & Rutam Vora, Business Standard

Mumbai/ahmadabad October 16, 2011, 0:42 IST: In a major blow to the manufacturing industry, the finance ministry has imposed an anti-dumping duty on the use of caustic soda till 2013.

The duty will be levied on all imports originating from Saudi Arabia, Korea and the US. While the notification issued by the anti-dumping directorate has not spelt out the duty amount, it has clarified that it would be based on the reference rate which is around $400 and landed cost of the commodity.

Companies such as Hindustan Unilever, Procter & Gamble Hygiene and Health Care, Colgate-Palmolive, Godrej Consumers Products, Nirma, Reckitt Benckiser and Henkel SPIC (India) Ltd are some of the major consumers of caustic soda, besides the paper industry, textiles and pharma sector.

The decision of the Union finance ministry to impose an anti-dumping duty on imports of caustic soda, have failed to impress the domestic industry.

Caustic soda makers termed the quantum of duty “very low” against the already lower international prices, while consumer industries including soap makers, textiles and paper industry cried foul over the sudden spike in caustic soda prices in the domestic market, while import option will be more costly once the government decision comes into effect.

An official with one of the petrochemical companies said: “Caustic soda is a major chemical ingredient and domestic manufacturers have been suppressing a price rise for some time, since import was cheap. Many domestic manufacturers of this chemical refrained from a price rise, even at the cost of lower margins or loss and many industries have leaned down production. But now, with this anti-dumping duty, chemical manufacturers can increase prices which could trigger a price rise of its end products.”

Despite representations by domestic soap makers, including Hindustan Unilever, that their requirements are not met by supplies from domestic companies and they have to resort to imports, the anti-dumping directorate has advocated that the duty is required to provide level-playing field for domestic manufacturers vis- a vis imports.

Caustic soda is a soapy, strongly alkaline, odourless liquid widely used in paper, viscose yarn and staple fibre, aluminium, textiles, toilet and laundry soaps, detergents, dyestuffs, drugs and pharmaceuticals, vanaspati and petroleum refining industry, among others.

Caustic soda companies also see the size of the duty as lower than expected. “The imposition of duty on caustic soda imports is not going to benefit the domestic industry as the quantum of the duty seems to be very low. This duty fails to settle the prevailing disparity between international and domestic prices of caustic soda. Even after paying the duty, international prices would continue to remain lower,” said an industry source.

According to industry insiders, companies that are dependent on imported caustic soda may have to shell out more. Domestic supplies of caustic soda may also get costlier.

It is evident from the fact that soon after the imposition of the duty, the sentiments have already turned bullish as the prices of caustic soda in the domestic markets have started showing upward signs. In the past one week, caustic soda prices have jumped by Rs 3,000 t o Rs 4,000 per tonne. Caustic soda liquid was priced in the range of Rs 28,000 to Rs 29,000 per tonne, while flax prices hovered around Rs 31,000 to 32,000 per tonne.

“Caustic soda prices have already started rising in the domestic market as a fallout of the imposition of import duty. But it is less likely that consumer industries would pass on this price hike to its finished products, because they are already faced with low demand. Rather they (consumer industry) are more likely to adopt a wait-and-watch strategy for prices to fluctuate,” said an Ahmedabad-based leading caustic soda trader.

But to some, the imposition of import duty may prove to be irrelevant. “We have our own caustic soda plant, with all the in-house raw material supplies available. Hence we do not depend on other companies for our requirements. So it is irrelevant to us if the anti-dumping duty stays or goes,” said a source at Nirma Limited, India’s largest detergent maker.
Meanwhile, sources from Tata Chemicals, India’s leading caustic soda maker, maintained that the imposition of duty would benefit the Indian caustic soda industry. “The move will surely help domestic manufacturers. Going forward, there could be some impact on prices as imports would get costlier,” said a company official, requesting anonymity.

The anti-dumping directorate was conducting a sunset review of the duty which had expired in 2008.

The initial appellants were Gujarat Alkalies & Chemicals Limited, Grasim Industries Limited , DCM Shriram Consolidated Limited, SIEL Industrial Complex and Bihar Caustic & Chemicals Limited

Later, the petition had been supported by a host of other companies, including Reliance Industries Limited, Kanoria Chemicals & Industries Limited, Gujarat Fluorochemicals Limited, Solaris Chemtech Limited, DCW Limited and Jayshree Chemicals Limited.

Officials said the views of all stakeholders, including importers were taken before the decision was made. Some of the major importers who have responded are National Aluminium Company (NALCO) and Hindusthan Level Ltd.

The anti-dumping duty on imports from Indonesia, European Union and Taiwan had been levied between 2006 and 2008. The directorate initiated a review of the duty in 2010 following representations from the industry.

Safeguard duty recommended on chemical used in plastic mfg
PTI

New Delhi, 9 October 2011: The Revenue Department has recommended the re-imposition of a safeguard duty on imports of a chemical used in plastic manufacturing with a view to protect the interest of domestic producers.

Earlier, the government had imposed a safeguard duty of 25 per cent on Phthalic Anhydride (PAN) in January, 2009, for six months and subsequently, at 15 per cent till December, 2009.

The Directorate General of Safeguards (DGS), which is under the Revenue Department, after a preliminary investigation, found that increased imports of Phthalic Anhydride have caused grave injury to domestic producers and it will be in the public interest to impose a safeguard duty.

"... Safeguard duty at the rate of 10 per cent ad-valorem, which is considered to be the minimum required to protect the interest of domestic industry, is hereby recommended to be imposed on imports (of PAN)...," the DGS said.

A slowdown in the markets of Europe and America from 2009 onward and worsening global conditions in the last five months due to the crises in some European nations has resulted in surplus production of the chemical worldwide.

"This has resulted in heavy surpluses for the industry, which are being channelled into India, noticing India's growth prospects amidst a looming global recession," the DGS said.

The DGS had conducted a probe into the imports on the basis of a complaint by three of the five domestic producers, which account for 86 per cent of the total country's production.

The chemical is imported from a number of countries, mainly Korea, Israel, Iran and Taiwan. Imports of PAN have shown an increasing trend in absolute terms and also had an impact on the market share of domestic producers, the DGS said.

The imports increased from 28,098 MT in 2009-10 to 61,965 MT in 2010-11, an increase of nearly 221 per cent in absolute terms, "which is phenomenal", it said.

The domestic industry had informed the DGS that their market share had increased in the year 2009-10 due to the imposition of a safeguard duty, but the same declined after the duty expired.

The DGS will hold a public hearing on October 18 before making a final determination on the imposition of a safeguard duty.

PAN is used to produce Phthalate esters, which function as plasticisers. It is an important chemical intermediate in the plastic industry.

In accordance with WTO norms, safeguards protect domestic producers temporary relief while they adjust to the pricing tactics of competitive foreign players. PTI N

India to file a complaint against Turkey with WTO over yarn imports
Amiti Sen, The Economic Times

9 October 2011, NEW DELHI: India will soon file a complaint with the World Trade Organization against "illegal" duties imposed by Turkey on cotton yarn imports. The commerce and industry ministry is consulting lawyers to file a case before WTO's Dispute Settlement Body, a senior official said.

India says Turkey has randomly extended safeguard, or additional, import duties of 12%-17% on cotton yarn, making Indian textiles uncompetitive in their sixth largest export market.

"India may approach the dispute settlement board soon," a government official said. "Consultations are on with lawyers on the validity of the extended safeguard duties." Turkey had imposed a safeguard duty on cotton yarn imports in July 2008.

As a result, the import levy on yarn in the country had risen 13%-20% from 5%, which was the bound import duty rate or its commitment to WTO. Under the WTO norms, a safeguard duty could be imposed only for three years.

A country seeking to extend this duty beyond this period has to establish through a review that it still needs to protect domestic producers against a surge in imports.

With the three-year term ending in August, Turkey decided to review the process of its extension, but at the same time also imposed provisional duties of 12% to 17% for up to 200 days. "Before filing a dispute, it is necessary to hold consultations with the errant country.

We have already done so and are not happy with the results," the official said. Experts say Turkey's proposed integration with EU customs union is already increasing labour costs in the domestic market.

At such a time, Indian exports hold tremendous potential in that country Although a number of other countries, including Indonesia and Peru, are also putting in place protectionist measures to check import of cotton yarn, the Indian industry feels that acting against Turkey would send out a message that India will not accept violation of WTO rules.

Apple issue brings Cong, BJP at loggerheads
Anand Bodh, TNN

Oct 14, 2011: The apple issue has brought the Congress and the BJP at loggerheads in the state. The BJP since three years has been demanding inclusion of apple in the special product list of the central government, besides a hike in its import duty. But, a recent letter from the Union minister for commerce, industry and textiles, Anand Sharma, who belongs to Shimla, has made it clear that at present both the demands cannot be met because of different reasons.

Horticulture minister Narinder Bragta on August 4 had written to Sharma on the issue. In response, Sharma through a letter dated September 16 made it clear that after getting the matter examined, it was found that the present import tariff was 50% which was also a "bound rate of duty agreed in general agreement on tariffs and trade (GATT) and World Trade Organization (WTO)".

Sharma added that scope for further increase in the tariff rates without further negotiations under the WTO regime seemed unlikely at the moment.

On the letter, Bragta said the central government has failed to protect the interests of apple growers of Himachal, Uttrakhand and Jammu and Kashmir. "Import duty during NDA rule at the Centre was 30%. When we had taken up the issue with then prime minister Atal Behari Vajpayee, the import duty was increased to 50%. But what has UPA done for the apple growers?" said Bragta.

Expressing surprise, he said the Union minister made it clear through the letter that Union ministers from Himachal Pradesh have no clouta¦ they have failed to protect the interests of the state. "When for other fruit products import duty can be 300%, then why is it not being increased for apple," he added.

As both the parties know that apple production directly affects the livelihood of over 1.6 lakh families in the nine districts of 12 in the state, they keep on raising issues concerning apple growers in the state from time to time.

BJP leaders in the state, especially chief minister Prem Kumar Dhumal and horticulture minister Narinder Bragta, had been raising the issue of "increasing import duty on apple and including it in the special product list to safeguard the interest of domestic fruit growers" as they are facing stiff competition from apple imported from the US and China. The state government claims that as compared to 35,832 tonne of apple imported in 2006-07, import increased to 1.15 lakh tonne in 2010-11, while during current financial year it is expected to be around 2 lakh tonne which is directly affecting the interest of domestic producers.

Draft IT policy targets $200 b exports by 2020
Special Correspondent, The Hindu

NEW DELHI, October 7, 2011: Communications and Information Technology Minister Kapil Sibal on Friday unveiled the draft National Policy on Information Technology 2011 that envisages taking the overall revenue from the sector from $89 billion as of today to $300 billion by 2020, besides creating additional one-crore jobs. He also hinted that once the Direct Taxes Code (DTC) was in place, the Centre might extend tax holiday under the Software Technology Park of India (SPTI) scheme, which expired in March this year, besides giving incentives to small and medium enterprises engaged in the IT sector.

Exploring new markets

Aimed at further consolidating the position of the Indian IT and IT-enabled services (ITeS) sector in the global arena, the draft policy has set the target of achieving $200 billion exports target by 2020 against the current level of $59 billion. “Today, 80 per cent of the IT sector revenue comes from exports, mainly from North America and Europe. While we have seen IT sector exports growing at 30 per cent, this year it may be around 15 per cent due to global financial crisis…we need to diversify our exports by exploring new markets to sustain the growth momentum,” he pointed out.

The draft policy, which will be available for comments from public and various stakeholders for a month, also focuses on gaining a significant global market share in cloud-based technologies and services, and mobile-based value added services.

“The focus is on deployment of ICT in all sectors of the economy and providing IT solutions to the world. It also aims to strengthen and enhance India's position as the global IT hub and to use IT as an engine for rapid, inclusive and sustainable growth in the national economy,” he added. The draft policy will also look into formulating fiscal and other incentives to attract investment in this sector in Tier II and Tier III cities, besides promoting innovation and research and design in cutting-edge technologies and in strategic sectors such as defence, space and atomic energy. Referring to the launch of world's cheapest tablet PC ‘Aakash', Mr. Sibal said the aim was to integrate Internet and mobile-based delivery of services onto a common platform to enable seamless, ubiquitous, secure and personalised delivery of government and non-government services throughout the country.

PTI reports: Further, the draft policy calls for setting up centres of excellence in institutions of higher learning so as to produce at least 3,000 PhDs in the information and communication technology sector in specialised areas by 2020.

India to seek fast tracking of pact with ASEAN on services and investment
Special Correspondent, Hindu

NEW DELHI, October 8, 2011: Seeking to widen the scope of the free trade agreement (FTA) in merchandise goods, India will seek fast tracking of the agreement with the ASEAN bloc for opening of trade in services and liberalisation of investment norms.

A team of ASEAN officials is scheduled to visit New Delhi during middle of this month to hold talks on further progress of the talks which have been hanging fire for the last one and half years due to reluctance of some ASEAN countries including Philippines on opening the services sector. India and the 10-nation ASEAN bloc already allow each other free market access in merchandise goods.

With services being the mainstay of the Indian economy, India is keen for concluding the talks as early as possible. Philippines, a strong player in the global outsourcing, is not enthusiastic about the services pact which has made its conclusion difficult.

The two sides have already held ten rounds of talks without a breakthrough and effort this time around would be deal with the contentious issues in order to arrive at some kind of understanding to pave way for an early pact. The services sector is of key interest to India as it contributes over 55 per cent to its GDP.

The services sector has emerged very strong for export earnings for India. India is looking at expanding trade with the ASEAN in several services including banking, insurance, health, accountancy, architecture and engineering. During the April-July period this fiscal, the country's cumulative exports of services amounted to $44.74 billion. The talks are being held before the India-ASEAN summit to be held in Bali, Indonesia in November in which Prime Minister, Manmohan Singh is likely to take part. India and ASEAN are keen that the talks should be concluded by the end of this year.

A recent FICCI-Deloitte study has said that once the agreement comes into effect, Indian industry would get considerable opportunities in services like telecommunications, radio, television, consultancy, architectural, legal, accounting, education, health and social work. The ASEAN countries include Brunei Darussalam, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Thailand, Singapore and Vietnam. India-ASEAN trade in 2010 stood at $50.33 billion. Both the sides aim to take it up to $70 billion by 2012.

Vietnam Considered Strong Pillar of Indian "Look East" Policy
Vietnam News Brief Service

14 October 2011: Vietnam is a strong pillar of India's "Look East Policy" and India stands committed to forging closer relations with Vietnam both bilaterally and within the framework of ASEAN, President Pratibha Patil said

Indian President Patil made this affirmation in an interview given to the Vietnam New Agency after receiving Vietnamese counterpart Truong Tan Sang.
Patil went on to say that the two countries' bilateral ties have deepened in recent years to cover cooperation in areas such as political, defense and security, trade and investment and capacity-building and bilateral assistance. India and Vietnam enjoy a strategic understanding at regional and multilateral forums like ASEAN, East Asia Summit, ASEM, ARF and international organizations like WTO and UN.

She suggested both countries take advantage of their synergies to jointly face emerging challenges and also to exploit new opportunities.

President Truong Tan Sang's visit to India will inject greater substance into the two countries' 'strategic partnership' by providing high level political impetus, noted the Indian president.

During the visit, the two sides have agreed on several significant initiatives and proposals that will take their strategic partnership to a new level, Patil said, adding that several important agreements in areas including agriculture, culture, oil and gas amongst others will also be signed.

At an occasion of Sang's state visit, the state-run Vietnam Oil and Gas Group (PetroVietnam) and its Indian partner ONGC Videsh Ltd. (OVL) signed a three-year agreement to tighten cooperation in the field of oil and gas exploration and production.

The two groups will jointly exploit gas and oil in Block 127 and Block 128 lying in Vietnam's exclusive economic zone in the East Sea despite protest by China, the country illogically claims nearly the entire sea, including Vietnam's Hoang Sa (Paracel), and Truong Sa (Spratly).

India-Pakistan trade ties will help South Asia
Pranjal Sharma, Livemint

Oct 7, 2011: Makhdoom Muhammad Amin Fahim, trade minister of Pakistan, said he and his Indian counterpart have agreed to resolve the bottlenecks in trade that have been creating difficulties between the two nations. The two sides have agreed to have a secretary-level meeting in November to discuss issues, including granting of most-favoured nation status to India, Fahim said in an interview. Edited excerpts:

For 35 years, no trade minister came from Pakistan to India. Why did you decide to come now?

Actually, the initiative was taken at Mohali, when both the prime ministers met during the cricket match and there the prime minister of India expressed that we should move forward to create an atmosphere which is conducive and very good.

So, that was the beginning and after that the commerce minister of India wrote a letter, inviting me to visit Hindustan and meet our people, business people. So this is the reason why I am here.

I brought a high-level delegation of traders and industrialists from Pakistan and we visited Bombay first and in Bombay there were meetings between the two sides. The counterparts, they met, they discussed and they were quite satisfied. Then here I had a meeting with commerce minister Mr (Anand) Sharma.

It was a very positive meeting and I must appreciate the way he conducted his side and the way he openly supported the point of view of Pakistan and I really appreciate his gesture.
I think we have achieved a lot. After 35 years, we have come here and we came here with a programme, we came here to resolve a few issues, which were creating difficulties in the relationship of both the countries.

We discussed everything and we came to the conclusion that from now onwards will help each other and try to iron out any bottlenecks in the relationship in other fields also. I think, with this note, we are moving forward and after this there will be a secretary-level meeting in November I believe and both the secretaries will sit and discuss and draw the final sketch.

Pakistani business classes are very entrepreneurial, they have a lot of strengths. Do you think Pakistan is now ready to open its market and become far more engaged with different multinational corporations; Pakistani companies can go abroad, international companies can come to Pakistan. Do you think that is one of the key priorities of your government now?

Definitely, I must say that this visit of mine is the first step towards opening the door for investment and for trade and for business and, I think, in the past whatever little problems were there, we need to resolve those problems and we must move forward.

I think this is the only subject which will create goodwill and good relations and, of course, the economy of both the sides will help the people of both the countries.

Is there also a sense across all political parties that on economic issues, there is still a difference or do you think that on economic growth issues, everybody feels that Pakistan has to move forward?

All the political players in our country, they are in favour of good economy in our country and to have good relationship with the neighbouring countries.

On the issue of partnership with India, we have a huge unofficial trade; official trade figures, you have set a target with the Indian commerce minister of taking it to $6 billion. Now, what are the challenges and the issues that have to be resolved for both the countries to reach this target?

Actually, the first issue, the first problem, which was facing us was that there was no dialogue, there was no opening. Now once you start dialogue, once you start moving forward, then there is a big chance that we will go to the maximum, where both the countries, not only both the countries, but the countries of South Asia, they should also benefit from the relation of these two countries and the economy of South Asia.

One issue which has been a problem area is the granting of most-favoured nation status to India and also converting the positive list into a negative list, basically restricting only a few products and services which will not be traded. When can that happen?

We discussed these two issues also and I was put questions by different journalists that how we are moving on this front. I said, we are discussing everything.

Whatever is important that should take place, whatever is necessary, we must come to the conclusion that it happens but we should move properly, we should move according to the experts of our foreign and commerce ministry.

Now, I don't see any difficulty that we reach to the issue of positive list or negative list. We will resolve those in the meeting of the secretaries, which is taking place next month.

What was the kind of conversation with the prime minister because he is also an economist and he is very keen on trade links?

I told him that when you took over as the Prime Minister, the economy of India had improved a lot and this is your leadership that has created an atmosphere where now we, the two commerce ministers, sat together, discussed the major issues and now we are on it to resolve those issues, so the credit goes to you and he was very open.
He said that there should be very good relations between the two countries and we want that Pakistan should be a prosperous country, they should be in a good economic situation and all the issues, if there are any problems, those will be resolved according to the laws and the rule.

South Asia is one of the poorest regions of the world, but there is a growth dynamic which is coming through. Do you think our partnership and the South Asian Free Trade Area (Safta) agreement can improve it because, so far, Safta has had mixed success? It has not been completely effective in resolving issues. What needs to be done now?

I think the major thing will be the relationship between the two countries, Pakistan and India. If we move at a faster pace and if we resolve economic issues that will definitely be beneficial for South Asia and as you very well know that Pakistan is also a poor country and there are poor people in India. So, if we two join hands and move forward then definitely in the region things will improve and we will try and assist our common neighbours.

A key issue was the gas pipeline, which India and Pakistan were discussing for many years now, it's sort of being put on the back burner. Where does that project stand now?

Actually, on this particular regard our concerned ministries on both sides will move forward, they will negotiate, they will deliberate and, I think, while there is all open discussion on all issues, so I don't think that there will be any big problem.

You are hopeful of the project coming through?

I think dialogue is the answer and dialogue in a friendly atmosphere definitely helps.

But it is not being ruled out, it is not off the table?

There are a number of proposals which are on the table. I think one by one every issue will be taken up and we will move forward.

Pak 'in principle' decides to grant MFN status to India
Business Standard

New Delhi October 16, 2011: The long-pending issue of Pakistan granting the most-favoured nation (MFN) status to India has resurfaced, with Pakistan Foreign Minister Hina Rabbani Khar announcing in the National Assembly that her country has decided in principle to grant the MFN status to India.

Khar was, in fact, echoing a long-cherished wish of India that got delayed after no announcement in this regard came during the visit of Pakistan Commerce Minister Makhdoom Mohammad Amin Fahim to New Delhi last month.

The visit by the Pakistani minister, the first such visit of a Pakistani commerce minister to India in 35 years, did not even talk of trimming its negative list of items. It just decided to double the bilateral trade to $6 billion by 2014.

TRADE TIES		
	2009-10	2010-11
India’s exports to Pakistan*	1,573.32	2,333.62
Growth (in %)	9.27	48.32
India’s Total Exports*	178,751.43	251,135.89
Growth (in %)	-3.53	40.49
Pakistan’s share in India’s exports (%)	0.88	0.93
India’s imports from Pakistan*	275.94	332.51
Growth (in %)	-25.45	20.5
India’s Total Import*	288,372.88	369,769.13
Growth (in %)	-5.05	28.23
Pakistan’s share in India’s imports (%)	0.10	0.09
Source: Ministry of Commerce **** in $ million***		

“Pakistan has, in principle, decided to grant MFN status to India,” Pakistan-based newspaper, The Nation, quoted Khar as saying on Thursday. Granting of the MFN status means lowering of tariffs and Customs duties on products traded between the two nations. Trade between India and Pakistan reached $2.66 billion in 2010-11, compared to $4 billion with Sri Lanka. It is expected to increase to $10 billion in the next three years with the grant of MFN status and removal of non-tariff barriers, according to the Federation of Indian Export Organisations.

According to the World Trade Organization (WTO) rules, it is the fundamental right of a country to get MFN status from another member country. Grant of the MFN status by Pakistan would expand the number of products to be traded in a positive list of commodities exported by India.

At present, there are 1,938 items that are there on the positive list. Out of these, 190 tariff lines are allowed through the Wagah border, while the rest are being sent through the Mumbai port.

Minister Anand Sharma said after meeting his Pakistani counterpart Makhdoom Mohammad Amin Fahim. Fahim, was leading the largest ever business delegation of 50 businessmen. Indian Commerce Minister Anand Sharma said India would be “supportive and constructive” in giving its consent on the trade-aid package by the European Union (EU) to Pakistan at the General Council of the WTO that is expected to take up the matter for the fourth time in its next meeting in Geneva.
According to the deal by EU, 75 tariff lines or products from Pakistan would get concessional access to the European markets for three years, out of which 67 are for zero tariff while on remaining eight tariff lines; tariff rate quotas (TRQ) will be applicable.

India-EU free trade pact nearing conclusion: Sharma
PTI

New Delhi, October 13, 2011 -- India is hopeful of concluding a comprehensive free trade agreement with the European Union (EU) in the near future, as the negotiations are in advanced stage with the 27-nation bloc.

"We are in the final stage...We were hoping to achieve it this year and I remain hopeful that we will able to do it within the next few months," Commerce and industry Minister Anand Sharma said here today.

India is in talks with the EU, its biggest trading partner, since June 2007 for liberalising trade in goods, services and investment through a Broad-based Trade and Investment Agreement (BTIA). Already 13 rounds of talks have taken place.

The FTA would involve slashing of duties on over 90 per cent of the trade and opening up of the mutual markets for services and investment.

Officials from both sides have remained engaged in resolving differences on key issues like opening up of markets in auto and auto components, wines and spirits, and intellectual property rights and services.

The two-way commerce stood at USD 75 billion in 2009-10. India has already implemented comprehensive FTAs with countries like Japan, Malaysia and South Korea.

Exim Bank to issue $5-bn fresh line of credit to Africa
K Rajani Kanth, Business Standard

Hyderabad October 13, 2011: Export-Import (Exim) Bank of India, the apex financial institution fully owned by the government of India, will be releasing a fresh line of credit to Africa in the next three years, according to bank's managing director T C A Ranganathan.

Speaking to Business Standard on the sidelines of the inaugural day of the India-Africa Business Partnership Summit here on on Wednesday, Ranganathan said: "At present, our exposure to Africa, in terms of sanctioned credit line, is more than $3.5 billion (which has not yet been fully disbursed), with the outstanding being around $2.75 billion. With the additional line to be issued in three years, we expect the total book size of Exim Bank on Africa to double in the next five years."

Stating that the Exim Bank of India's intent was to promote and provide entry to various Indian entrepreneurs to Africa, besides encouraging them to bid for projects in that continent, he said Indian entrepreneurs need to do projects on their own in Africa, as that was how their counterparts in Europe, the US, China and other parts of Asia were doing there.

"There is a vast growth that is taking place there. The continent is growing rapidly and holds huge potential. Therefore, Indian entrepreneurs should explore that continent," he said, adding bilateral trade between India and Africa had more than doubled from $25 billion in 2006-07 to $53.3 billion in 2010-11 due to the rise in both exports to and imports from the African region. Indian exports to Africa had risen from $10.3 billion in 2006-07 to $21.1 billion in 2010-11, primarily due to an increase in exports of transport equipment and petroleum products, Ranganathan said.

Besides providing line of credit to the continent, he said, Exim Bank of India was also financing Indian companies investing in Africa or those Indian companies selling in Africa through buyers' credit or through investment finance.

"For instance, we had assisted Tata South Africa for their vehicles to export to various members countries in Africa by giving a buyers' credit to the governments there. In April this year, we have launched a new scheme where we will take insurance protection from a national insurance export account and give non-recourse long-term buyers' credit on behalf of the Indian project exporters if the counter party is a sovereign of good standing," Ranganathan said.

Stating that the Exim Bank of India had been giving credit lines to various banks in Africa, with the latest being $100 million to the Nigerian Export-Import Bank, he said the bank was trying to promote all forms of business in that continent, based on the request of the host country and the projects that they submitted to the Indian government.

IBSA plan to accelerate trilateral FTA talks

Sandeep Dikshit , The Hindu

Anand Sharma offers to host the first annual trilateral meeting in New Delhi in March next

19 October 2011: In an attempt to accelerate talks on a trilateral free trade agreement (FTA) , the India-Brazil-South Africa (IBSA) Summit that ended on Tuesday decided to hold an annual meeting of trade ministers from the three countries beginning from March next year. Commerce and Industry Minister Anand Sharma has offered to host the first annual trilateral meeting in New Delhi in March next.

The analysis at the IBSA meet is that trilateral trade has done well despite the 2008 economic slowdown and its aftershocks, including the prevailing uncertainties in the eurozone.

$25 b trade by 2015

Trilateral trade is already close to $20 billion, having crossed the target set for 2012 three years earlier than envisaged. India's trade with its trade partners in IBSA accounts for a majority of this trade. The leaders at the IBSA summit felt that the trends indicated that the target of $25 billion trade by 2015 would be achieved early, and "this gave reasons to be optimistic and more ambitious," said an official note.

The leaders tasked the Working Group on Trade and Investment to examine all issues related to trade holistically, including issues relating to non-tariff barriers, maritime and air links and opportunities for investments. Direct air connectivity is expected to give tourism a major boost and the trade ministers agreed to look at the visa related issues so that the process for business visas is made easy. The three trade ministers also interacted with the IBSA Business forum a day earlier.

To set up technical team

The trade ministers also decided to set up a technical team under the IBSA's working group on trade and investment to reconcile trade data and devise a common reporting format. Due to different methodologies of capturing trade data (calendar year v financial year or CIF or FOB) at times the numbers vary.

The South African and Indian trade ministers also decided to enter into long-term contracts for purchase of raw materials and commodities, and the recently opened office of MMTC in South Africa has been asked by Mr. Sharma to begin work on this proposal immediately.

The Ministers also felt that with the ratification process of the MERCOSUR SACU FTA advancing, and initiation of the process of deepening of the India MERCOSUR Preferential Trade Agreement (PTA), the deck was now clear for making progress on a trilateral FTA involving India SACU and MERCOSUR.

“This FTA linking developing countries in the three continents is envisaged as one of the most ambitious free trade areas and will be a symbol of growing south-south cooperation," noted Mr. Sharma. His sentiment was shared by his counterparts from Brazil and South Africa.

The three ministers also plan to meet before the WTO's 8th Ministerial conference in mid-December to coordinate their position on all issues relating to the WTO negotiations and to discuss the possible outcomes of MC8 as well as the way forward on Doha Development round.

IBSA urges WTO nations to end impasse, conclude trade talks

Ajay Kaul, PTI

Pretoria, October 18, 2011: India, Brazil and South Africa (IBSA) today called upon WTO members to end the impasse over Doha talks for a global trade treaty, build on consensus achieved and work towards successful conclusion of the negotiations.

"To overcome the current impasse and to bring the (Doha) round to a successful conclusion, the (IBSA) leaders reiterated the need to re-affirm the integrity of the mandate that launched the round, and to build on the convergence already achieved," said the declaration issued at the end of the fifth IBSA Dialogue Forum meeting.

The meeting was attended by Indian Prime Minister Manmohan Singh, South African President Jacob Zuma and Brazilian President Dilma Rousseff.

The Doha round of trade talks, which sought to put the interest of developing countries at the centre of the negotiations, have been pending since 2001.

"The current impasse in the negotiations is, therefore, a source of serious concern. The distortions caused by the high levels of protection and subsidies in agriculture in the developed countries continue to undermine the development prospect of many developing countries, especially the least developed countries," said the declaration.

The leaders also urged the members of the World Trade Organisation (WTO) to reach an agreement on measures of interest to Least Developed Countries (LDCs) and not to make them conditional to reaching an agreement on market access issues.

Doha development agenda, aka Dodo
Bibek Debroy, Economic Times

Monday October 17, 2011: The Dodo is extinct. Perhaps incorrectly, the Dodo's flesh is believed to have tasted awful. To many commentators, extinction and loathsomeness are acceptable adjectives for DDA too. By DDA, one doesn't mean Delhi Development Authority. One means Doha Development Agenda. There will be a Ministerial Conference (MC) of the World Trade Organization (WTO) in Geneva in December.

Consequent to attachment for acronyms, this is called MC-8. On an average, there should be an MC once every two years. This Geneva meeting is 8th. The 4th meet in Doha in 2001 launched DDA. Till the 6th one in Hong Kong in 2005, we were on track for going somewhere. No longer. Issues are systemic.

Nitty-gritty of non-agricultural market access (Nama), agriculture or services is less important. With 153 WTO members, decision-making is certain to be messy, especially if decisions are consensus-driven. On paper, WTO is more democratic than World Bank or IMF — not quite in practice.

There is an aristocracy, say US, EU, Japan and Canada, so called Quad countries. Decision-making in any aristocracy is faster than in democracy, not that decisions are necessarily best. During Uruguay Round, aristocracy got what it wanted. They rammed it down the throats of developing countries and LDCs.

We have several developing country/LDC groupings now: African, Caribbean, Pacific (ACP), African group, Apec, Mercosur, G-90, G-10, G-20, G-33, Nama-11, LDCs, small and vulnerable economies (SVEs), Cotton-4 and so on. Compared to Uruguay Round (1986-94), these countries are better equipped and more informed.

This doesn't necessarily mean they know what they want. More charitably, they know what to oppose, in reaction to suggestions from developed countries. But there isn't a proactive agenda. However, because of greater awareness and capacity, WTO has become more democratic, and that is the aristocracy's problem.

Hence, we have odd suggestions. Uruguay Round was an entire package or single undertaking: take it or leave it. You couldn't unbundle it. But US/EU can't get DDA going with 153 countries. All 153 economies don't matter equally in trade and related negotiations.

Therefore, break them up and create hierarchy among countries. As long as you have Brazil, India and China, so-called emerging economies, on board, all is fine. At best, one can add South Africa, Argentina, Indonesia, Malaysia and Mexico. There are several different ways this splintering idea is floating around.

First, let’s go plurilateral and dilute the single undertaking clause. A multilateral agreement is negotiated under WTO and is mandatory on all WTO members. A plurilateral agreement is negotiated under WTO, but is open for signature to countries that wish to. WTO has a liberalisation role.

It also has a regulatory role, enforcing rules. As of now, the two roles often blur. But somewhere down the line, difference between two roles will become clearer. Contrary to what we think, WTO’s role in triggering liberalisation has been limited, except where countries have acceded to WTO after WTO was formed.

Liberalisation has often been unilateral, or triggered by structural adjustment measures. In this plurilateral idea, we are effectively saying we won’t get liberalisation by ne-gotiating among 153 members. Let us limit the canvas, a bit similar to what is being done through regional trade agreements (RTAs). Phrases like early harvest and partial harvest are floating around.

More accurately, early harvest was used earlier. Given impasse, one now finds expressions like partial harvest. The key point is: what is the harvest and who is doing the harvesting? As India, we might be happy we are now at the high table. But it seems to me that all these proposals negate democratic principles carefully nurtured and built.

With this emphasis on plurilaterals and RTAs, no one is particularly interested in DDA now. US and EU have their own internal economic problems, apart from political electoral cycles and review of Common Agricultural Policy, due in 2013. There are quantifications of welfare, consumption and export gains that might result from DDA liberalisation.

That is peanuts compared to numbers involved in fiscal stimulus packages. Before 2013, there is no obvious reason why developed countries should be interested. Ditto for Brazil, India and China. Nama demands, agricultural liberalisation offers and even service sector proposals are not attractive enough.

That a change is going on in global sources of economic power is known.However, we are in an interregnum. The former aristocracy expects emerging market economies to don the mantle of leadership — and contribute financial resources — without accepting reforms in decisionmaking structures of international institutions. That’s non sequitur. Without mentioning names, why haven’t we had a Chinese head of IMF and a Brazilian head of WTO so far?

DDA is in ICU now. But at MC-8, no minister is likely to publicly proclaim demise of DDA. That would be PR disaster. DDA should revive after 2013. Some people argue end of multilateralism will be disaster for smaller economies.

They are likely to get their arms twisted more in bilateral negotiations. As a proposition, that is unquestionable. But it is a red herring. DDA in limbo doesn’t mean end of multilateralism. Uruguay Round agreements still exist and so do their rules and WTO as enforcer of those rules.

In DDA proposals so far, there has been little incremental refinement or addition to those rules, dispute settlement, antidumping, anti-subsidy, safeguards, special safeguards, SPS, TBT included. All that one is temporarily sacrificing is prospect of further market access liberalisation. In that, a no deal is no big deal.