INDIA'S TRADE NEWS AND VIEWS

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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.

A new paradigm: How trade drives India story
TNN

Mar 16, 2012: International trade now accounts for nearly 53% of the gross domestic product (GDP), pointing to increased integration with the global economy, which is not limited to the stock market and the banking system alone.

The country has come a long way from the days when export-import was looked down upon. In 2004-05, global trade accounted for 37% of the GDP. It is the rapid growth in shipments in and out of the country, driven by lower customs duty, which has spurred this sharp growth.

India's share in global trade is now near the 2% mark, compared to a mere 0.7% in 2000. While higher trade means that you get your favourite cheese in the neighbourhood departmental store and the latest television set next door, there is a flip side too. If the global economy trembles, local companies are hit.

As a result, the survey warns that software exports and tourism - which are part of services exports - and gems and jewellery consignments could be hit due to problems in the Eurozone and the slow recovery in the US. But with government pushing exporters to diversify the markets that they sell to and the products that they ship, the impact has been softened.

The recent thrust towards Latin America, for instance, has helped. So have the free trade agreements with blocs such as the Association of South East Asian Nations whose share in total trade increased from 33.3% in 2000-01 to 57.3% in the first half of 2011-12 , while that of Europe and America fell from 26.8% to 19%. "This has helped India weather the global crisis emanating from Europe and America," the survey said.

The rise of other trading partners has pushed the US to the third slot. US has been displaced by UAE as India's largest trading partner, followed by China, since 2008-09. In the first six months of the current financial year, however, China overtook the UAE to be the top trading partner. There has been a gradual shift in India's manufactures exports from labour-intensive sectors like textiles, leather and manufactures, handicrafts, and carpets to capital and skill-intensive sectors.

Bullion import widens gap

Increasing trade deficit on the back of significant growth in gold and silver imports in the country is becoming a cause of concern for the government. The Economic Survey 2011-12 highlighted the growing imbalance in trade, with increase in gold and silver imports being major contributors.

Gold and silver imports stood at $50 billion in 2011-12.

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Govt must do a lot more to diversify export basket
Hindu Businessline

New Delhi, March 15: The Economic Survey 2011-12 has asked the Government to do “a lot more” on diversification of India's export basket as its export presence is limited in the top items of world trade.

“While India has made new forays in skill-and capital-intensive exports like information technology (IT), gems and jewellery, and engineering goods, it is losing steam in its traditional area of strength, that is in the labour-intensive exports like textiles, leather and leather manufactures, handicrafts, and carpets,” it pointed out.

It added that while India has made major strides in its diversification of export markets, “a lot needs to be done to not only diversify the export basket but also have a perceptible share in the top items of world trade.” The Survey said an internal study of India's exports of the world's top import items using the latest UN comtrade data shows that in the top 100 imports of the world, India has only 6 items with a share of 5 per cent or more in 2010.

Also, in the top 100 imports of the world in 2010, India has only 15 items with a share of 2 per cent and above, it said, adding that of these only 3 items are in the top 25 and 4 in the top 30. It said delays and high costs due to procedural and documentation factors, besides infrastructure bottlenecks are major challenges.

Citing the World Bank and International Finance Corporation (IFC) publication *Doing Business 2012*, the Survey said: Time taken to export is 16 days for India, 21 for China, and 5 for Denmark; Cost to export is $1,095 per container for India, compared to $500 in China and $450 in Malaysia.

Time to import is 20 days in India, 24 in China, and 4 in Singapore. Cost to import is $1,070 per container in India, $545 in China, and $439 in Singapore. Thus a lot needs to be done on the trade facilitation front, the Survey said.

Services

On the services front, the Survey said while India has achieved a fair amount of stability in software services exports, there is less stability in business services exports.

“Despite the rhetoric in India on the potential of tourism services exports, results on the ground could improve further,” it added.

The Survey also said, “While there are no signs of any meaningful conclusion of WTO negotiations in the near horizon, India's push towards regional and bilateral agreements should result in meaningful and result-oriented free trade agreements.”

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Exports grow a sluggish 4.3% in Feb
Indian Express

New Delhi, Mar 10, 2012: With sluggish global demand continuing to dent export growth in February, the Commerce Ministry has said it will struggle to meet the export target set for the current fiscal year. Consequently, the trade deficit — the export-import gap — projected for the full year has also been revised upwards.

Commerce secretary Rahul Khullar on Friday said the trade deficit for 2011-12 could be $175 billion to $180 billion as against the estimate of $160 billion provided at the beginning of the financial year. It amounted to $104 billion in 2010-11. “Over the last five months, there has been a very large ballooning of the balance of trade deficit,” he said.

A higher trade deficit could lead to a further widening of the current account deficit, which in turn would hurt the Indian rupee. Khullar had earlier projected the CAD to touch an eight year high of 3.5 per cent of the GDP in the current fiscal.

While exports grew at a sluggish 4.3 per cent year-on-year to $24.6 billion in February, imports rose by 20.6 per cent to $39.8 billion, the commerce secretary said citing provisional data. The trade deficit for February stood at $15.2 billion.

But thanks to the robust global demand in the first half of the fiscal, exports registered a healthy increase of 21.4 per cent to $267.4 billion during April to February 2011-12. Imports grew by 29.4 per cent to $434.2 billion during the 11-month period, taking the trade deficit to $166.8 billion.

But with demand for Indian exports in major markets like the US and European nations low, the government may fall a little short of meeting the full year export target of $300 billion. “You are within striking distance of $300 billion, but you might not actually make it,” Khullar said, adding that total exports could amount to $292-$298 billion in the current fiscal.

Total exports in 2010-11 surged past the $200 billion target to amount to $246 billion as demand for engineering goods, oil products and textile soared.

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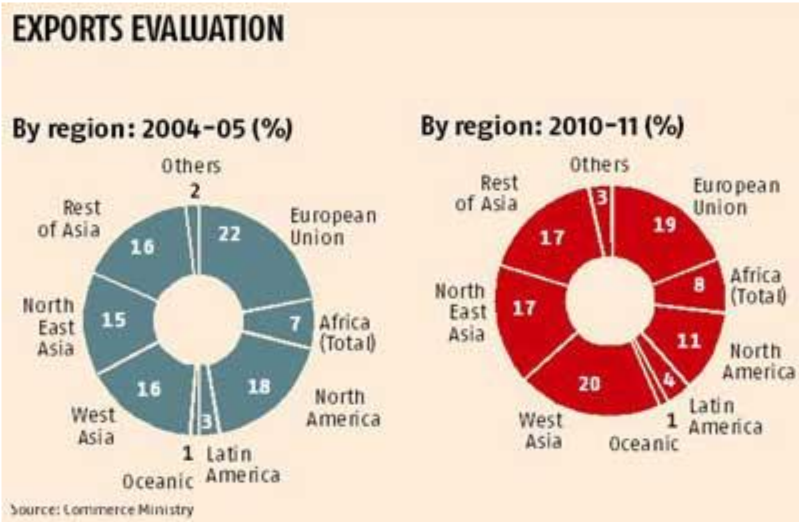
New markets hold export promise
Nayanima Basu, Business Standard

New Delhi, Mar 15: Since 2004-05, India’s merchandise exports have been witnessing a considerable shift from the developed West to the developing East, South-east, Latin American and African countries.

While the developed markets account for bulk of India’s exports, incremental growth will come from the new markets, according to experts. However, it’ll take the new markets almost a decade to achieve the quantum and scale of the developed markets.

Exports from India have diversified to a large extent since 2005 when the country started reaching out to other countries through bilateral trade deals and other trading arrangements, rather than focusing on the US and European markets.



In 2004-05, the US and Europe absorbed 40 per cent of India's exports, while West Asia, Northeast Asia, Africa and Latin America accounted for 16, 15, seven, and three per cent, respectively. By 2010-11, the US and European markets' share came down to 30 per cent, while West Asia, Northeast Asia, Africa and Latin America's share rose to 20, 17, eight and four per cent, respectively, according to the commerce & industry ministry.

"India's export promotion policies have periodically focused on products and markets, which are away from traditional western markets. And relatively speaking, there is higher opportunity to serve growth markets. Also, India's increasing closeness due to the free trade agreements with Asian countries such as Thailand and ASEAN (Association of Southeast Asian Nations) goes beyond mere WTO (World Trade Organisation)-based relationship," said Ajit Ranade, chief economist of the Aditya Birla Group.

Ranade said the western markets would continue to be important for India due to their sheer size, but additional growth would be contributed by developing markets. The western markets would continue to dominate when it comes to services exports such as information technology and healthcare, according to him.

Experts believe the US and European markets are more matured for certain category of Indian goods like textiles, gems and jewellery and handicrafts, while the growth in new markets are coming from a new set of products such as engineering goods, chemicals and machinery.

"The US and Europe will continue to remain to Indian exports as far as items like gems and jewellery and textiles are concerned. The new growth markets are Saudi Arabia, China, Africa and Latin America and they are our bigger partners for engineering products. It is really a matter of right mix of products for the right kind of market. The US and European markets have been built up in a span of last 30-40 years, so it'll take time for the new markets to acquire that scale," said Anis Chakravarty, director with Deloitte, Haskins & Sells.

According to Abheek Barua, chief economist, HDFC Bank, the diversification has not been that extensive and the share of India's exports to the new markets has increased by hardly one or two percentage points. "The growth drive is still the West. Exports to the Middle East have only gone up, but that's also because oil is the most important commodity traded with this region. We have not really decoupled from the western markets at all," Barua said.

At present, India has 15 bilateral trading arrangements with a number of countries such as Singapore, Japan, South Korea, Sri Lanka, Chile and Afghanistan, among others.

In the past three years, India signed free trade agreements with South Korea, Japan, Malaysia and the 10-member Asean.

Sanjay Budhia, chairman of the Confederation of Indian Industry National Committee on Exports and Imports and managing director of Patton Group, said though exports had recently been shifting towards the eastern and African markets, the US and Europe would continue to remain India's bigger trading partners.

"The new markets can only fill the vacuum due to contraction in demand and recession in the developed markets. But that does not mean exporters are abolishing these markets which have been developed over decades by exporters," Budhia said.

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Import food items regularly to check prices: Survey
Press Trust of India

New Delhi Mar 15, 2012: To tackle supply constrains that push up food prices, the Economic Survey today suggested that the government should consider import of farm items in small quantities on a regular basis.

"Given the compositional shift in the food basket of a common household and its impact on consumption demand, improved supply response is critical for ensuring price stability in food items," the Economic Survey 2011-12 said.

"As a strategy, regular imports of agricultural commodities in relatively smaller quantities with an upper ceiling on total quantity could be considered," it said. The upper ceiling on imports can be decided annually, relatively well in advance, it added.

The Survey pointed out that there have been increases in the prices of protein rich food items because supply has not kept pace with demand. It said the country needs to step up efforts to increase production of milk and other dairy products, egg, poultry, fish and meat.

The Survey also outlined other options to improve food supply including setting up special market for specific crops, improving mandi governance and promoting inter-state trade by eliminating multiple levies.

It also suggested that the government take perishables out of the ambit of the Agricultural Produce Markets Committees (APMC) Act.

"The recent episodes of inflation in vegetables and fruits have exposed flaws in our supply chains. The government regulated mandis sometimes prevent retailers from integrating their enterprises with those of farmers. In view of this, perishables have to be exempted from this regulation," the Survey observed.

It also advocated that organised trade in agriculture should be encouraged and hoped that foreign direct investment (FDI) in multi-brand retail, once implemented, could help in improving agriculture commodities management in the country.

The Survey asked the government to step up creation of modern storage facilities for foodgrains.

India's agricultural imports were $17.5 billion, with a 1.2% share of world trade in agriculture in 2010, according to WTO data.

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'Unproductive imports should be discouraged'
Remya Nair, Livemint

Short-term debt, higher commercial borrowings drive India's external debt to $326.6 billion in first half of this fiscal

Mar 15, 2012: New Delhi: India should discourage unproductive imports such as gold and consumer durables to check the country's rising current account deficit, the finance ministry said in its annual Economic Survey.

The survey for 2011-12, which was presented in Parliament on Thursday, also expressed concern over the impact of the liberalization of the external commercial borrowing (ECB) policy on India's external debt situation.

India's current account deficit increased to 3.7% of gross domestic product (GDP) in the second quarter of the current fiscal from 3.5% in the first quarter, indicating progressive deterioration. In the first six months of the current fiscal, the nation's external debt rose $20.2 billion to $326.6 billion, as of 30 September.

The increase was driven by higher commercial borrowings and short-term debt, which together accounted for more than 80% of the increase in external debt during the period.

“High trade and current account deficits, together with high share of volatile FII (foreign institutional investor) flows, are making India’s balance of payments vulnerable to external shocks,” the survey said. “A trade deficit of more than 8% of GDP and current account deficit of more than 3% are a sign of growing imbalance in the country’s balance of payments.”

India is the world’s largest importer and consumer of gold. After fuel, gold is the most imported commodity, contributing to more than 13% of India’s imports in the first half of the current fiscal. India in January decided to link the import duties on gold and silver to the prices of these commodities, a move aimed at curbing gold imports.

“Gold imports are unproductive and lead to a substitution of financial savings with physical savings,” said D.K. Joshi, chief economist at rating company Crisil Ltd. “But stopping gold imports may only encourage smuggling.”

Though the rupee’s depreciation against the dollar in the past few months has improved the competitiveness of India’s exports, the euro zone crisis is expected to further slow exports in the coming months, the survey said. This, coupled with only a slight moderation in international oil and gold prices, is expected to further widen the country’s trade deficit, it said.

“Exports are likely to grow slowly in the coming months. On the other hand, import growth may only moderate with oil prices still above the $100 per barrel mark and gold prices still at a high of $1,745 per troy ounce as on 8 December 2011,” the survey said. India’s trade deficit in April-January 2011-12 was at an all-time high of $148.7 billion, according to government data.

The survey also pointed out the need to improve the share of foreign direct investment in total capital flows to reduce reliance on volatile short-term capital flows. “When the global environment is uncertain, financing of the current account deficit will always be a problem due to the reliance on volatile capital flows,” said Joshi.

India’s current account deficit is expected to cross 3.5% of GDP in the current fiscal, according to economists.

“In 2012-13 also, current account deficit is expected to be around 3.5%. But if economic growth picks up, this could go up further as imports will increase,” Joshi said.

The survey also suggested the need for a more aggressive approach to check volatility of the Indian currency. “Such volatility impairs investor confidence and has implications for corporate balance sheets and profitability in case of high exposure to ECBs when currency is depreciating,” it said.

The survey has also warned that an increase in overseas borrowings by companies will increase the debt service burden and affect the profitability of borrowers, and lead to a potential balance of payments crisis.

ECBs nearly doubled to $10.6 billion in the first half of the current fiscal from $5.6 billion a year earlier.

“An important reason India emerged largely unscathed from the global crisis of 2008 is the strict ECB policy that places all-in-cost, end-use and maturity restrictions on foreign borrowings by corporates. The liberalization of ECB policy, as a result, has to keep in view the need to maintain sustainable levels of external debt ratios.” The Reserve Bank of India had liberalized the ECB policy last year by increasing the borrowing and all-in-cost ceiling limits, which include the rate of interest, other fees and expenses in foreign currency.

“A problem with servicing debt only surfaces when the overall economic environment is not good and exposes the vulnerability of the corporate sector,” Joshi said. The survey advocated building up the country’s foreign exchange reserves when the economy sees good capital inflows. India’s foreign exchange reserves covered 95.4% to the country’s total external debt on 30 September, compared with 99.5% on 31 March.

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Higher customs duty to help contain import inflow
Business Standard

GOLD: Tariff on gold, platinum doubled; duty raised across jewellery-based products

Mar 17, 2012: With the aim of keeping a tab on the high current account deficit, finance minister Pranab Mukherjee has proposed to raise the import duty on gold and platinum. Rising gold imports and high crude oil prices are thought to be key reasons for the high current account deficit.

The FM doubled basic customs duty on standard gold and platinum bars from the existing two per cent to four per cent, and on non-standard gold from five per cent to 10 per cent. The duty increase was also extended to gold ore/concentrate and ore bars for refining from one per cent to two per cent.

Rajiv Jain, chairman of the Gems & Jewellery Export Promotion Council (GJEPC), says the increase in import duty would promote the bringing in of precious metals through illegal channels. The government should have, instead, waited for the impact of the earlier increase in January (2012), when the government doubled customs duty, he said. In fact, gold imports had already started falling.

According to an analysis by Emkay Commodity Research, the indicative duty change will result in a price rise of Rs 556 per 10g of gold at current prices.

Apart from gold and platinum, the minister proposes to impose import and excise duty on a host of items, while exempting only a few. For instance, he has imposed a duty of two per cent on cut and polished coloured gemstones.

As a measure to control unaccounted money, a customer buying jewellery worth over Rs 200,000 by paying cash would also have to pay tax at one per cent of transaction value (which the seller is to collect and deposit with the government). Excise duty has also been extended to unbranded jewellery in the Budget, restricted till now to branded products. However, the one per cent duty on such unbranded jewellery would be charged on 30 per cent of the transaction value declared in the invoice.

Likewise, the excise duty on gold jewellery sold from export units into the Domestic Tariff Area was increased from five to 10 per cent, while that on refined gold was raised from 1.5 to three per cent. There's full exemption from excise duty on goldsmith and silversmith wares of precious metals or of metals coated with precious metals and not bearing a brand name. Gold coins of a purity 99.5 per cent and above, and silver coins of a purity of 99.9 per cent and above, are also fully exempted now from excise duty. And, so will branded silver jewellery; so far, only unbranded silver jewellery was exempt.

While the key proposal relates to the import duty on gold, will it impact demand? "Gold demand in India is likely to remain firm despite the higher duty, as consumers are unlikely to shift from gold to alternative metals like silver, especially for wedding jewellery," said Ajay Mitra, managing director of the World Gold Council (India & Middle East).

The increase is also seen as a contrast to recent measures taken by China. Anjani Sinha, managing director of the National Spot Exchange, notes the government of China, which promotes individual buying through various means.

Sanjay Kothari, vice-chairman of the GJEPC, noted there were other ways to restrict import, detailing some.

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Fine-tune strategy to impose anti-dumping duty
PTI

15 Mar, 2012, NEW DELHI: The government should fine tune its strategy on anti-dumping duties to avoid unwanted international criticism, the Economic Survey said today.

India has been getting a lot of undue flak for the highest anti-dumping initiations, the survey tabled in the Lok Sabha said.

"Though India's anti-dumping policy has been directed to checking genuine cases of dumping, there is a need for some fine-tuning of its strategy to avoid unnecessary international criticism," it said.

The country's anti-dumping initiations increased to 55 in 2008, fell to 31 in 2009, but again increased to 41 in 2010.

Brazil with 37 initiations stood second in 2010. During 2011-12 (up to 31 December 2011), six fresh anti- dumping investigations have been initiated by the Directorate General of Anti-dumping and Allied Duties (DGAD).

"The hype around the high number of anti dumping cases of India needs to be dispelled by highlighting comparative value figures of other countries," it added.

However, the survey said that the domestic economy needs to be adequately protected from the cheap imports of dumped or smuggled goods through the porous Indian borders.

It said that the uncertainty in the international economic environment could lead to a rise in anti-dumping measures by countries in the coming months.

Countries initiate anti-dumping probes to check if the domestic industry has been hurt because of a surge in cheap imports. As a counter-measure, they impose duties under the multilateral WTO regime.

The 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.

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Customs duty reduction no big deal, says mining industry
Business Standard

Mar 17, 2012: To encourage value addition (conversion of low-grade iron ore into pellets) and augment overall ore supplies, the finance minister announced reduction of basic customs duty from 7.5 per cent to 2.5 per cent on imported plant and machinery for setting up of pellet plants and ore beneficiation ones.

This should benefit companies engaged in export of low-grade ore from Goa and Karnataka. A majority of the 55 million tonnes of iron ore exported by Goa last year was low-grade (below 55-56 per cent ferrous content). About 25 per cent of Karnataka's ore exports are of low-grade. The government charges 30 per cent duty on ore exports.

However, the industry feels the duty reduction would not make much difference. For example, a company setting up a four-mt per annum capacity pellet plant requires an investment of Rs 1,200 crore, which includes an import content of Rs 100-150 crore. With a customs duty of 2.5 per cent for machinery, the units will not save much more than Rs 5 crore, said Vinod Nowal, director and chief executive officer, JSW Steel.

Agreeing with him, R K Sharma, secretary general, Federation of Indian Mineral Industries, said: "More than importing machinery, the big cost for companies is towards water and power. More, there are no new mining leases being allotted in various states." He said the sector had wanted news on reduction of the export duty from 30 per cent, but was disappointed to find the minister hadn't touched the subject.

Presently, India has a capacity of 18 mt of pellets annually, of which 2.5 mt are exported. Sharma said there was a huge difference between the price of pellets and iron ore. "It would not make economic sense for many steel mills to use pellets rather than ore directly. Hence, not many are interested enough to invest in one," he said.

Further, the impact of a reduction in customs duty on coating material for manufacture of electric steel from 7.5 per cent to five per cent is negligible. Total electrical steel capacity in India is just 374,000 tonnes.

However, enhancing the export duty on chromium ore from Rs 3,000 per tonne to 30 per cent ad valorem is likely to make exports unfavourable, making the ore available for Indian steel makers.

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Some respite for steel makers
Business Standard

STEEL: Tariff up, imports costlier, enabling firms here to raise prices

Mar 17, 2012: The finance minister has proposed to increase the customs duty on flat steel import to 7.5 per cent from the present five per cent. Nittin Johari, director (finance), Bhushan Steel, said, "This will help local companies sell more, as imports will get expensive. Also, local steel makers may look to increase the price by one to two per cent, or Rs 500-1,000 per tonne." Ravindra Deshpande, equity analyst, Elara Capital India, said, "This is good news for Indian steel companies. They have been asking this for some time."

The current financial year has been a difficult one for makers at home, battling slowing demand amid a high input cost regime. Deshpande said, "Demand growth this year has been excessively below expectations. Companies will (now) try to raise prices by at least Rs 1,000 per tonne."

With the demand slowdown, prices could not be increased to address the higher input costs. Steel demand in India was expected to grow at eight to 10 per cent this year. However, at the end of the April-February period, it had risen by only 5.2 per cent. And, imports in these 11 months have gone up by 3.4 per cent, to 6.23 million tonnes, much to the vexation of domestic steel companies, who saw this as a lost opportunity for them. They now hope the increase in customs duty would help bring down imports.

Despite the slowing witnessed in home steel demand, the government's Economic Survey for the year, tabled on Thursday, was fairly satisfied with the sector's performance and termed it 'optimistic'. The Survey blamed inflationary pressures, interest rate rises and the depressed global economic scenario for the lower growth in steel demand here.

India consumed 70 million tonnes of steel in 2010-11. The number, assuming a 10 per cent growth rate, should have reached 77 million tonnes at the end of the current financial year. However, the apparent consumption in April-February was about 66 million tonnes and is expected to be no more than 71-72 million tonnes for the full year.

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Special treatment to telecom equipment companies violation of WTO rules: Commerce Ministry
Joji Thomas Philip, ET Bureau

Mar 20, 2012: The commerce ministry has warned that India's plans to give preferential access and tax cuts to indigenously manufactured telecoms equipment, and also mandate that mobile phone companies buy a bulk of the networks hardware from domestic companies, violates multilateral agreements and international commitments made by the country.

It has said that plans to give preferential market access to domestically manufactured products was against the provisions of the Trade Related Investment Measures (TRIMs) agreement under the World Trade Organization trade treaty, of which India was a signatory. The commerce ministry has further said that providing subsidies to use domestically manufactured equipment was against the principles of the Agreement of Subsidies and Countervailing Measures (ASCM). Trade Related Investment Measures, the rules that restrict preference of domestic firms and thereby enable international firms to operate more easily within foreign markets, is amongst the four principal legal agreements of the World Trade Organization trade treaty. Subsidies are also not prohibited under WTO unless there is evidence of injury or damage to the importing country. The Agreement on Subsidies and Countervailing Measures is aimed at preventing countries from giving their firms an unfair competitive advantage through trade distorting subsidies.

The telecoms department (DoT) has already approved sector regulator's recommendations that mobile phone companies be mandated to source 80% of their network equipment and other related infrastructure from domestic manufacturers by 2020. But this also includes network and other hardware produced by the manufacturing units of foreign vendors located in India. Trai had also recommended that companies owned by Indians and located here get 65% of all telecom network orders by 2020. Put simply, the regulator had sought that manufacturing arms of international vendors such as Ericsson, Alcatel-Lucent, Nokia Siemens, Huawei and ZTE mongst others to account for only 15% of all equipment orders by 2020. These new rules, aimed at making the country a mobile equipment manufacturing hub, will be part of the new telecoms policy that is set to be unveiled in April. The DoT has also agreed to Trai's proposal that the new rules be implemented in phased manner. For instance, by 2015, mobile phone companies be mandated to source 45% of all telecoms equipment domestically, and Indian companies must account for 25% of this.

"To suggest that domestically manufacturing 35% or even 80% of the telecoms equipment, security concerns like protection from malwares , denial of service software can be achieved, is an argument that may be difficult to sustain. Clearly, the purpose of Trai's recommendations, stands out as promoting domestic manufacture and not security," the commerce ministry communication (dated March 12) to telecoms secretary R Chandrasekhar added.

The commerce ministry has also suggested that the telecoms department refer this issue back to Trai, 'pointing out the potential violation of international commitments if these proposals were converted into law'.

The proposed new rules also states that mobile phone companies that fail to secure network related hardware domestically will be subject to financial penalties equivalent to certain percent of their imports.

Domestic telecom equipment makers are also slated to get loans for five-year period on subsidized terms in addition to a 10-year income tax holiday and concessions on excise duty and VAT. The government also plans to set up a Rs 10,000crore telecom R&D fund and a Rs 3,000crore mobile equipment manufacturing fund to support local hardware manufacturers.

The European Union, Japan and US has already raised concerns on the proposed policy and has objected to clauses that mandate sourcing from Indian-owned companies. ET had recently reported that US Assistant Trade Representative (south & central Asia) Michael J Delaney in a communication to the telecoms department had said that it was not pragmatic to create the entire supply chain of telecom gear in India, given the globalised nature of the industry.

"With the growing scale of a globally distributed and complex supply chain with interconnected sets of organisations, people, processes, services, products and components, it is not practical to assume the eventual establishment of an entire supply chain of ICT products in India," the US trade envoy wrote in an internal note to the department's security wing chief Ram Narain.

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Govt partially withdraws cotton export ban
BS Reporter

Allows outbound shipment of only those consignments that have already been registered

New Delhi Mar 13, 2012: Maintaining that ballooning cotton exports were used for stockpiling abroad, the commerce ministry today gave a partial relief to exporters by allowing outbound shipment of only those consignments that were already registered, and, only after revalidation of certificates.

No fresh registration certificates (RCs) would be issued till further orders, a much-awaited notification by the Directorate General of Foreign Trade (DGFT) said. But, the decision would be reviewed by a Group of Ministers, comprising of Finance Minister Pranab Mukherjee, Agriculture Minister Sharad Pawar and Minister for Commerce, Industry and Textiles Anand Sharma, within the next two weeks.

Sharma met MPs from Maharashtra, Gujarat and Andhra Pradesh to apprise them of the decision.

Of the total registration of 13 million bales (one bale weighs 170 kg) before the ban, 3.5 million bales are yet to be shipped. These will be revalidated, commerce secretary Rahul Khullar told reporters here.

“No new RCs will be issued until the exercise (of revalidation) gets completed, which means till we sort out what is going to be done with those 3.5 million bales,” he added.

Exporters fear that in the name of revalidation of certificates, scrutiny could be done about trade to sister-concerns abroad by companies operating in India.

India is the world's second-largest cotton producer and its biggest customer is China.

"There was clear information that more than 85 per cent of actual shipments are going to China and there was also evidence of stockpiling abroad. On the back of this, the ban was imposed," Khullar said.

Khullar said exports had already hit record levels of 9.5 million bales in just two weeks.

"There was madness to export, which could be seen from the fact that the RCs for export of 7.2 million bales were issued in January and February alone," he added.

"Scrutiny and revalidation is to make sure there is no fictitious transaction," he said. The parameters to check the veracity of RCs would be decided by the commerce and textile ministries.

Early last week, the textile ministry had said the ban was imposed after taking into account the trend of domestic consumption and depletion of domestic availability.

The commerce ministry had banned cotton exports suddenly on March 5 and announced lifting of the restriction yesterday after severe criticism from Pawar, who opposed the move and requested Prime Minister Manmohan Singh to revoke the ban. A statement issued by the commerce ministry said the first priority would be given to those consignments handed over to the Customs department.

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Natco gets India's first compulsory licence
C.H. Unnikrishnan , Livemint

Mar 13, 2012,Mumbai: In a landmark decision, India's intellectual property office on Monday allowed Hyderabad-based Natco Pharma Ltd to make and sell a copycat version of German drug maker Bayer AG's patented cancer treatment Nexavar. It's the first time that an Indian company has been granted the so-called compulsory licence to market a generic version of a patented drug.

The drug, patented by Bayer in India in 2008, is used in the treatment of liver and kidney cancer, and costs Rs. 2.8 lakh for a month's dosage. After Bayer rejected Natco's request for a commercial licence to manufacture Nexavar, the Indian company in September applied for a compulsory licence to make a copy of the drug, claiming the patent holder had failed to meet the needs of the local market.

A compulsory licence allows a generic drug producer to make and sell its version of a patented drug without the consent of the patent holder.

According to the World Health Organization, India has an estimated 29,000 patients with liver and kidney cancer.

In a 62-page order, the Controller General of Patents, which completed hearing both companies in February, said a compulsory licence under Section 84 of the Patents Act has been granted to Natco to make the drug.

The patent office stipulated that Natco price the drug at Rs. 8,880 for a pack of 120 tablets (a month's dosage) and pay 6% of net sales as royalty to Bayer.

"We will stick to the terms on pricing and drug accessibility to patients," said a spokesperson for Natco. The company's stock gained 6.17% on BSE to close at Rs. 314.95 on Monday; the benchmark Sensex rose 0.48%.

Section 84 lays down that three years after the grant of a patent, any entity may apply to the patents office for a licence to sell a generic version of the drug on grounds that the patented version has not worked in India, that the requirements of the public haven't been met or that it isn't available to users at a reasonable price.

The order is globally significant because India hadn't previously invoked the compulsory licensing provision although several developing countries, including Brazil and Thailand, have used the provision to increase citizens' access to expensive, life-saving drugs.

"The order will have a global impact as developing as well as developed countries were eagerly following this case to see how the world's largest democratic country uses these patent laws," said Gopakumar Nair, a patent expert and intellectual property consultant. "The order paves the path for using the flexibilities provided by trade-related intellectual property rights against the abuse of patent rights."

Bayer is currently fighting a patent infringement case with another local drug maker, Cipla Ltd, on the drug, and is awaiting a verdict in the case from the Delhi high court.

The order by the patents office said Natco was being permitted to produce a generic version of Nexavar because it had established that the drug wasn't affordable in the local market. The patentee continued importing the drug, but was able to provide it to only a small fraction of patients.

"We are disappointed by the decision of the patent controller in India to grant a compulsory licence for Nexavar," Bayer India's spokesperson Alok Pradhan said in an email response. "We will evaluate our options to further defend our intellectual property rights in India."

The foreign drug makers' lobby, the Organisation of Pharmaceutical Producers of India, echoed its disappointment.

"Today's announcement to issue a compulsory licence is disappointing, as such measures cannot be the permanent solution of improving access to innovative medicines in India, while creating an appropriate ecosystem to foster innovation in the country," said Tapan Ray, director general of the group.

Mint had in February reported that Bayer, during hearings on the matter, had been asked to justify the high price of the drug. Natco claimed in its application that the patentee could supply Nexavar only to a fraction of the patient population in the local market because the majority couldn't afford it.

Bayer argued that it will be difficult for the company to reduce the price because it had incurred a substantial cost in developing the drug, while saying that it supplied the drug at a discount to the needy through its patient access programme.

The patents office's order showed that the company had failed to furnish data specific to the drug to establish its claims.

"During the hearing, the patentee submitted that the cost of making the invention and developing a new medical entity like the drug in the case works out to be about €1.8 billion (around Rs. 11,775 crore today)," controller general P.H. Kurian said in the order.

"However, the figure arrived was for the cost of R&D (research and development) for five years preceding 2010... In the absence of any definite figure on the cost of developing the drug and making it available to the market, including the patenting, etc.... I am unable to arrive at the actual cost...," the order said.

Natco's lawyer Rajeshwari H. had in the hearing stated that since Nexavar (generically known as sorafenib) was developed as an orphan drug, which typically receives grants from governments and other agencies as such a product is meant for meeting the needs of a tiny patient segment that is otherwise ignored by commercial entities, the cost may not have been substantial.

The US Food and Drug Administration has on its website identified sorafenib as an orphan drug. "This decision heralds the start of a new era in the history of pharmaceutical patents and public health," said Shamnad Basheer, a professor of intellectual property law at the National University of Juridical Sciences, Kolkata. "It will effectively spur other generic manufacturers to apply for compulsory licences and we'll soon see the start of a phase where prices of patented pharma drugs drop significantly, at least in developed countries, where the threat of a compulsory licence looms large."

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European Union whines despite India agreeing to halve import duty on its wines
Amiti Sen,ET Bureau

22 Mar, 2012,NEW DELHI: India has proposed to halve import duties on wines and spirits bought from the European Union under the bilateral free trade agreement being negotiated between the two, but the 27-country union is demanding steeper cuts.

Last month, EU officials argued liquor imported from the region would become affordable for Indian customers only if there are 'meaningful' cuts in duties.

"They said that state taxes on liquor were extremely high in some cases which raised the incidence of duty on foreign liquor to very high levels. Customs duty on liquor, therefore, needed to be reduced substantially," an official familiar with the talks said.

India imposes 150% customs duty on wines and spirits, which it has now proposed to cut to about 75% for the EU countries.

New Delhi has also offered to reduce duties further to about 40% on some categories of alcohol over the next four years after implementation of the FTA.

The EU has demanded an immediate reduction in import duties to about 30% so that there is a substantial dent in the total incidence of taxes, an official said.

EU trade commissioner Karel De Gucht had last month expressed his unhappiness with India's offers. Due to high taxes imposed by states, incidence of taxes on foreign liquor was as high as 200%-790% of the sale price, depending on the type of liquor and its price and also the state in which it is being sold, an EU report had noted.

India's import of alcoholic beverages went up 55% in the first three quarters of the fiscal to 593 crore, compared to 382 crore in the same period last year, according to figures compiled by the commerce department.

Given these imports, India is reluctant to make steeper cuts as its domestic industry is still in its nascent stage and slashing tariffs is a politically sensitive issue.

"We have insulated the liquor sector from all free trade agreements we have signed so far. Although we are ready to cut duties on both wines and spirits for the EU, it cannot expect us to be insensitive to the demands of our industry," the official said.

These offers are, of course, linked to EU's readiness to open markets for items such as textiles and fisheries and substantially liberalise its services sector. Both sides hope to implement the FTA in goods, services and investments, later this year.

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India Expected to Ask Airlines Not to Comply with EU Emissions Rule
Bridges Weekly Trade Digest

The ongoing controversy over the EU's plan to include aviation in its Emissions Trading System (ETS) ramped up another notch this week, with India reportedly planning to urge its airlines to boycott the scheme. Brussels, meanwhile, continues to stand firm in support of the ETS in the absence of a global agreement on aviation emissions.

India will soon ask local airlines not to buy carbon credits from or share emissions data with the 27-member bloc, an unnamed senior Indian government official told Reuters.

According to the news agency, New Delhi will implement the order on its airlines upon receiving formal approval from various ministries.

Should the dispute continue to escalate, New Delhi could also pursue additional options, such as asking airlines to cancel purchases of jets from European manufacturer Airbus, the government official said.

“We have lots of measures to take if the EU does not go back on its demands,” the official noted.

“We have the power of the economy; we are not bleeding as they are.”

The EU rule, which requires airlines to surrender carbon permits for the emissions they produce during all flights taking off or landing in the 27-country bloc, has been criticised by various non-EU governments, which argue that Brussels is exceeding its legal jurisdiction by charging for aviation emissions over an entire flight, rather than just those in EU airspace.

Just last month, over 20 countries - including the US, China, India, and Russia - met in Moscow to agree on a basket of possible countermeasures against the inclusion of aviation in the EU scheme. The announcement fuelled fears that the EU could soon find itself in a trade war.

To date, China is the only country that has already taken action against the plan, barring its airlines from participating in the EU scheme without government approval.

Beijing has also reportedly halted the purchase of US$14 billion in jets from Europe’s flagship airplane manufacturer, Airbus, according to recent claims made by the company.

Fear of a global trade war has also prompted various European airlines to criticise the plan, with a group of industry CEOs issuing a letter to the bloc’s political leaders last week citing concerns over the effects that the row could have on the European aviation industry.

Under the EU Emissions Trading System, which entered into force on 1 January, airlines are required to buy permits for 15 percent of the carbon they emit; permits for the remaining 85 percent will be provided to them for free. Carriers will have to surrender permits for 2012 carbon production by 30 April 2013.

Airlines that fly to and from the EU bloc without complying with the scheme will face a fine of €100 for each tonne of carbon dioxide emitted and for which they have not paid allowances. Persistent offenders could face a blanket ban from all EU airports.

EU holds its ground, reiterates call for global aviation emissions agreement

Many opponents to the inclusion of aviation in the EU scheme have also argued that Brussels' decision to proceed unilaterally on tackling aviation emissions could interfere with future plans for a global aviation emissions agreement.

Speaking to the Financial Times this week, EU Climate Commissioner Connie Hedegaard rebuffed those claims, noting that Brussels is willing to work with other governments in order to reach a global agreement regarding aviation emissions.

“We are working as hard as we can to make progress in [the International Civil Aviation Organization],” Hedegaard said.

However, Hedegaard noted that speculation of a possible trade war would not cause Brussels to abandon the scheme. “I understand very well that if you are a CEO of a European company, you get concerned,” she said.

“We are taking things seriously, but we have to make clear that you can't threaten a trade war just because you don't like European legislation,” she added.

Brussels has said that it would only consider changing its legislation should the 191-member International Civil Aviation Organization (ICAO) come up with a sufficiently ambitious global aviation emissions agreement.

The Montreal-based ICAO, which met last week, is currently examining four possible mechanisms in this area, and has directed a working group to continue studying the options and report back in June. However, disagreements at last week's meeting over the role of developing countries in helping curb aviation emissions could end up slowing down progress in the talks, sources told Reuters.

The UN civil aviation body has said that it plans to have a proposal of measures to address aviation emissions by the end of the year.

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India to take up import restrictions with Argentina: Khullar
PTI

New Delhi, March 9, 2012: India will take up with Argentina the import restrictions imposed by it, as they have implications on the country's shipments to the Latin American nation, a top Commerce Ministry official said.

The Argentinian government in February imposed trade restrictions under which importers will have to take government's permission before importing any product from any country, including India.

"That is being taken up. They have imposed some blanket type of restrictions on all imports. We are looking at whether we have to see its legality vis-a-vis WTO obligations," Commerce

Secretary Rahul Khullar told reporters here.

Federation of Indian Export Organisations (Fieo) President Rafeeq Ahmed said that this move would impact bilateral trade.

Ahmed said under WTO norms, a country can take such a step on the ground of collecting data or traceability of imports, but the respective government has to give its permission within a specified time period.

"However, the Argentinian government is taking a long time to give its permission ... Indian exporters have complained that their consignments have come to a standstill and they are stranded with huge stock of goods produced specially for that country with logo of buyers - so cannot sell elsewhere. Our buyers are very keen to buy, but not getting permission," he added.

In 2010-11, India's exports to the Latin American country stood at USD 398 million, imports were aggregated at USD 1.02 billion.

India mainly exports chemicals, machinery, auto parts, plastics, pharmaceutical and iron and steel to Argentina.

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India Africa Revise Trade Target to US$ 90 billion by 2015
Press Information Bureau, GOI

Cotton Technical Assistance Programme in the C-4 Countries Launched
India Africa Stress Centrality of Development in Doha Round
India-Africa Business Council meets for the First Time
2nd Meeting of the India-Africa Trade Ministers

17 March, 2012: The Union Minister of Commerce, Industry and Textiles of India, Sh. Anand Sharma, and the African Trade and Industry Ministers met in New Delhi today for the 2nd meeting of the India-Africa Trade Ministers. The Meeting was co-chaired by Hon'ble Dr. Maxwell M. Mkwezalamba, Commissioner for Economic Affairs, African Union Commission, and Sh. Anand Sharma.

During the meeting, the Ministers launched the India-Africa Business Council (IABC). The IABC is co-chaired by Mr. Sunil Bharti Mittal, Chairman, Bharti Group from India side and Mr. Alhaji Aliko Dangote, GCON, President, Chief Executive, Dangote Group, Nigeria from African side. The Council will suggest the way forward on enhancing economic and commercial relations between India and Africa and also identify and address issues which hinder growth of economic partnership between India and Africa. The core sectors of cooperation which will be explored by IABC are Agriculture, including Agro-processing, Manufacturing, Pharmaceuticals, Textiles, Mining, Petroleum & Natural Gas, Information Technology and Information Technology Enabled Services, Gems and Jewellery, Banking, Financial Services (including microfinance), Energy, Core Infrastructure including Roads and Railways. The Council met later in the day.

During the meeting, the Cotton Technical Assistance Programme in the C-4 countries (Burkina Faso, Benin, Chad, Mali), Malawi, Nigeria and Uganda was also launched. The Technical Assistance Programme in the cotton sector is an initiative of the Government of India under the umbrella of the ‘India-Africa Forum Summit’ towards helping the above-mentioned cotton growing countries of Africa to build capacity, technical expertise and thereby competitiveness in the field. IL&FS Cluster Development Initiative Limited is the Project Management Agency for implementing the Project.

During the meeting, the Indian and African Ministers set the target of India-Africa bilateral trade as US $ 90 bn by 2015. In the year 2011, India-Africa bilateral trade has reached US $ 60 bn. The Ministers agreed on the need to strengthen the trade relationship between the two sides through, inter-alia, the building of trade-related capacity and the conclusion of trade cooperation agreements between India and African Regional Economic Communities (RECs) / countries. “Our leaders had set a target of US$ 70 billion by 2015 but we can note with satisfaction that last year we crossed US$ 60 billion. A 20-fold growth within a decade is indeed an achievement worth applauding. I propose that given the current growth rate, we may agree to revise the trade target to US$ 90 billion by 2015,” said Shri Sharma.

The Ministers recognized the important role of the following Pan-African Institutions being set up by the Indian Government under the umbrella of the ‘India-Africa Forum Summit’, for capacity building and human resource development across many areas :-

India-Africa Institute of Foreign Trade,
India-Africa Diamond Institute,
India-Africa Institute of Educational Planning and Administration,
India-Africa Institute of Information Technology,
India-Africa Food Processing Cluster,
India-Africa Integrated Textile Cluster,
India-Africa Centre for Medium Range Weather Forecasting,
India-Africa University for Life and Earth Sciences,
India-Africa Institute of Agriculture and Rural Development, and
India-Africa Civil Aviation Academy.

The African Ministers acknowledged the Indian Government’s initiative to set up an Integrated Textiles as well as other clusters in African countries, to address the need for value-addition in the textiles sector in Africa. The proposed Integrated Clusters are expected to garner investments of US $ 350 mn and generate employment for 60,000 textile workers.

During the meeting, India and Africa reiterated their commitment towards the centrality of the development dimension and the expeditious completion of the Least Developed Countries’ (LDC) issues in the Doha Development Agenda, and agreed that by concluding the Doha Round of negotiations with development at its core, the multilateral trading system envisaged by the WTO would be strengthened. India and Africa share a common platform on many issues of importance to developing countries and their joint efforts have played a key role in preventing any dilution of the development agenda.

The 'India-Africa Trade Ministers Dialogue' is an annual event, of which the 1st meeting was held in Addis Ababa in May, 2011, on the occasion of the 2nd Africa-India Forum Summit held at Head of State level.

The following Ministers from the African region participated in the 2nd India-Africa Trade Ministers Meeting:-

- Hon'ble Dr. Maxwell Mkwezalamba, Commissioner for Economic Affairs, (Equivalent to Minister), African Union
- Hon'ble Ms.Victoire Ndikumana, Minister of Trade, Industry, Posts and Tourism, Republic of Burundi.
- Hon'ble Ms. Marlyn Mouliom Roosalem, Minister of Commerce and Industry, Central African Republic
- Hon'ble Mr.Mahamat Allaou Taher, Hon'ble Minister of Commerce and Industry, Republic of Chad
- Hon'ble Mr. Kebede Chane, Minister of Trade, Ethiopia
- Hon'ble Ms. Miata Beysolow, Minister of Commerce and Industry, Government of Liberia, Liberia
- Hon'ble John Bande, MP, Minister of Industry and Trade, Republic of Malawi
- Hon'ble Tjekero Tweya, Deputy Minister of Trade and Industry, Namibia
- H. E. Mr. Ahoumey-Zunu Kwesi A Leleagodji Lolonyo, Minister of Trade and Private Sector Promotion, Togo
- H. E. Ms. Amelia Kyambadde , Minister of Trade, Industry & Cooperatives, Uganda.
- Hon'ble Mr. Bright Rwomi Rama, Minister of State for Animal Husbandry, Uganda
- Hon. Robert K Sichinga, MP, Minister of Commerce, Trade and Industry, Zambia

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Rupee to have a bigger play in global trade
Anindita Dey, Business Standard

Mumbai Mar 13, 2012: In a move that could help make the rupee an international currency, the Directorate General of Foreign Trade (DGFT) has proposed to allow export benefits to any exporter who gets receivables in rupees from its international counterpart.

This decision is based on the precedent in the case of Iran where DGFT last week allowed export proceeds realised even in Indian rupees to be made eligible for export benefits and incentives under India's foreign trade policy (FTP). However, there is one rider: It will not be allowed in the case of neighbouring countries with whom India maintains porous borders.

Currently, even if Nepal and Bhutan can transact with India in Indian rupees, exporters with rupee receivables from there are not entitled to export benefits from the government.

This decision will require an amendment in the FTP, which stipulates that all export contracts and invoices shall be denominated either in freely convertible currency or in Indian rupees but export proceeds must be realised in the former. Only then would such exporters be eligible for export incentives and benefits.

“The move, if it fructifies, will be to make the rupee at par with other freely convertible currencies. Second, Indian exporters need not depend on payments in international currencies if the country importing from India is ready to make rupee payments,” said an official source.

Added other sources: “India has trade partners in Asean, Far East Asian countries, African and Middle East countries, and is trying to diversify more into these, as much as to the United States or European countries. Rupee payments may take care of some part of the Indo-Asian/Middle East trade. If problems like Iran continue, this mechanism will be helpful even if Iran is importing much less than exports,” said official sources.

They explained if, for example, Iran is receiving rupee payments, then it could pay these to another country from which is importing goods. That country in turn could make the rupee payments to India, if it is an importer of Indian goods.

Thus, rupee payments could take care of such trade without entering into the international settlement system, thus, not violating any international payment sanctions, official sources add.

Last week’s decision in Iran’s case was taken under current uncertainties in the case of oil payments after sanctions imposed by the US, EU and now the United Nations. These sanctions have made clearing through international payment systems impossible. Iran runs a favourable trade balance with India, where exports of crude oil to India far surpass the imports from India. To partly solve the payment problem, it was settled that Iran may use the receivables to pay for the commodities it could buy from India. These receivables would be maintained in an account of an Indian bank and invested in Government of India securities.

Indian exporters have been facing trouble in getting payments cleared from Iran on their rice exports. Officials say exporters can get their receivables in rupees and still be eligible for export benefits.

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Pak notifies negative list for trade with India
BS Reporter & PTI

New Delhi/ Islamabad Mar 22, 2012: The Pakistan government on Wednesday issued a notification for switching over to a negative list regime for trade with India, where the number of products facing a bar on import from the eastern neighbour will come down to 1,209.
The Commerce Ministry in Islamabad issued a Statutory Regulatory Order for trade with New Delhi under the negative list regime, officials said.

According to the notification, 1,209 items have been included in the negative list and will not be importable from India. Of the importable items from India, 137 products can be brought in from India through the Wagah land border crossing.

Last month, Pakistan had announced that it would be shifting from a positive list regime to a smaller negative list for trade with India in order to normalise bilateral trading relations. This technically means that the moment Pakistan notifies the decision, India would be allowed to export the remaining around 6,000 items to Pakistan.

Major items included in the list of items importable through Wagah are livestock, vegetables and newsprint in rolls or sheets.

Manufacturers can import raw materials, except basic materials that are locally manufactured, and packing material needed for pharmaceutical products once they are approved by the Director General of Health, according to officials.

The import of vaccines will be allowed only from Indian plants that have been approved by the World Health Organisation.

For long, Pakistan had been complaining about several non-tariff barriers that India maintains on imports from that country. These included stringent tests, complex classification of codes, strict import licensing procedures and requirement of special labelling -- all leading to delay and complex paperwork.

Till now, Pakistan had been trading with India under a positive list regime that allowed the import of less than 2,000 items. The imported Indian products coming through other countries increased the cost of items in the local market, officials said.

Finalising the negative list will help to formally start trade between both countries, which will be beneficial for the people of India and Pakistan, an official said.

Pakistan has been also facing severe criticism from several jihadi groups such as Lashkar-e-Taiba and Hizb-ul-Mujahideen to grant India the MFN trade status. Another such outfit Jamaat-ud-Dawah has threatened large-scale protest on the Wagah border if trade with India is normalised. They insist on solving the dispute over Kashmir first and then discuss other issues with India.

On its part, India had granted Pakistan an MFN status way back in 1996, but imports from the western neighbour have remained significantly low compared to vice-versa. According to the data by Ministry of Commerce and Industry, the last five years have seen imports from Pakistan having remained within the range of $250-$300 million. On the contrary, exports to Pakistan from India have more than doubled. In 2010-11, the India-Pakistan trade stood at $2.6 billion. Both sides have set a target of $6 billion worth of bilateral trade by 2014.

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Free trade agreements should be result-oriented
PTI

15 Mar, 2012, NEW DELHI: The government should aim at "result-oriented" free trade agreements as there are no signs of any meaningful conclusion of Doha Round of talks for a global trade deal in the near future, the Economic Survey 2011-12 said today.

"While there are no signs of any meaningful conclusion of WTO negotiations in the near horizon, India's push towards regional and bilateral agreements should result in meaningful and result-oriented FTAs and CECAs," the survey said.

India is negotiating about a dozen free trade agreements with countries like Australia, Indonesia, New Zealand, Canada, and European Union.

Over 150 WTO members have been negotiating a new agreement for liberalising the world trade since 2001 without a breakthrough.

The talks have been marred by wide differences between the developed and developing countries on the level of opening and protection of their respective markets, the survey said.

India has successfully implemented comprehensive free trade pacts with Malaysia, Japan and South Korea.

The survey added that the challenges for India on the trade front are daunting but needs to be addressed with speed and dexterity as the opportunities are equally great and still untapped.

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WTO's Lamy says Doha talks won't pass as big package
Reuters

SINGAPORE, March 19: The Doha Round of trade talks, launched more than 10 years ago, is unlikely to succeed but progress can be achieved in getting international agreement in areas such as trade facilitation, World Trade Organization chief Pascal Lamy said on Monday.

There has been "some progress", although it will not be in the form of the "big package envisaged 10 years ago", he said.

The WTO is instead trying to extract from the current round of talks a few topics on which progress can be made on their own merit, such as coming up with common rules to facilitate the movement of goods across borders.

"Half the economic benefits from the round will stem from trade facilitation," Lamy said on a visit to Singapore.

On Europe, Lamy said he believed the euro zone and common currency would survive despite the challenges facing member countries.

"My own guess is that they will muddle through. It will be at the cost of their credibility, at the cost to the taxpayers and at the cost of economic growth," he said.

The Doha Round of trade talks was officially launched in November 2001 but has stalled because of disagreements between developed countries and emerging economies.

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An Assault on Multilateral Trade Negotiations
Ravi Kanth Devarakonda, Inter Press Services

GENEVA, Mar 17, 2012: India, Brazil, and South Africa, the international grouping for promoting international cooperation among the three countries known as IBSA, along with China and several other developing countries, have denounced the ongoing attempts to craft an exclusive, plurilateral agreement to liberalise trade in services without concluding the multilateral trade negotiations of the World Trade Organization.

The plurilateral initiative, say trade envoys from the IBSA bloc, is likely to cause irreparable damage to Doha trade negotiations in particular, and the WTO in general. The Doha negotiations aim to achieve reforms of the international trading system through the introduction of lower trade barriers and revised trade rules. Besides, the negotiations were launched for providing developmental dividends to developing countries for integrating into the global trading system.

In sharp contrast, the proposed plurilateral agreement for services, which aims to seek WTO commitments for the 16 countries part of the initiative, will turn the clock back for providing the much-promised developmental gains from the poorest and developing countries.

Ahead of the current turmoil in global trade negotiations, the IBSA trade ministers warned that that "plurilateral initiatives go against the fundamental principles of transparency, inclusiveness, and multilateralism."

The 16 countries, the United States, countries from the European Union, Japan, Canada, Norway, Switzerland, Australia, New Zealand, Singapore, South Korea, Taipei, Pakistan, Mexico, Colombia, and Chile, call themselves the real good friends (RGF) of liberalisation of trade in services.

The RGF coalition will hold their third brainstorming session on Mar. 21 to prepare the ground for a plurilateral services agreement outside the WTO. Though the contours of the form and substance of the proposed agreement are not clear yet, the coalition appears determined to achieve an outcome based on the highest common denominator, say trade envoys from the coalition.

The IBSA countries have not adopted any formal position on the ongoing plurilateral initiative of the RGF coalition. But trade envoys from the respective countries spoke against the dangers it would pose to the multilateral negotiations in general, and the Doha trade negotiations in particular.

"We don't think that plurilateral initiatives will comply with the requirement of transparency and inclusiveness, which is the basis for any multilateral process," Brazil's trade envoy to the WTO, Ambassador Roberto Azevedo, told IPS. "Brazil doesn't believe it is a building block for the resumption of multilateral negotiations and on the contrary it would make that even more difficult."

Brazil, said Azevedo, "is perfectly willing to negotiate multilateral market access in services as long as others are willing to negotiate market access in agriculture which is at the heart of the WTO's Doha trade negotiations."

The plurilateral route for an agreement on services will undermine the "balance" in the Doha trade negotiations, said Ambassador Jayant Dasgupta, India's trade envoy. South Africa's trade envoy Ambassador Faizel Ismail expressed concern that a plurilateral agreement will undermine the much- promised "developmental" outcome in the Doha trade negotiations.

Even the EU, which is taking an active part in the current RGF plurilateral initiative remains uncomfortable. "Our line is that we should not take initiatives that undermine the WTO because the WTO is very important for trade," the EU's trade commissioner Karel de Gucht said on Mar. 12.

Under the WTO's General Agreement on Trade in Services (GATS), which governs global trade in services, any group of countries can strive for economic integration by seeking higher and deeper services commitments among themselves.

Until now, there was no attempt by any group of countries to craft an exclusive plurilateral services free trade agreement among a select group of countries within the WTO since its establishment in 1995.

In the past there were open-ended plurilateral agreements such as the WTO's Information Technology Agreement involving liberalisation of trade in various electronic goods, and the telecom services agreement.

The ongoing exploratory talks among the 16 countries are taking place at a time when the WTO members have not been able to conclude the much-promised Doha negotiations, which were started in 2001.

A continued stalemate in negotiations between a large majority of countries seeking a palatable outcome and one major industrialised country making "maximalist" demands has put paid to an early conclusion, said trade diplomats.

As opposed to multilateral negotiations in which all members have an equal say, at least on the paper, the plurilateral process involves closed-door negotiations among select-members. The

U.S. and other major industrialised countries, however, reckon that it is difficult to negotiate with 153 countries as it would involve a grand bargain of compromises.

"We live in a consensus based-organisation and what that means is that 153 members have to approve on everything and what that means in practice is the least common denominator," the U.S. trade envoy to the WTO, Ambassador Michael Punke, told a seminar organised by the European Centre for Political Economy in Brussels.

He said "we should look at the services plurilateral as a different, fundamentally different way, of approaching the agreement." Punke argued that the RGF group would provide the ideal ground for accomplishing an outcome based on "highest common denominator" since most of them are engaged in significant liberalisation of trade in services.

However, developing countries remain opposed to the assault on the multilateral framework. "The greater the number of participants, it would be difficult to reach a common agreement but it would provide greater benefits," said Azevedo. "In short, a modest outcome with a larger number of participants should lead to more attractive and meaningful outcome."

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Needed: Brics with Mortar
Sreeram Chaulia, Economic Times

21 Mar, 2012: The fourth summit of the Brics (Brazil, Russia, India, China and South Africa) group of countries in New Delhi on March 29, represents a high-water mark in South-South cooperation. It signifies the will of the five nations to act jointly in global economic and political spheres to further expedite the move away from domination of the planet by erstwhile colonial powers.

Brics member states have greater influence on the world stage when seen as talking and acting as a collective instead of individual entities ploughing their respective furrows. Finding strength in numbers has been a time tested strategy in diplomacy and Brics shows how groups command respect for pooling material and ideational power.

Generically, the purpose of Brics is to reform the existing institutional framework of post-WW II-post-Cold War origins. Specific proposals and initiatives Brics have undertaken since their first official summit in Russia in June 2009 can be seen to fit under this larger stated purpose.

This year's summit has been preceded by the most elaborate preparations ever, with multiple background negotiations prior to the heads-of government show on March 29th. As the host, India is donning the mantle of generating new institutional thinking in the group by advocating a 'Brics bank' that will lubricate the wheels of expanding South-South economic ties and serve the developmental needs of poorer parts of the world.

The concept of an intergovernmental bank paralleling or opposing the World Bank and operating on different ideological and procedural bases is not novel, as there is already a 'Bank of the

South' (Banco del Sur) in existence in Latin America. It is a monetary and lending organisation with seven member countries, including Brazil, and a modest seed capital of $20 billion.

Its mere presence has carved an autonomous space. India's motive and selling point in advancing the proposal for a Brics bank is, likewise, that the Bretton Woods institutions have historically failed to meet the developmental requirements of the Global South and that alternatives can now be erected on the shoulders of rising powers within the South, which have accumulated vast capital reserves.

It would be a financial revolution if the proposed Brics bank is integrated with the Bank of the South in Latin America through the common bridge of Brazil.

Brics must avoid dangling the threat of launching a new bank only to win some more representation within the World Bank and the IMF. The Brics bank must not become a mere bargaining ploy which could be shelved if more voting rights were given to the five emerging economies in western-led international financial institutions. A bank for the entire Global South should be non-negotiable, so that Least Developed Countries (LDC) keep faith in emerging powers who are growing at a much faster rate.

Another challenge for the Brics bank is that Chinese financial might, reflected in the renminbi's gradual globalisation, could have an overshadowing effect.

Reports that China prefers to arrogate to itself permanent leadership of the new Brics bank convey a dangerous turn which could replicate 'reservation' of posts at the top of the IMF and World Bank for European and American nominees. India's preference for a rotating governorship of the Brics bank is more palatable with the overall vision of the grouping that global financial reforms should derive from, and also deepen, multipolarity.

The problem of China becoming another Germany, i.e. a super state that controls the Brics financial agenda just as Berlin runs the European Union, needs to be managed by forcing compromise on Beijing. The theme for the New Delhi Brics summit prominently includes the word 'security' alongside economic growth.

There is a dire need for better coordination among Brics nations on international political issues. Last year, Brics states were caught flat-footed by the west on the question of intervention in Libya. This year, Brics are split right down the middle on the Syrian crisis, with Russia and China vetoing a western resolution in the Security Council while South Africa and India voted in favour. Unity of 'IBSA' (India, Brazil, South Africa) that negates Brics weakens both groupings.

The threadbare unanimity that Brics have demonstrated on global political developments presages a dangerous chasm, whereby emerging powers confine themselves to challenging economic institutions while letting war and peace to continue being dictated by the west. Brics cannot upend the global economic order without soldering a distinctive Southern platform on military developments.

Intra-Brics trade and investments do intensify poverty reduction and growth of middle classes, but unless there is a 'Brics line' on international security, our collective worth in the world will remain under-realised.

(The author is Vice Dean, Jindal School of International Affairs)

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The next step for BRICS
Biswajit Dhar , Livemint

Mar 12 2012: In two weeks from now, leaders of BRICS (Brazil, Russia, India, China and South Africa) countries will meet in New Delhi for the fourth summit meeting of the group. Summit meetings of BRICS (South Africa joined the forum last year) have been seen with considerable interest since the first one held in Yekaterinburg in Russia in 2009. This is because the outcomes of the summit meetings are seen as statements of collective intent by some of the more influential countries in today’s geo-politico-economic context.

The decision of the then BRIC countries to convene their first meeting came at a historically important juncture when there were unmistaken signs that the balance of economic power had started to tilt away from the hitherto global powers. The prediction that Jim O’Neill of Goldman Sachs had made in 2001 about the emergence of BRIC as economic powerhouses by the middle of the century looked not only credible, it seemed for the first time that perhaps the BRIC countries would be in the driver’s seat much earlier.

The confabulations in the first summit clearly indicated that leaders of the BRIC countries were keen to intervene in multilateral fora to not only address the economic crisis, but also to ensure that decisions taken at these fora resulted in a structural transformation of the global economy. More importantly, these countries made an unequivocal statement that the “dialogue and cooperation of the BRIC countries would (be) conducive not only to serving common interests of emerging market economies and developing countries, but also to building a harmonious world of lasting peace and common prosperity”.

This intent of the BRICS countries will be tested fully at the forthcoming New Delhi summit for the global economy and polity faces a number of critical challenges. Addressing these challenges is important as most predictions point to a slowdown in the global economy in 2012 coming on the back of the uncertainties facing the euro zone.

At this stage, the first order of business for BRICS as a collective should be to make a decisive intervention to help stave off yet another economic slump. There are ample signs that influential countries are refusing to learn lessons from the immediate past and are not putting in place the systems that can prevent another crisis. Yet again, the most worrying signals are coming from the financial sector—the banking sector is on a tightrope walk. At the height of the pervious financial crisis, banking regulators had taken decisions to introduce stricter capital adequacy norms of the banks and to put in place mechanisms to improve the transparency and disclosures relating to their activities by 2013. There are, however, several roadblocks that would have to be overcome if the new norms are to become effective by the due date, including the tardy progress made by most of the major banking centres towards implementing them.

Strengthening of the regulatory frameworks is but one pillar of a comprehensive reform of the financial sector that BRICS have been arguing for: change in the management of the international financial institutions and allowing emerging economies to have a greater say in the running of these institutions was the other. Although recent reports have indicated that the executive board of International Monetary Fund has informally agreed to a restructuring of the organization's voting rights, giving the emerging economies a better chance to influence its decisions, BRICS would have to ensure through collective action that this change is formalized.

Interlocking of financial and commodity markets leading to a steep rise in commodity speculation has come to be recognized as one of the more undesirable fall-outs of the booming derivatives business. Commodity speculation has had severe impact on the prices of foodgrains: prices of these commodities have touched historically high levels in recent years. As a consequence, the spectre of food insecurity has loomed large. In their first summit, BRIC leaders had taken a grim view of this problem and had agreed to "support the adoption of a wide range of mid- to long-term measures…to provide for a solution to the issue of food security". In order to implement their commitment, these countries should develop a framework of cooperation for reaching out to the countries in distress.

Another equally important issue, one that has not yet found substantial mention in the BRICS summit meetings thus far is public health. Besides growing concerns in a large number of developing countries regarding pandemics such as HIV/AIDS, malaria and tuberculosis, access to affordable medicines and health services are problems that afflict almost every developing country. BRICS health ministers had met after last year's summit to reflect on the most compelling problems and to identify the global forums in which BRICS should intervene. In New Delhi, the leaders must lend their political endorsement to such interventions in order to ensure that the BRICS countries are able to make a change for the better.

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