INDIA'S TRADE NEWS AND VIEWS

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A delegation from sanctions-hit Iran arrived in India on Tuesday to explore the possibility of importing wheat from the South Asian nation…

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Imports of sensitive items, including fruits, vegetables and edible oils, went up by 42.8 per cent year-on-year to Rs.1,00,911 crore in 2011-12...

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The government will soon restrict import of used plant and machinery, a move aimed at safeguarding the productivity and competitiveness of Indian manufacturers…

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India will shortly impose a 5% import duty on power generation equipment in a move that will benefit domestic firms including Bhel and L&T that have been lobbying with the government…

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India is likely to impose anti- dumping duty of up to USD 387 per tonne on imports of Grinding Media Balls, mainly used in thermal power plants…

Apparel exporters wary of achieving US$18 bn target
Going by the April-May export orders from the US and Europe, apparel exporters in India are wary of achieving the $18 billion apparel exports target this year…

Turkey agrees to remove penal duties on Indian cotton yarn
Turkey has agreed to remove penal duties 'wrongfully' imposed on Indian cotton yarn, spelling victory for Delhi that is fighting growing protectionism in several countries against its products…

On textile subsidy cuts, govt readies WTO defence
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No WTO violation by issuing licence for Nexavar: Sharma
Commerce and Industry Minister Anand Sharma today said India has not violated any provision of multi-lateral trade agreement by issuing compulsory licence (CL) for patented anti-cancer drug — Nexavar…

Soon, direct jewellery export to Pakistan
Commencement of direct export of jewellery made of precious metals and stones to Pakistan is likely…

India-Pakistan talks on trade hit speed-breaker
After showing a promising beginning, talks between India and Pakistan on confidence-building measures (CBMs) to give a momentum to the trade have hit a roadblock…

India, Brazil set trade target of $15 bn by 2015
India today sought investments from Brazil, mainly in the infrastructure sector for which it needs $1 trillion over the next five years, as the two countries set bilateral trade target of $15 billion by 2015…

Won't ban airlines, but impose penalty: EU
The European Union (EU) has decided it would not ban foreign airlines that have refused to share their carbon emission data from entering EU airspace…

Resist protectionism, keep markets open: G20
In order to boost global demand and achieve sustainable growth, the G20 leaders have asked the member nations and other countries to resist protectionism and keep markets open…

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May exports down 4.16% due to global slump; 7.36% dip in imports
Financial Express

15 June, New Delhi**:** India's exports contracted by 4.16% year-on-year to $25.68 billion in May, for a second time this year after a fall of 5.7% y-o-y in March, the result of a slowdown in the world economy and a consequent slump in demand from overseas markets. Imports too dropped, by a sharper pace of 7.36% y-o-y, to $41.9 billion, signalling a weaker domestic economy. As such, the trade deficit — the difference between exports and imports — narrowed to $16.3 billion in May from $18.5 billion a year ago.

Exports had risen slightly in April after a contraction in March. April's trade deficit was $13.9 billion. Imports of gold and silver fell even more drastically by 51% in May after the government doubled the customs duty on gold imports to 4% in April. Moreover, inward shipment of plant and machinery fell by 8% reflecting a sluggish capex.

Against the backdrop of an ambitious 20% growth target in exports for the current fiscal, announced in the recently released Foreign Trade Policy, the commerce ministry is “recalibrating its strategy” to find out a solution, commerce secretary SR Rao said. Contraction of demand in India's traditional markets, particularly in euro zone economies is hurting exports, Rao said, adding that “(We are) still not out of the woods... Bailing out of Greece and Spain is still work in progress”.

“We have also seen the IIP (index of industrial production) numbers. So you can correlate the reasons why exports have not done too well,” Rao said, implying that weaker industrial expansion was partially due to lower global demand. Industrial output growth was nearly flat at 0.1% in April.

Data released by the commerce ministry on Thursday showed exports contracted despite sharp depreciation in the rupee, that should have made domestic products more competitive. Exports growth had contracted 5.7% in March due to global developments but during the month imports had surged by 24.3% on account of high oil imports.

Decline in exports in May was particularly witnessed in top export commodities like petroleum products (-26.07%), engineering goods (-15.67%), gems and jewellery (-9%) and readymade garments (-15.82%). On the import front, gold and silver was down by about 51%, while plant and machinery dropped 8%. However, imports of crude oil was up 14%.

Global trade slowdown and deceleration in domestic manufacturing has contributed to contraction in exports. Many countries in the world are facing huge setback in exports and India is no exception to it, said Federation of Indian Export Organisations (FIEO) president M Rafeeque Ahmed. However, the growth shown by the apparel and pharmaceutical sectors, both dominated by MSMEs, is an encouraging sign and augurs well for other sector of exports. The softening of crude and metal prices also have their share in reduced value-wise exports of petroleum products, gems & jewellery and engineering.

“While next few months may be challenging, with stability in the euro zone, exports will be back on track in the next second half of the financial year, ensuring 15%-20% taking overall exports to over $350 billion,” he added.

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Services export down 23% in April to $ 10.48 billion
PTI

15 June, 2012, Mumbai: India's services export declined sharply to $ 10.48 billion in April, down 22.95 per cent from a month ago, RBI data showed today.

In March, the services exports were $ 12.89 billion. The RBI data included travel, transport, construction, insurance and pension services, financial services, charges for the use of intellectual property, telecommunications, computer and information services among the major components of the services sector exports.

Meanwhile, services imports during the month fell to $ 6.5 billion from $ 9.08 billion in March.

RBI releases the provisional monthly data on international trade in services with a lag of 45 days.

However, the data undergoes revision in the quarterly Balance of Payments (BoP) data. The October-December BoP data was released on March 30, 2012.

As per the provisional data of RBI, services exports in the last quarter of FY2011-12 stood at $ 35.14 billion. Services imports bill was at $ 23.16 billion.

India's services exports has been growing at an average yearly rate of 25 per cent in last 10 years, barring 2009-10 where it was down by nine per cent because of global recession and 2011-12, where growth was just four per cent, according to Services Export Promotion Council (SEPC).

"Yes there is a decline because the overall economy of the world is under negative pressure. The rupee depreciation against the US dollar has also affected the receipts," said Rajesh Sharma, director general, SEPC.

Services exports has recorded more than six-and-a-half- fold increase in 10 years from $ 20.76 billion in 2002-03 to $ 138 billion in 2011-12.

The services trade (exports and imports) stood at $ 220 billion in 2011-12, as per RBI data.

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Software exporters face gloomy outlook as slowdown lingers
Surabhi Agarwal, Mint

June 16, 2012: A slowdown in decision-making and cutbacks in discretionary spending, especially in the banking and financial sector, will continue to impede the growth of the $70 billion software services export sector in the coming quarters.

According to reports of several brokerage firms, which attended analyst meets organized by the country's top information technology (IT) firms Tata Consultancy Services Ltd (TCS) and Wipro Ltd, the near-term outlook for the sector continues to be gloomy even as it shows promise in the long term.

Ashish Chopra of Motilal Oswal wrote in his 13 June report that the BFSI (banking financial services and insurance) vertical remains under stress, having witnessed spending cuts in a few segments.

“Decision-making in discretionary spends remains very slow, and there are few indicators of improvement in the same.” He added that negative publicity around visa issues and election year in the US have compounded concerns.

While a favourable rupee, which has fallen by almost 10% in the last three months, could help offset some of the negative impact of wage increases and visa fees for companies such as TCS, it could also mean pressure on pricing as clients may demand some benefit of rupee depreciation through rate cuts.

“We believe that if the rupee remains weak at Rs.54-55 to a dollar levels for a period of time, it could trigger more than just sporadic discussions around pricing,” Chopra said.

While TCS has announced a wage hike of an average 8% for its offshore employees and 2% for those onsite, Infosys is waiting for more clarity on business demand, while Wipro is expected to raise pay effective June.

While analysts are enthused about Wipro’s strategy to focus on key verticals such as BFSI, healthcare, retail and energy and utilities, which constitute almost 65% of its revenue, apart from driving more sales from key 138 clients, they are cautious on growth and the long wait for an overhaul at the company.

Shashi Bhushan and Pratik Shah of Prabhudas Lilladher wrote in their report that according Azim Premji, Wipro’s chairman, the IT industry would deliver growth of 13% for the current financial year. “However for Wipro, the sales cycle is now slower than what they witnessed in April (earlier the management indicated acceleration in decision-making in April’12 after a slow start for calendar year 2012). The growth is likely to be anaemic for Q2FY13.” The report added that the company didn’t indicate any improvement in the demand environment. “There is pricing pressure in some verticals. The deal closure continues to remain a moving target since January.”

Ankita Somani of Angel Broking was more upbeat on the company as it has operating margin levers such as improving utilization level (which has been the lowest since FY2008) and increasing offshore revenue. “Early signs of restructuring yielding results are visible in terms of improvement in the deal pipeline, growth seen in the company’s focus industry verticals and increasing revenue from the company’s top clients.”

On the other hand, TCS has indicated that its volume growth in the current quarter would be more than the 3.2% registered during the March quarter this year. In a different report, analysts of Prabhudas Lilladher wrote that even though the cautious stance taken by clients of TCS in February 2012 still continues, “according to the company, the ramp-up of new deal wins and status-quo in the environment would help them to deliver growth better than quarter four of last fiscal.”

In line with its smaller rivals, TCS is also witnessing softness of demand for IT in the banking and financial sector and from the UK. However, it is expecting to grow from deals in insurance, telecom and from continental Europe.

However, near-term challenges persist for Infosys, which is seeing almost 40% of its business under stress, according to Chopra of Motilal Oswal. “While it is growing geographies like France and Germany, and services like cloud and mobility at a very high pace, given their low base, this does not translate into overall growth for the company.”

He added Infosys is expecting good growth from verticals such as telecom, healthcare and retail. However, even for Infosys, BFSI continues to be a laggard.

“The industry has thrived on low hanging fruits (BFSI and North America) thus far. Focus will (now) shift to under-penetrated segments which still have a lot of growth to offer,” summed up Chopra of Motilal Oswal.

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SBI to cut loan rates by 25-50 bps for exporters
Business Standard

June 21, 2012 Mumbai: State Bank of India, the country's largest lender, would cut interest rates on loans for exporters by 25-50 basis points, a senior official said. The new rates are likely to be effective from next week, after the bank's asset liability committee meets this Saturday.

The move comes following the central bank's decision to increase export refinancing limits of banks, to 50 per cent, to improve liquidity in the system. At present, the Export Credit Refinance (ECR) limit is fixed at 15 per cent of the rupee export credit eligible for refinance as at the end of the second preceding fortnight.

The measure was announced by the Reserve Bank of India (RBI) central bank on Monday. According to its estimates, the increase in refinancing limit can provide additional liquidity of Rs 30,000 crore in the banking system.

News agency PTI quoted SBI chairman Pratip Chaudhuri that the bank was mulling a rate cut to exporters following the regulatory relaxation. "We will surely cut lending rates to exporters...the quantum will be decided by our Alco (asset-liability committee) meeting," he was quoted.

The interest rate charged on the ECR facility is equivalent to the repo rate, currently eight per cent. Yesterday, RBI had asked banks to lower interest rates chargeable to eligible exporters, so that the latter could avail of the benefit of two per cent interest subvention scheme of the central government.

"Banks may reduce the interest rate chargeable to the exporters, as per the base rate system... eligible for export credit subvention by the amount of subvention available, subject to a floor rate of seven per cent," the central bank said in a notification.

On the impact of the RBI move on liquidity, Chaudhuri said it would have some impact in the future, but did not say by how much, PTI reported.

The Reserve Bank on Monday, while leaving the key interest rates and cash reserve requirements of banks unchanged at its mid-quarter review, enhanced liquidity to exporters by increasing the refinancing limits. Banks, on an average, have been borrowing Rs 1 lakh crore from RBI daily, due to tight money supply conditions.

Last week, SBI had announced up to a 3.5 per cent cut in lending rates to top-rated companies, small and medium enterprises and farm loan borrowers but not for individuals, effective June 1.

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Latest ‘sops' will help exporters not exports hit by global recession
Ashoak Upadhyay, Hindu Business Line

June 11: The Commerce Ministry has just released the annual supplement to the Foreign Trade Policy 2009-14 amidst a pervasive gloom over almost the entire global economy.

The world economy has not been as low as now and that sentiment is also reflected in trade; world trade has been slowing after 2010, according to data from the World Trade Organisation. After a strong rebound from the Wall Street debacle in 2010 with 13.8 per cent expansion, world trade decelerated to 5 per cent in 2011 and in its forecast last year for 2012, the WTO rued a further fall to 3.7 per cent this year.

As World Trade Organisation's Mr Pascal Lamy said while presenting the forecast for 2012, “More than three years have passed since the trade collapse of 2008-09, but the world economy and trade remain fragile. The further slowing of trade expected in 2012 shows that the downside risks remain high. We are not yet out of the woods”.

What may make matters worse are the responses to this feeling of being stuck in the woods. As Mr Lamy pondered, “…the sluggish pace of recovery raises concerns that a steady trickle of restrictive trade measures could gradually undermine the benefits of trade openness.”

Against this backdrop almost every initiative by an exporting country trying to edge into the big league of China or other East Asian exporting nations must appear hollow and foolhardy or symbolically heroic at best.

Exports faltering

India's exports have been faltering for years in line with the fortunes of world trade. In an ideal world of growing economic prosperity around the world, the Commerce and Industry Minister, Mr Anand Sharma's annual statement on trade policy could make sense.

In typical fashion, the Commerce Ministry has rolled out a series of concessions worth Rs 1,200 crore to encourage exports. This robust boost comes on the back of a rather modest growth of 3.2 per cent in merchandise exports. Other concessions and fiscal incentives have also been introduced. As usual interest subventions are expected to encourage exports. The two per cent subvention has been extended to March 2013 for handlooms, handicrafts, carpets and small and medium enterprises.

Populism runs through the scheme. Thus as has been the case routinely, labour-intensive sectors, such as toys, sports-goods, processed agricultural products and ready-made garments will also now be covered under the interest rate subvention scheme.

The policy expects to give “a thrust to employment creation, encourage domestic manufacturing, reduce dependence on imports, help market diversification and cut transaction costs for exporters”, according to Mr Sharma. What the revenue implications for a fisc in this year of slowdown means, the Minster did not say.

Such concessions sound all too familiar, the concerns expressed and attempted to be addressed remain the same year after year in a way that is eerily out of sync with the times we live in. All these schemes of generosity for labour intensive industries could have conceivably worked when the global economy was booming and small industries required a leg-up to cope with competition.

The jury is out if they did; and in times such as the present such "sops" do not help exports so much as exporters. Interest subventions do not encourage product refinement innovation or market diversification; all they do is protect profit margins in falling-export scenarios.

Policymakers never draw that distinction between export growth and exporters' margins by defining very clearly that in truth, interest subsidies help the latter and not the former.

All that hype about aiding labour intensive industries and employment are like the rhetoric of populism meant to assure constituents unable to survive in a fiercely competitive export market that the Government stands by them.

Handloom exports have been a mainstay of merchandise exports but are slipping not just because of apathy in creative re-engineering but also competition from smaller countries such as Bangladesh moving up the value chain in apparel exports to the US.

In fact the current Foreign Trade Policy regime (2009-2014) was framed in parlous times, just a year after the Wall Street crash and its language too is brave and objectives futile: to arrest and stem the slide in export performance and to double the share of India's exports in global trade by 2020.

Europe, US woes

That is a tall order: the world economy by which we primarily mean the US and Europe, that are crucial to the fortunes of emerging export economies including India, is not likely to improve soon. Parts of the Euro Zone and the UK are in recession and America is still slithering along the floor.

By 2014 Europe will have to face the music as bailed out governments have to renegotiate debt rollovers or redeem those three-year bonds. In any event, some panic will ensue and panic is not good for export growth.

Predictably, Indian exporter-associations are thrilled by the fiscal concessions and incentives announced by Mr Sharma.

The Federation of Indian Exporters' Organisations (FIEO) waxed eloquent: "…in the wake of contraction of global demand and Euro Zone crisis, the support extended through the Foreign Trade Policy was "tremendous" and will help in imparting competitiveness to exports."

The sentiment is self-defeating: the contraction in demand cannot be turned around by fiscal concessions, "the support extended through the Foreign Trade Policy…" It has to be addressed by policies in the importing countries to boost consumer spending through income-generating economic expansion. That at the moment is missing and it is likely it will be for some time to come.

In the event, is the Foreign Trade Policy at all relevant at times such as the present? At moments when the world economy cannot sustain robust trade between nations, the question is a vexing one.

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Deemed export benefits likely to be pruned
Nayanima Basu, Business Standard

June 20, 2012, New Delhi: The Directorate General of Foreign Trade (DGFT) would soon change the deemed export benefit scheme under the Foreign Trade Policy (2009-2014), following its large-scale misuse over several years, especially by power companies. A draft policy by DGFT would be put up for feedback by all stakeholders, after which the scheme would undergo significant changes.

In May 2011, the Ministry of Commerce & Industry had constituted a committee under the chairmanship of Director General of Foreign Trade Anup K Pujari. This had representatives from the Department of Industrial Policy and Promotion, the Department of Economic Affairs, the Reserve Bank of India and the Department of Revenue.

Deemed exports refer to transactions in which goods supplied to users do not leave the country and the payment for these supplies is received either in Indian currency or in foreign exchange. But these are subject to several conditions. Deemed export benefits include a rebate on duty chargeable on imports or excisable material used in the manufacture of goods supplied to projects.

"Essentially, we want to bring in a level playing field between domestic manufacturers and exporters. Since the benefits have been misused for several years now, the government first decided to issue clarifications on this scheme last year. However, we have now decided the policy needs to be relooked. The draft report is ready, we should be coming out with the policy soon," Pujari told Business Standard. The new policy would seek to reduce benefits and provide these only to deserving suppliers. It might also do away with the benefits altogether. In 2010-11, the DGFT had brought to the notice of the finance ministry fake claims by certain suppliers, especially firms that supplied boilers, turbines and generator. "In 2010-11, the DGFT noticed deemed export dues to the tune of about Rs 5,000 crore were not paid. At the same time, we noticed a large number of companies were misusing the benefits and making fake claims, and the government could save about Rs 4,000 crore. We also issued guidelines clarifying the policy, as the companies complained of ambiguity in the policy," Pujari added.

Companies that didn't pay dues have dragged the DGFT to court and the case is currently underway.

The revised scheme would focus on the relevance of import substitution in today's scenario and equitable treatment between domestic and international suppliers. The move is aimed at saving about Rs 2,000 crore annually, officials said.

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Taking notice of investment treaties
Santosh Tiwari, Business Standard

June 14, 2012, New Delhi: It is almost a reflection of the current business climate that the United Progressive Alliance should had received no less than six notices under various Bilateral Investment Promotion and Protection Agreements (BIPAs) and Comprehensive Economic Cooperation Agreement (CECA) to resolve issues between foreign investors and the government over laws and regulations and other government decisions.

Taken together, this is the highest number of such notices the central government has faced at any one time ever since the first BIPA was signed in 1994. Not surprisingly, the bulk of these notices are in telecom, the fallout of the Supreme Court's cancellation of 122 telecom licences in February following a controversy over allotment.

BIPAs and CECAs intend to provide fair and equitable treatment to the investors of either country in the territory of the other country. So, in a sense, the outcome of these notices will be significant for foreign investors.

What does a notice under BIPA or CECA entail? As a first step, most such agreements provide for amicable negotiations in the event of a dispute — under Article 10 of India's model text for BIPAs, the time frame is typically six months.

If negotiation fails, the disputants can refer the matter to a three-member arbitration tribunal, in which each party appoints one member, and both must select the national of a third state as chairman. If neither can agree on the latter, the President of the International Court of Justice can be invited to appoint someone. Arbitration is decided by a majority of votes.

So far, India has lost the one case that went to arbitration. This involved White Industries of Australia and the Government of India (specifically, the ministry of coal) under the Indo-Australian BIPA that was signed in 1999 but came into force in 2000.

The case concerned a 1989 dispute between government-owned Coal India and Australia's White Industries that resulted in a nine-year legal battle. Finally, in 2010, White Industries filed a claim against India under the Australia-India agreement.

In 2011, the International Chamber of Commerce tribunal in Paris awarded White Industries A$4.08 million on grounds that Coal India had breached its obligations to grant White Industries "fair and equitable treatment" and "effective means of asserting claims" (the latter an oblique reference to the long-drawn Indian judicial process).

Given this history, the big question is this. The telecom company notices against licence cancellation and auctioning of spectrum, the airwaves that enable mobile telephony, invoke the right to protect their investments under bilateral agreements. In effect, they challenge a Supreme Court order, which the government is following. If we make the extreme assumption that negotiations fail, arbitration follows and India loses, is the government obliged to reverse the judgment of the country's highest court?

The overarching view among experts is no; Indian laws or Supreme Court decisions, they said, would prevail over BIPA-type agreements. Cyber law expert and Supreme Court advocate Pavan Duggal points out that Article 3 of the Indian model text for BIPA says as much. Section 2 of the Article reads, "…nothing in this Agreement precludes the host Contracting Party from taking action for the protection of its essential security interests or in circumstances of extreme emergency in accordance with its laws normally and reasonably applied on a non-discriminatory basis."

Meanwhile, there is some question over whether Vodafone's notice qualifies under the BIPA signed with the Netherlands in 1995 and which came into force from December 1, 1996.

Vodafone's notice has to do with a $2.6 billion withholding tax demand that the Indian government claims it should have deducted when it bought a controlling stake in telecom company Hutchison Essar from Hong-Kong-based Hutchison in 2007. The case here is more complex since the British company has a Supreme Court ruling in its favour but the government amended tax rules in the last Budget to make capital gains on offshore deals liable to tax with retrospective effect.

After Vodafone served the notice under BIPA in April, the government set up an inter-ministerial group headed by Finance Secretary R S Gujaral to frame its responses. The panel has said the issue is not covered under the agreement and has informed Vodafone accordingly. Duggal confirms that the BIPA did not have an arbitration clause for taxation.

But it is possible, that BIPA can be invoked in this case. Arun Chawla, assistant secretary general of the Federation of Indian Chambers of Commerce and Industry (Ficci), points out that “taxation per se would not come under BIPA but taxation on account of accruing of shares is covered under BIPA”.

The notice filed by The Children’s Investment Fund (TCI), on the other hand, is against the actions of the majority shareholder in Coal India, the government.TCI holds a little over one per cent in Coal India through two companies based in the UK and Cyprus. In March, it served a notice under agreements between India and the United Kingdom (1994), and India and Cyprus (2002). The notice said, “The Republic of India’s recent conduct with respect to CIL has seriously impaired business activities and operations of CIL and has contravened each of the treaties.” If a settlement is not reached within six months, the fund said, international arbitration would begin under the terms of the treaties.

TCI’s omnibus grievances include pricing of coal up to 70 per cent below international market prices, allocation of coal blocks to the private sector below market prices, those blocks remaining undeveloped, loss-making underground mines continuing to be operated and the government generally controlling and issuing directions to the company in a manner abusive to minority shareholders. TCI also cited interference by the ministry of environment and forests in delaying approvals to develop new coal mines.

Given the fact that local laws and court orders prevail in trade and investment agreements, why have companies rushed for cover under BIPAs and CECAs? Vodafone’s contention is that under the BIPA, the Indian government is obliged to accord fair and equitable treatment to investors; provide full protection and security; not breach the legitimate expectations of investors in making investments; not deny justice or breach previously provided assurances; and not take steps to indirectly expropriate the investment.

Clearly, there’s great deal of complex negotiation ahead in the corridors of power.

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Remittances seen crossing $70bn in 2012
Parnika Sokhi, Business Standard

June 15, 2012, Mumbai: With the Reserve Bank of India (RBI) allowing people to receive money more than twice a month from abroad, the companies facilitating transfer services are set to cash in, too.

The relaxation, coupled with a weak rupee and high domestic rates, are enough to boost remittances to India, which may translate into high revenues for money transfer operators.

RBI, in a circular last week, said the inward remittance limit had been increased from 12 to 30 per year. The cap on the amount of each transaction stands unchanged at $2,500.

Experts say remittances to India are expected to cross $70 billion in 2012 as non-resident Indians (NRIs) take advantage of a weak rupee and high interest rate levels. There will be accelerated growth in remittances after this relaxation and if volumes are going up, the industry will also benefit, said Kiran Shetty, MD for India at Western Union.

Typically, remittance service providers charge the sender per transaction. This fee differs across companies and countries, depending on competition, market dynamics and regional restrictions.

Remittance service providers said there were no plans to revise fees or the fee structure but changes could take place depending on market dynamics.

Thanks to RBI, we expect to grow 30 per cent in 2012 over last year in terms of cash float, said Sudhesh Giriyan, head, Xpress Money Business. He said the company would add agents and agent locations in North America, Europe, Australia and West Asia to source more business from these markets.
In 2011, cash-to-cash float to India was about $14 billion and we have a 10 per cent market share on that, said Giriyan. Xpress Money plans to introduce modes like cash to accounts, cash to cards and cash to mobiles, subject to regulatory approvals.

India is the top receiver of remittances in the world. Some of the key corridors to India are North America, as well as the GCC (Gulf Cooperation Council) countries, said Harsh Lambah, senior regional director, South Asia, MoneyGram International. He added there were a little over 30 million NRIs abroad who continued to have links with India. Each year, more and more students go abroad, and workers as well as professionals are migrating.

Shetty said a major part of money sent to India comes from blue-collared workers employed in West Asian countries, who have a salary cycle of more than once per month. RBI's move is expected to minimise the use of informal channels of remittances, such as hawala.

The World Bank, in its recent report, had increased the 2011 estimates on remittances to India from $58 billion to $64 billion after taking into consideration the weak currency and robust economic activities in the Gulf countries.

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First time in years, cap on H1B visa reached
PTI

June 14, 2012, Washington: For the first time in several years, the Congressionally mandated 65,000 H-1 B work visas, the most sought after by Indian professionals in the US, has reached its cap.

"USCIS announced today that it has received a sufficient number of H-1 B petitions to reach the statutory cap of 65,000 for fiscal year (FY) 2013. June 11 was the final receipt date for new H-1 B specialty occupation petitions requesting an employment start date in FY 2013," an official statement said.

In the past few years, it either crossed over to next year or the cap was reached later in the year. It is noteworthy that the cap has been reached mid-year in particular during the recent economic crisis.

US Citizenship and Immigration Service (USCIS) said it will consider properly filed cases as received on the date that it physically received the petition; not the date that the petition was postmarked. It will reject cap-subject petitions for new H-1 B specialty occupation workers if they arrive after June 11, 2012 and seek an employment start date in FY 2013, it said.

It will continue to accept and process petitions that are otherwise exempt from the cap, it said.

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Visa, poultry issues on the agenda
Nayanima Basu, Business Standard

June 13, 2012, New Delhi: Even as the third India-US Strategic Dialogue is held in Washington tomorrow, contentious areas relating to the recent spate of disagreements between the two countries are likely to significantly feature in the talks.

The past few months have seen both countries engaged in a bitter fight over several trade-related issues, with each dragging the other to the World Trade Organization (WTO)'s Dispute Settlement Body. While the US had taken India to the WTO over restrictions imposed by India on poultry products from the US, India had complained against the US for increasing professional visa fees, which hit the operations of Indian information technology firms. It had also lodged a complaint against duties on Indian steel imports.

The dialogue tomorrow would be chaired by External Affairs Minister S M Krishna, who would meet US Secretary of State Hillary Clinton in Washington DC. In 2009, both countries had decided to establish the dialogue process. The first meeting was held in Washington in 2010, while the second was held here in July 2011.

"When bilateral issues would be discussed, the recent WTO disputes would undoubtedly feature high on the agenda. After all, both countries are soon going to surpass $100 billion worth of bilateral trade. So, even minor trade irritants like these matter a lot for both parties," a senior government official told Business Standard.

The irritants notwithstanding, two-way trade in goods and services between the two nations increased almost five-fold in the last decade — from $18 billion in 2001 to nearly $90 billion in 2011. This year, bilateral trade is expected to stand at $100 billion.

"The US-India bilateral relationship has truly experienced a quantum jump in the past decade. Job creation and value addition have been the bedrock of business partnerships between the two countries. But much remains to be done," said Adi Godrej, president, Confederation of Indian Industry, who is leading a delegation of chief executives to the US as part of the dialogue.

The US had yesterday exempted India, South Korea, Taiwan, South Africa, Turkey, Malaysia and Sri Lanka from sanctions on oil imports from Iran. India is the third-largest buyer of Iranian oil, according to US Department of Energy.

During her visit to India last month, Clinton had urged India to buy less oil from Iran. Starting June 28, the US plans to implement sanctions against banks that finance oil imports from Iran. India has, however, maintained it would only follow decisions taken by the United Nations, not the foreign policy of a particular country.

"Governments in market economies do not create or run businesses, but we can help create the environment that allows entrepreneurs to take smart risks that catalyse new business—by strengthening investor protection, providing export financing and supporting investments in infrastructure and high technology," said Robert Blake, US assistant secretary of state for south and central Asian affairs.

Both sides would also discuss cooperation in public, private and scientific sectors, energy security, women's empowerment and health.

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US lawmakers against India's market access policy
Indira Kannan, Business Standard

June 15, 2012, Toronto: The United States Congress has joined the battle against India's new Preferential Market Access rules for procurement of electronic goods announced earlier this year. On Tuesday, members of Congress from both the Democratic and Republican parties wrote to India's ambassador, Nirupama Rao, asking the Indian government to reconsider its PMA policy and its impact on the information and communications technology (ICT) sector.

In a strongly worded letter signed by 21 lawmakers, the co-chairs of the Congressional High-Tech Caucus, Doris Matsui and Michael McCaul, wrote: "Top-down industrial policy mandates… will only serve to stifle investment and stymie manufacturing and job creation."

The US ICT sector has been up in arms about the PMA policy, and is strongly lobbying the administration and Capitol Hill to address the issue. Michael Froman, the deputy national security adviser for international economic affairs, is believed to have raised this subject when he met External Affairs Minister S M Krishna in Washington, DC this week.

In an interview, John Neuffer, vice president of global policy at the Washington, DC-based Information Technology Industry Council, a leading business group for the ICT sector, said US industry wants the PMA policy rescinded immediately.

He said this was a high priority for American companies because India is a critically important market. The ITIC cites studies showing India's information technology (IT) and telecom markets are expected to grow to nearly $300 billion by 2015. American companies have also taken note that India continues to be one of the fastest growing telecom markets despite the global economic slowdown, with the country's total telephone subscriber base growing five-fold in the past six years.

But the concern is not limited to India alone. "India is a very important economy. Other economies watch what it's doing and often mirror what it's doing. We're quite concerned that this PMA sets a very unhelpful precedent around the world," says Neuffer.

Another major concern is that the policy could apply to the private sector. As the Matsui-McCaul letter noted: "This application of local content requirements to private sector entities, in particular, represents an unprecedented interference in the procurements of commercial entities."

US industry plans to keep lobbying to roll back the PMA policy, and Neuffer also pointed to recent talks between industry representatives and Indian government officials at the India-US ICT Dialogue earlier this month. "The upside is the dialogue was constructive and friendly but I did not sense that there was any significant change of course in the policy. We're hopeful the Indian government will make the right choice but we've got no indication so far that that's going to happen," said Neuffer.

This has become the latest irritant in bilateral trade, with the letter from members of Congress pointing to other problems: "Our concerns with the PMA take on greater urgency, given other problematic, discriminatory measures that the Government of India has adopted or is considering in this and other sectors."

The complaints are not one-sided. In his speech at the US India Business Council's annual summit in Washington, DC, this week, Krishna listed pending grievances on India's side: "For our businesses, too, there are pressing issues: whether it is the worsening environment for mobility of professionals, the protectionist sentiments against the global supply chain in services industry, the refusal to even consider a

Social Security Agreement that affects the lives of 300,000 non-immigrant Indian professionals in the United States, the unresolved market access issues, or, the persisting presence of India in the Super 301 Priority Watch List and the US Department of Labour's list."

While the two sides reported some progress at the strategic dialogue towards implementing the civilian nuclear agreement with the signing of an MoU between American company Westinghouse and the Nuclear Power Corporation of India, it appears the ICT sector will have to wait its turn.

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Iran looks at India wheat for possible imports
Reuters

June 12, Mumbai: A delegation from sanctions-hit Iran arrived in India on Tuesday to explore the possibility of importing wheat from the South Asian nation, which has huge stocks and wants to reduce its trade imbalance with the oil exporter, government sources said.

Food shipments to Iran are not targeted under Western sanctions aimed at curbing Iran's nuclear programme, but payments remain difficult because of financial sanctions, even though India has just won a waiver from Washington on the strictures.

India, Iran's second biggest crude client, hopes it can reassure Tehran on quality and secure wheat sales to help settle part of its $10 billion a year-plus oil import bill through a barter-style mechanism using rupees.

The delegation from Tehran will primarily see whether India's wheat meets the quality norms of Iran, a government source said, with actual deals unlikely to emerge at this stage.

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Imports of sensitive items breach Rs.1 lakh crore mark
PTI

June 20, New Delhi: Imports of sensitive items, including fruits, vegetables and edible oils, went up by 42.8 per cent year-on-year to Rs.1,00,911 crore in 2011-12 from Rs.70,655 crore in the previous year.

Imports of fruit and vegetables soared by 70 per cent to Rs.8,929.24 crore from Rs.5,248.38 crore, Commerce Ministry said in a statement.

Items such as foodgrains, automobiles, milk and beverages fall in the sensitive category and the import of these goods are monitored by the government to see if there is any adverse impact on the domestic industry.

Imports of edible oils rose by 57.9 per cent to Rs.46,309 crore from Rs.29,319 crore. India is the world's largest importer of edible oil and one of the largest consumers.

"Imports of both crude oil as well as refined oil have gone up by 53.5 per cent and 85.6 per cent, respectively. The increase in edible oil import is mainly due to substantial increase in import of crude palm oil and its fractions," it said. Imports of items such as alcoholic beverages and spices also increased by 58.3 per cent and 54.2 per cent, respectively.

Imports of products of small scale industries such as umbrellas, locks, toys and glassware went up by 43 per cent year-on-year to Rs.2,205.75 crore. Automobile imports jumped by 40 per cent to Rs.3,587 crore. Similarly, milk imports increased by 43.8 per cent.

"Imports of foodgrains have declined at broad group level. Imports of all other items such as edible oil, automobiles, pulses, fruits & vegetables, rubber, cotton & silk and spices have increased during the period," it added. Imports of foodgrains contracted 92.6 per cent.

Imports of sensitive items from Indonesia, China, Malaysia, Germany, Argentina, Korea, the U.S., Japan, Thailand, Canada, Myanmar, the U.K., Australia, have gone up while those from Brazil have gone down. Imports of sensitive items constitute 4.3 per cent of gross imports during the period.

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India set to ban import of used plant and machinery
Deepshikha Sikarwar, Economic Times

June 14, New Delhi: The government will soon restrict import of used plant and machinery, a move aimed at safeguarding the productivity and competitiveness of Indian manufacturers.

A panel headed by cabinet secretary AK Seth has decided to ban import of machinery more than five years old. "The big worry is that such imports would impact overall productivity and erode competitiveness of the manufacturing sector," said a government official privy to the development.

The domestic capital goods industry says imports are partly responsible for the drop in output; a contention supported by government data that showed production of capital goods contracted 4.1% in 2011-12.

Data on Tuesday showed the sector contracted by as much as 16% in April. The government is also considering an import duty on 75% of the original value of machinery, which will drive up costs for importers. At present, the duty is levied on the value of machinery on the day.

The commerce and industry ministry, which in April withdrew a facility that allowed domestic firms companies to issue equity to overseas firms against import of second-hand goods, is now expected to ban such imports under subsidy schemes such as the Textile Up-gradation Fund and the Credit-Linked Capital Subsidy Scheme.

The ministry has been asked to either ban import of machinery more than five years old or spell out the age limit for machinery in each sector.

The usage of second-hand machinery is high in certain sectors. For instance, industry estimates show that use of second-hand shuttleless looms constitute about 80% of equipment purchases in the textiles sector.

While the share is 40%-45% in the case of machine tools equipment, it is a high of about 80% for construction equipments such as cranes.

Addressing these concerns, industry chamber CII had written to the government earlier saying that second-hand machinery stifled domestic growth and led to unemployment. The CII said such imports retard technological up-gradation, increase energy consumption and also pose a threat to safety seeking imposition of restrictions.

The AK Seth-led panel, which included secretaries from key stakeholder ministries such as finance, commerce, textiles, power and heavy industries, has also asked the National Manufacturing Competitiveness Council to study the impact of free trade agreements on such imports.

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Govt to impose 5% customs duty on power equipment
Mint

June 21, New Delhi: India will shortly impose a 5% import duty on power generation equipment in a move that will benefit domestic firms including Bharat Heavy Electricals Ltd (Bhel) and Larsen and Toubro Ltd (L&T) that have been lobbying with the government to limit imports.

In addition, the government will also impose a 10% countervailing duty (CVD), a sort of equalization levy to make up for the excise on local products, and 4% special additional duty (SAD), taking the total to 19%, according to two government officials aware of the development who requested anonymity.

That duty structure will apply only to the so-called mega projects, or those generating at least 1,000 megawatts (MW).

For non-mega projects, the overall duty will increase to 21%—5% import duty, 10% CVD, 2% excise duty and 4% SAD.

The contentious move, which has been in the works since 2010, will affect Chinese power-generation equipment firms such as Shandong Electric Power Construction Corp., Shanghai Electric Group Co. Ltd, Dongfang Electric Corp. Ltd and Harbin Power Equipment Co. Ltd, and their Indian customers—power companies such as Reliance Power Ltd, Lanco Infratech Ltd and Adani Power Ltd. Any rise in the cost of the equipment may also lead to higher power tariffs.

“The decision has been taken. We will be floating a cabinet note shortly,” said a power ministry official who did not want to be identified.

The consensus was reached after a meeting chaired by Pulok Chatterjee, principal secretary in the Prime Minister’s Office (PMO), and was attended by representatives of the ministries of finance, power and heavy industries. The power ministry has been asked to float a fresh cabinet note within a week’s time and a tentative date of 28 June has been finalized for the cabinet meeting to be chaired by Prime Minister Manmohan Singh depending upon his availability.

“The government seemed to have arrived on a consensus to adopt the committee of secretaries (CoS) recommendation, which suggested an increase of 19%. Any proposed rise will not impact orders placed in the 12th Plan (2012-17) and the impact will only be visible on the orders made for the next Five-Year Plan (2017-22),” said a second government official who spoke on condition of anonymity.

While the power ministry had earlier floated a cabinet note ahead of the budget recommending a 5% import duty on power equipment, apart from a 10% CVD and a 4% SAD, this was not considered in the budget. A panel of secretaries had earlier decided to impose the same quantum of duties. The ministry of heavy industries and Arun Maira, member of the Planning Commission and former chairman of the Boston Consultancy Group, had recommended a combination of 10% import duty and 4% SAD.

“PMO has asked for accelerating the process and said this is an opportune time to implement the duty. With the kind of discussion we had today, it seems all the stakeholders will have to agree to the CoS proposal,” said a top official of the ministry of heavy industries who also didn’t want to be identified.

The official’s statement is significant; heavy industries ministry was the only ministry opposed to the proposal by the secretaries. It wanted the Maira committee’s recommendations to be implemented. While an Adani Power spokesperson said he couldn’t comment because he is travelling, both Lanco Infratech and Reliance Power spokespersons declined comment.

Bhel, which comes under the ministry of heavy industries, has been facing competition from Chinese power-generation equipment makers both in the domestic and overseas markets. Equipment makers, much like other exporters from China, benefit from low interest rates and an undervalued currency. Power utilities have placed orders for overseas equipment largely because of the inability of local manufacturers to meet growing demand. Chinese equipment is also relatively cheaper.

A Delhi-based power sector analyst, who spoke on condition of anonymity, said, “There will be some pain in store for the power developers using Chinese equipment.”

Power generation equipment makers having a manufacturing base in India—Bhel; Doosan Heavy Industries and Construction Co. Ltd; the joint ventures between L&T and Mitsubishi Heavy Industries Ltd; Toshiba Corp. of Japan and the JSW Group; Ansaldo Caldaie SpA of Italy and Gammon India Ltd; Alstom SA of France and Bharat Forge Ltd; BGR Energy Systems Ltd and Hitachi Power Europe GmbH, and Thermax Ltd and Babcock and Wilcox Co.—will benefit from such a move.

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Anti-dumping duty likely on grinding media balls imports
PTI

June 7, 2012, New Delhi: India is likely to impose anti- dumping duty of up to USD 387 per tonne on imports of Grinding Media Balls, mainly used in thermal power plants, from China and Thailand to protect domestic players from cheaper shipments.

In final findings, the Directorate General of Anti- dumping and Allied Duties (DGAD) has concluded that the domestic industry has "suffered material injury" due to the "dumped imports" of the product from these two countries.

The restrictive duty recommended by the DGAD will vary from USD 387.36 per tonne to USD 158.8 per tonne, the Commerce Ministry has said in a notification.

The DGAD has also concluded that 'Grinding Media Balls' (excluding Forged Grinding Media Balls) has been exported to India below its normal value, thus, resulting in dumping of the product, it said.
It said the imports from these nations have increased significantly during the period of investigation (January- December, 2010).

Imports of the product from China and Thailand have increased to 133 tonne and 2,236 tonne during January - December 2010 from 34 tonne and 435 tonne respectively in 2007-08, it said.

The product is also extensively used in cement build materials, metal mine, coal slurry, chemical engineering, ceramic industry, light industry such as paper making.

The DGAD is a nodal investigation agency under the Commerce Ministry. However, a final call on imposition of the duty will be taken by the Finance Ministry.

The DGAD had initiated the probe on the complaint of AIA Engineering Ltd and Welcast Steels Ltd alleging dumping of the product from China and Thailand.

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

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

As a counter-measure, they impose duties, as provided for under the multilateral regime of the WTO. Anti-dumping measures are taken to ensure fair trade and provide a level-playing field to domestic players. It is not a measure to restrict imports or cause an unjustified increase in the cost of products. India has initiated 275 anti-dumping investigations between 1992 and March 2012, involving 42 countries. As on December 2011, measures in respect of 112 cases are in force.

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

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Apparel exporters wary of achieving US$18 bn target
Vinay Umarji, Business Standard

June 16, 2012, Ahmedabad/ Mumbai: Going by the April-May export orders from the US and Europe, apparel exporters in India are wary of achieving the $18 billion apparel exports target this year. While the US and European markets have been disappointing for apparel exports, the industry in India has not been able to shift enough efforts to newer markets.

Apparently, in last two months, apparel exports from the two major western markets have declined by 30 per cent in volumes.

"Rupee depreciation may have painted a rosy picture in terms of value, volumes have been witnessing negative growth from the US and Europe for Indian apparel exporters. In such a short time, Indian exporters have not been able to shift their focus immediately to newer markets. Thereby, it seems difficult to achieve apparel export targets this year," said DK Nair, secretary general, Confederation of Indian Textile Industry (CITI).

Both US and Europe jointly contribute to about 70 per cent of India's total apparel exports which was around $ 14 billion in 2011-12.

"Government has given apparel exporters a target of $ 18 billion. However, it seems very unlikely to be achieved considering the decline in volumes from the western markets. We will only get a clearer picture in August when we might receive orders for next year," said Premal Udani, CMD of Mumbai-based Kaytee Corporation Pvt. Ltd.

For Bangalore-based Mahalakshmi INC, which used to export mostly to the US and Europe says that orders are down from the west by 40,000-50,000 pieces per month. "While we used to export about

150,000 pieces per month to US and Europe, we are now doing only 90,000-100,000 pieces per month. The impact is higher for firms like us who have huge dependency on west for export orders," said Gautam Jain of Mahalakshmi INC.

This despite apparel exporters looking to reduce dependency on the two western markets since sometime. "It has been a long term plan to reduce export dependency on US and Europe. However, in last few months the industry has not been able shift business to newer markets in such a short time. The only respite is the rupee depreciation which has reduced the decline of apparel exports in terms of value," said Rahul Mehta president of Clothing and Manufacturers' Association (CMAI).

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Turkey agrees to remove penal duties on Indian cotton yarn
Amiti Sen,Economic Times

June 8, 2012, New Delhi: Turkey has agreed to remove penal duties 'wrongfully' imposed on Indian cotton yarn, spelling victory for Delhi that is fighting growing protectionism in several countries against its products.

The two countries are likely to sign a memorandum of understanding on the issue soon, following which India would withdraw its complaint against Turkey filed with the World Trade Organisation early this year, a commerce department official told ET.

"Both countries have reached a satisfactory understanding on the penal duties," the official said. "As soon as the memorandum of understanding spelling details of duty removal is signed, India will withdraw its complaint."

Global economic uncertainty has prompted a number of countries including the US, Egypt and Turkey to raise protectionist walls against imports from other countries including India to safeguard their domestic firms.

Canada, too, has started investigations to impose penal duties against certain Indian steel products. "It is true that protectionism worldwide is growing. India does not have a problem with import restrictions as long as countries respect the rules framed by the WTO. But we will definitely fight against all violations," the official said.

Delhi has filed official complaints against restrictive duties imposed by the US on steel products and Egypt and Turkey on cotton yarn at the WTO.

"In the case of Turkey, we are happy that the issue is being amicably settled without the need for a dispute settlement panel," the official said. Egypt and Turkey are the fifth and sixth largest export destinations for Indian cotton.

Industry body Texprocil, which has been working with the government on the legal aspects of the penal levies imposed by Turkey and Egypt on Indian cotton yarn, says all wrongful attempts to block exports have to be severely discouraged.

"If we do not take action against illegal measures adopted by another country to curb imports, we are in a way encouraging other countries to follow suit," a Texprocil representative had earlier told ET.

Turkey imposed safeguard duties between 12% and 17% over and above the customs duty of 5% with effect from July 2011. This made Indian exports to the country costlier.

Egypt, on the other hand, imposed a specific duty of 55 cents per kilogram of yarn in December 2011. Safeguard duties are import levies imposed over and above the existing duties to protect domestic industry against a surge in imports. India contested Turkey's decision to extend safeguard duties after they expired last year, without carrying out a review to the WTO committee on subsidies and countervailing duties. [Back to Top]

On textile subsidy cuts, govt readies WTO defence
Neeraj Thakur, DNA

June 12, 2012 Mumbai: Indian negotiators are busy weaving their strategy ahead of the upcoming meeting of the committee on subsidies and countervailing measures (SCM) of the World Trade Organisation (WTO) in October.

At stake is the $77 billion textiles industry that employs 3.5 crore workers directly and about 4.7 crore indirectly.

The United States, the single largest importer of India’s textiles products, accounting for around $10 billion trade, has moved the committee against India’s policy of subsidising its textiles exports.

According to WTO’s SCM rules, a developing country like India can provide export subsidies to its exporters till the time it reaches export competitiveness threshold.

This threshold is reached when a country achieves a share of 3.25% of world trade in two consecutive years.

India has long crossed that threshold, according to WTO data.In 2008, 2009 and 2010, the country’s share in world textile trade was 3.5%, 4% and 4%, respectively. Figures for 2011 are expected in a few weeks. So, what’s the gameplan?

“There is ambiguity over the definition of a product in the WTO rule book. It does not clearly define the product,” an Indian negotiator at the WTO told *DNA*.

In the WTO rule book, article 27.6 of ASCM defines a product as “section heading” of the harmonised system (HS) nomenclature.

But there is no such term in the products category. “Section and heading are two different categories,” said the negotiator.

The WTO rule book classifies traded products through HS of customs classification, which includes section (Roman 2 digit), chapter (numerical 2 digit), heading (2 digits) and subheading (2 digit).

While textiles as a sector are covered under Section XI of the HS system, different products are defined under 14 chapters (50-63). These products are further classified under headings and subheadings.

“While we have surpassed the export competitiveness threshold on section-based calculations, if we calculate on the basis of the 14 chapters, then only seven of our products fall in the competitive category,” said the official.

The US has asked India to withdraw schemes like Technology Upgradation Fund Scheme (TUFS) and Technology Mission on Cotton (TMC).

India isn’t willing to oblige. “Schemes like TUFS and TMC are not provided to only exporters. These schemes are extended to the domestic sector as well,” said the official.

Indian negotiators are depending on Article 3 of ASCM, which talks about “subsidies contingent, in law or in fact, whether solely or as one of the several conditions, upon export performance”.

“Duty Entitlement Pass Book, which was essentially a subsidy scheme, has already been withdrawn by us in October 2011,” said the negotiator.

India runs many other schemes, such as special economic zones, export oriented units and focus market schemes, which may be interpreted as prohibited export subsidies.

“Even if the Indian government has to withdraw its subsidies for the textiles sector, the Indian government should follow the example of quota phase-out by the USA and EU under the provisions on agreement on textiles and clothing. Subsidies of low impact can be withdrawn first and those with serious implications can be withdrawn at the end of the phase out period that India would be entitled to,” said DK Nair, secretary general, Confederation of Indian Textiles Industry.

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No WTO violation by issuing licence for Nexavar: Sharma
Press Trust of India

June 14, 2012, Sao Paulo**:** Commerce and Industry Minister Anand Sharma today said India has not violated any provision of multi-lateral trade agreement by issuing compulsory licence (CL) for patented anti-cancer drug — Nexavar — to be produced and sold at a much cheaper cost in the country.

"We have not violated of any WTO agreement...This (invoking CL) is very much in conformity with the international agreement under the WTO," Sharma said here while addressing industry leaders of pharmaceutical sectors.

Sharma is leading a Ficci business delegation, mainly consisting of players from pharmaceuticals industry, to Brazil.

In March, Hyderabad-based Natco Pharma was allowed to manufacture and sell cancer-treatment drug Nexavar at a price over 30 times lower than charged by patent-holder Bayer Corporation, under compulsory licensing (CL).

The German firm has already filed an appeal against the Indian Patents Office's order with the Intellectual Property Appellate Board.

As per the WTO agreement, a CL can be invoked by a government, allowing someone else to produce a patented product or process without the consent of the patent owner in public interest.

India's intellectual property rights regime is fully TRIPS-compliant, the minister said, adding that the developed nations have invoked CL more than developing economies.

"In case of India, this was the process of adjudication. It was not an executive invocation," he added.

He said around the same time when India had issued the CL for anti-cancer drug, the US government, through an executive order, placed an order with Indian company for anti-cancer drug.

Natco was allowed to sell the drug at a price not exceeding Rs 8,880 for a pack of 120 tablets required for a month's treatment compared to a whopping Rs 2.80 lakh a month charged by Bayer for its patented Nexavar drug.

Seeking greater cooperation in pharmaceutical sector, the minister informed the industry leaders that India is the third largest medicines producer in the world and produces 20% of world's generic drugs.

According to sources, the minister took up several problems of Indian pharmaceutical sector during his meeting with Brazilian Minister of Development, Industry and Foreign Trade Fernando Pimentel.

"The minister raised the issue of requirement of multiple testing despite having approvals from agencies like USFDA, delayed registration of products in Brazil, delay in port clearances and fast tracking of issuing of import licenses," sources said.

On the occasion, industry leaders too raised their problems and concerns which they are facing here.

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Soon, direct jewellery export to Pakistan
Business Standard

June 19, 2012, Mumbai: Commencement of direct export of jewellery made of precious metals and stones to Pakistan is likely soon.

Despite similarities in culture, ethnicity and choices in this regard, the annual jewellery trade between the two countries stood at Rs 88.5 crore in 2011-12. While India exported cut and polished diamonds and jewellery worth Rs 87 crore, such imports to India constituted just about Rs 1.5 crore. Since there is no direct access to each other’s markets, trades are put through via Dubai, Sri Lanka and other Asian countries.

A 12-member Indian delegation led by Sanjay Kothari, vice-chairman of the apex trade body, the Gems & Jewellery Export Promotion Council (GJEPC), visited Pakistan on June 7-12 and met a number of traders and retailers. They also met Prime Minister Yousuf Raza Gilani and discussed growth in jewellery trade. Kothari says Gilani agreed to look into tax and visa problems faced by the two countries’ businesspeople in being able to freely access each other’s markets.

"We can tentatively say that direct jewellery export to Pakistan might commence in a couple of months," said Kothari.

While Pakistan would be a new destination for India's jewellery exports (where a lot of Indian cuts and designs are widely accepted), for India the import of some classic colour gemstones would become easier. Pakistan's jewellery market is estimated at $12 billion, while India's annual jewellery exports are $32-33 billion.

“We suggested the Pakistani government look into the taxation part, through which they generate just a few lakhs of rupees. Also, value added tax (VAT) is substantially higher, which if they reduce would boost India's direct export exponentially," said Kothari. In Pakistan, the government has levied five per cent on income tax in addition to 19 per cent of VAT on the trade. In India, VAT is only one per cent.

Direct access to Pakistan's jewellery markets would partly compensate the export deficit to European countries, significantly down due to the ongoing economic crisis there. Also, Pakistan has a good amount of reserves of colour gemstones, which Indians may import for processing here. About nine-tenths of all the diamonds mined in the world are processed in India. Cutting and polishing of Pak colour gemstones would help growth in India's manufacturing sector to some extent, said Rajiv Jain, chairman of GJEPC.

However, the export trade to Pakistan would be restricted to the business-to-business sector. Kothari said it would be impossible for Indian jewellery exporters to go directly to consumers as they do in other markets. Growth possibilities, Kothari said, would depend on how soon the Pak government reduced tax barriers.

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India-Pakistan talks on trade hit speed-breaker
Hindu

June 18, New Delhi: After showing a promising beginning, talks between India and Pakistan on confidence-building measures (CBMs) to give a momentum to the trade have hit a roadblock as larger “political issues” have impacted the movement of negotiations and initiatives.

The slowdown in the momentum comes after the negotiators on both sides showed promise of taking ‘big steps’ to give a major fillip to trade on both sides, notwithstanding the differences on various other political and boundary issues. “Things have suddenly slowed down from the Pakistan side on the trade issues. Pakistan negotiators are on the same page as their Indian counterparts but it seems trade is being linked to progress on bigger issues such as Siachen and Sir Creek talks. It is unfortunate but true,” a senior official in the Commerce and Industry Ministry said here.

The case in point is the last-minute decision of the Pakistani side not to sign the liberal visa regime agreement in Islamabad last month after everything had been tied up for such an event. “Pakistan is yet to revert back to us for Commerce Secretary-level talks despite repeated reminders. There has been little progress from their side on expanding the list of items to be traded through the land route despite promises to do it in May itself. The experts’ groups on electricity and petroleum are yet to meet, leading to re-scheduling of meetings twice in the last two months. Some tariff barriers need to be tuned in line with the SAFTA (South Asian Free Trade Area) agreement. It is a disappointing situation,” the official said.

Officials said India had removed all restrictions on imports from Pakistan but the same was not being done on the other side of the border. “We need to finish negotiations and finalise the expanded list of items to be traded through the land route immediately. Then, we have to prune the negative list according to the SAFTA agreement requirement to give a new turn to bilateral trade. We are still waiting for a response from the Pakistan side,” the Commerce Ministry official said.

Experts’ groups of India and Pakistan on electricity and petroleum were expected to meeting early this month to work out the modalities for exporting power, petrol, diesel and petrochemicals to Pakistan. However, the meetings are still to happen. The progress on opening up of new land routes for trade in

Rajasthan and Punjab has also been disappointing.

Both sides have also agreed that software body National Association of Software and Service Companies (Nasscom) would co-ordinate with Pakistan Software Export Development Board to facilitate a road show for Pakistani IT companies in Bangalore, Hyderabad and other Indian IT hubs for extending co-operation in this sector. However, progress on this front has also been also slow and painful.

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India, Brazil set trade target of $15 bn by 2015
Press Trust of India

June 14, 2012, Rio de Janeiro: India today sought investments from Brazil, mainly in the infrastructure sector for which it needs $1 trillion over the next five years, as the two countries set bilateral trade target of $15 billion by 2015.

Commerce and Industry Minister Anand Sharma, on a 4-day visit to Brazil, said businessmen of both the countries can cooperate in sectors like agriculture, textiles, IT, infrastructure and pharmaceuticals.

"Huge opportunities are available in both the countries. Currently the bilateral trade is at $10 billion. Both the sides have fixed the target of $15 billion by 2015. Trade is increasing but huge potential is there to further boost it," Sharma said here at a function.

He sought investments from Brazil in setting up of the National Manufacturing and Investment Zones (NMIZs).

The government is taking several steps to increase the share of the manufacturing sector in the GDP to at least 25% by 2020 from 16 per cent at present. For this, a new National Manufacturing Policy (NMP) was announced recently, which envisages setting up of NMIZs.

They will be mega industrial zones with world-class supporting infrastructure. The government is offering a host of incentives and a liberalised labour and environment norms to promote these zones.

Sharma, who is leading a Ficci business delegation here, said that entrepreneurs of India and Brazil can also come together in other areas of infrastructure like ports, airports and railways.

"India is expected to absorb about $1 trillion investments in the infrastructure sector in the next five years. Brazilian companies should participate in it," he said.

Besides, industry chambers, the minister met his Brazilian counterpart Fernando Pimentel in Brasilia and discussed ways to increase economic cooperation.

Ficci President R V Kanoria said education is one of the important sectors for both the countries for increasing engagement.

"Several Indian companies can help in this sector. We have expertise in distant education field. Our present trade is concentrated in oil and its by-products. The potential between the two countries allows us to expand and diversify our trade," Kanoria added.

At present, few Indian companies like Renuka Sugars are operating in Brazil, while some Brazilian firms are operating in India in sectors such as biofuels.

Brazilian industry also sought investments from India in infrastructure sector in the wake of Olympics game being hosted by Brazil in 2016.

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Won't ban airlines, but impose penalty: EU
Nayanima Basu, Business Standard

June 19, 2012, New Delhi: The European Union (EU) has decided it would not ban foreign airlines that have refused to share their carbon emission data from entering EU airspace. However, it said stringent financial penalties would be imposed if these failed to comply with the laws by January 2013.

Refusal to share carbon emission data is a violation of the EU's emissions trading system (ETS) laws. In January, the 27-member EU bloc had decided to include the aviation sector under the EU ETS. Since then, it has asked all domestic, as well as foreign airlines, to comply with the changed laws and share their carbon emission data with Brussels. The airlines would now need to follow a specific benchmark on carbon emissions or pay a carbon tax, along with a penalty.

However, India and China have refused to share the data. The two nations also indicated severe implications if the EU banned their airlines from entering its airspace.

"In the case of 2011 data, the penalties were not the same throughout the EU, but were determined by each member state. These apply to airline operators administered by the respective member state. Overall, however, it can be said the penalties for this violation of EU law take the form of financial penalties. No airline will be banned from flying to the European Union because it did not submit their 2011 data," Valero Ladron, EU spokesperson for climate action, told Business Standard.

He added airlines that would continue to emit more than the prescribed cap on emission would be asked to either reduce emissions or pay for the emission. Airlines can either make the payments on their own, or pass on the costs to passengers. This would mean a one-way ticket from Brussels to Delhi would cost an additional € 1.55.

"The EU legislation, like all other legislation, is very clear. If a company breaks our law, penalties would apply. We all have to take action as quickly as possible to address this source of emissions," Ladron said, adding emissions from international aviation in Europe had doubled since 1990. These, he said, may even triple by 2020.

Officials in the Ministry of Commerce & Industry have said India would not follow any unilateral decision by another country, only adhere to laws currently being worked out by the United Nations'

International Civil Aviation Organisation (ICAO). The civil aviation ministry had said no airline would share emission data with the EU. Civil aviation minister Ajit Singh had earlier stated in case the EU imposed any restriction on Indian carriers, India would respond strongly to this.

At present, only two Indian carriers — Air India and Jet Airways — fly to Europe. A query sent to Jet Airways went answered.

"For more than 15 years, the ICAO has tried to tackle the aviation sector's increasing contribution to greenhouse gas emissions. But after years of little progress at the international level, the European Union has decided to act. We are, however, still pushing for a global agreement under ICAO. The day ICAO succeeds, we will modify our legislation accordingly," said Ladron.

The EU ETS, introduced on 1 January 2005, earlier covered sectors such as energy-intensive industrial installations. Following the EU legislation adopted in 2009, air operators would also be covered.

According to the new laws, every year, airlines would receive tradeable allowances covering a certain level of carbon dioxide emissions from their flights. At the end of every year, operators must surrender a number of allowances equal to their actual emissions during that year.

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Resist protectionism, keep markets open: G20
Press Trust of India

June 20, 2012, Los Cabos**:** In order to boost global demand and achieve sustainable growth, the G20 leaders have asked the member nations and other countries to resist protectionism and keep markets open.

"Resisting protectionism and keeping markets open," said the Los Cabos Growth and Jobs Action Plan adopted at the 2-day summit here, which among others was attended by Prime Minister Manmohan Singh.

As the global economic risks and uncertainties have increased substantially, it said, "our collective focus now is to strengthen demand, growth, confidence and financial...We have agreed today on a globally coordinated economic plan to achieve those goals through our framework for strong, sustainable and balanced growth."

Besides underlining the need for decisively dealing with the sovereign debt problem in the Euro zone countries, the Action Plan calls for "boosting demand and economic growth, and reducing persistently high and rising unemployment in many advanced economies, especially among young people".

It also underlined the need for dealing effectively with spike in oil prices in wake of geopolitical risks in an environment of limited spare capacity and modest inventories.

The priority, it added should be to ensure that emerging markets maintain a strong and sustainable growth path that contributes to the global recovery and quality job creation.

Calling for "stronger actions" to promote growth and stability, the Action Plan said, "we need to intensify our efforts to reduce both internal and external imbalances" and address problems pertaining to high fiscal deficits.

Efforts, it added, should be made to minimise risks and ensure proper functioning of our financial systems, supported by fiscal and monetary policy actions.

"We renew our commitment to deny safe haven to the proceeds of corruption and to the recovery and restitution of stolen assets," the declaration said.

Corruption, it added, "impedes economic growth, threatens the integrity of markets, undermines fair competition, distorts resource allocation, destroys public trust and undermines the rule of law. We call on all relevant stakeholders to play an active role in fighting corruption."

Referring to trade issues, the G20 leaders expressed "deep concern" about rising instances of protectionism and expressed their commitment for "open trade and investment, expanding markets and resisting protectionism in all its forms, which are necessary conditions for sustained global economic recovery, jobs and development.

"We underline the importance of an open, predictable, rules-based, transparent multilateral trading system and are committed to ensure the centrality of the World Trade Organization (WTO). Recognizing the importance of investment for boosting economic growth, we commit to maintaining a supportive business environment for investors," the declaration said.

The declaration also expressed the commitment of the G-20 nations to reduce imbalances and strengthen public finances of deficit nations with sound and sustainable policies and moving toward greater exchange rate flexibility.

"Despite the challenges we all face domestically, we have agreed that multilateralism is of even greater importance in the current climate, and remains our best asset to resolve the global economy's difficulties," it added.

Recognizing the need to pursue growth-oriented policies that support demand and recovery, the declaration said that the United States will calibrate the pace of its fiscal consolidation by ensuring that its public finances are placed on a sustainable long-run path so that a sharp fiscal contraction in 2013 is avoided.

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