INDIA'S TRADE NEWS AND VIEWS
16 January to 31 January 2016

WTO: Farm Ministry asks Centre to go slow on liberalization
The Commerce Ministry has held consultations with other ministries including agriculture, finance and industry on the implications of the outcome of the…

Cabinet nod for decisions taken at Nairobi WTO meet
The Union Cabinet has given its ex- post facto approval to the stance adopted by India at the World Trade Organisation's (WTO) tenth ministerial conference at Nairobi last…

Talks start on WTO meeting outcomes
India began its inter-ministerial consultations on the implications of the decisions taken at the last month's World Trade Organisation's (WTO) ministerial…

US, EU, others want work on 'new issues' at WTO
A month after dismantling the Doha Development Agenda (DDA) trade negotiations in Nairobi, the US, the European Union (EU), Australia and Canada, among…

India to push for food security, farm imports plan at Geneva
India will insist on first finalizing the work programme for a special safeguard mechanism (SSM) and a permanent solution for food security when the World…

India's trade with Iran set to increase
With international sanctions on Iran ending, India's access to the West Asian country, especially for food and allied products, machinery and tools, infrastructure projects, and…

China spooks Asian trade
A recent report released by the ADB on economic integration in Asia finds Asia's trade growth to have dropped below that of world trade growth. Explaining the factors…

European Union positive on free trade talks with India, says Dambois
Issues related to Intellectual Property Rights (IPR) and the pharmaceutical sectors have been sensitive in the context of India-European Union (EU) trade and investment…

India aims to more than double trade with Jordan
India, a major importer of rock phosphates, potash and finished fertilisers from Jordan, targets to more than double trade with the country in West Asia in the…

Great fall of India's exports
The news about exports was dismal throughout 2015. For 12 consecutive months, from January to December, India's total exports, in terms of US dollars, were…

Our logistics are a major trade barrier
An emerging economy such as India needs to expand international trade to sustain 7- 8 per cent growth. At present, exports contribute only 16 per cent to India's GDP…

Commerce ministry backs measures to boost SEZs
The Commerce Ministry is in the process of identifying reasons for the slowdown in the Special Economic Zones (SEZ). It has also asked the Finance Ministry to…

Centre pushes states to form export policy
With a view to giving a concerted push to India's declining exports, the Narendra Modi government has asked states to formulate respective export…

Gold import bill up 12%, reaches $35 bn in 2015
India's gold import in December 2015 is estimated to have crossed 100 tonnes following sharp increase in demand for the precious metal during the first and the last week of…

Steel exports must be raised in next three months
The Purchasing Managers' Index (PMI) has gained much importance in evaluating the plight of the manufacturing sector. As manufacturing occupies the centre piece for…

India starts probe into dumping of rubber by EU, South Korea
India has initiated a probe into the alleged dumping of rubber variants used for leather goods by the EU, South Korea and Thailand, following complaints from…

Country's farm exports set to drop for second straight year
The country's farm exports are all set to drop for a second straight year, with products monitored by the Agricultural and Processed Food Products Export…

India likely to miss its garment export target for current fiscal
India will likely achieve just over 90% of its garment export target in the current fiscal, despite the sector putting up a better show than textiles and many other…

How India lost the plot in global iron ore trade
The world saw India embrace resource nationalism when, by way of slapping a very high export duty on iron ore, irrespective of whether it is lump or fine form and…

Anti-dumping duty imposed on melamine, Mulberry Raw Silk
Government today extended the anti-dumping duty on import of melamine from China for five years and also imposed the levy on Mulberry Raw Silk from the…

Disclaimer: India's Trade News and Views is a fortnightly e-bulletin that compiles and disseminates India-specific trade related news and featured articles. The stories covered do not necessarily represent the views of the Centre for WTO Studies (CWS) and have been put together solely for informational and outreach purposes.

Centre for WTO Studies, 7th Floor, IIFT Bhawan, B-21, Qutab Institutional Area, New Delhi - 110016
Tel: 91-11-26965124, 26965300, 26966360 Ext-725,710 Fax: 91-11-26853956 Email: cws@iift.ac.in
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.

Comments and queries may be directed to cws@iift.ac.in. If you no longer wish to receive this email, please reply to this message with unsubscribe in the subject line

WTO: Farm Ministry asks Centre to go slow on liberalization

The Hindu Business line

New Delhi, January 27, 2016: The Commerce Ministry has held consultations with other ministries including agriculture, finance and industry on the implications of the outcome of the World Trade Organisation's Nairobi ministerial meet and the way ahead, said Rita Teaotia, Commerce Secretary.

The Agriculture Ministry, which was given a special presentation on how the WTO rules and negotiations affected the farm sector, has asked the Commerce Ministry to go slow on future liberalisation commitments taken in the area.

"We have discussed the Nairobi package with all line ministries in detail, its implications and how we should move ahead from here. It was chaired by the Commerce Minister. We also made a presentation to the Agriculture Ministry," Teaotia told reporters on the sidelines of an interactive session on the Nairobi Ministerial organised by the CII and the Centre for WTO Studies on Wednesday.

Seeking protection

The Agriculture Ministry pointed out at the meet that it would want higher degree of protection for agriculture items and it does not want liberalisation too fast.

"We asked the Agriculture Ministry to point out what its red-lines were and the areas where it is not comfortable," said Arvind Mehta, Additional Secretary, Commerce Ministry.

A number of decisions were taken at the Nairobi Ministerial that has bearing on the agriculture sector.

WTO members decided to phase out all export subsidies, with India agreeing to do away with the flexibilities in transport and marketing subsidies by 2023.

The developed countries agreed to allow developing countries to protect farm items against import surges through a special safeguard mechanism, but the all important issue of the price and quantity triggers that would enable a country to use the mechanism is to be negotiated.

Responding to a question on a recent claim made by the US on a growing consensus at the WTO over negotiating on new issues (issues other than those being negotiation under the current Doha Round), the Secretary said that India was clear on the fact that no new issues can be taken up at the WTO without the nod of all members.

The Secretary said that India would keep pushing for the Doha development agenda (DDA) of the WTO that developed members including the US and the EU are seeking to bury. The DDA, launched in 2001, is important for India and other developing countries as it provides for special and differential treatment that allows them to take on lower liberalisation commitments compared to those taken on by developed members.

[Back to top]

Cabinet nod for decisions taken at Nairobi WTO meet

The Hindu Business line

January 21, 2016: The Union Cabinet has given its ex- post facto approval to the stance adopted by India at the World Trade Organisation's (WTO) tenth ministerial conference at Nairobi last month.

New Delhi agreed to phase out its transportation and marketing subsidies for exporting agriculture products by 2023 as part of the Ministerial deal.

"The Ministerial Decision also contains disciplines to ensure that other export policies are not used as a disguised form of subsidies. These disciplines include terms to limit the benefits of financing support to agriculture exporters, rules on state enterprises engaging in agriculture trade, and disciplines to ensure that food aid does not negatively affect domestic production. Developing countries have been given a longer time to implement these rules," an official release said.

'Evergreening' patents

Another Ministerial decision extends the relevant provision to prevent "evergreening" of patents in the pharmaceuticals sector, the release said. "This decision would help in maintaining

affordable as well as accessible supply of generic medicines," it said. An agreement on the issue was reached by WTO members before the Ministerial.

India supported outcomes on issues of interest to Least Developed Countries (LDCs) including enhanced preferential rules of origin for LDCs and preferential treatment for LDC services providers.

India already provides substantial preferences in these areas to LDCs.

An agreement was also reached on extending Special Safeguard Mechanism to developing countries to help them protect farm items against surge in imports or sharp fall in price, but the crucial decision on the triggers for using the mechanism, is yet to be taken.

[Back to top]

Talks start on WTO meeting outcomes

The Hindu

New Delhi, January 28, 2016: India began its inter-ministerial consultations on the implications of the decisions taken at the last month's World Trade Organisation's (WTO) ministerial conference at Nairobi, a top government official said.

Speaking at a CII event, Commerce Secretary Rita Teaotia said the consultations initiated by the commerce ministry covered "the consequences of the (Nairobi Meet) decisions and in what manner should India structure its domestic policies to utilise the freedom provided under the multilateral framework to support our industry."

The discussions also revolved around the kind of support (subsidies) that is not possible or will not be possible for the farm sector in years ahead and how India should respond to that.

Additional Secretary in Commerce Department Arvind Mehta said the agriculture ministry sought a higher degree of protection for the farm sector "as the sector does not wish to see liberalisation happen very fast."

Trade experts had said that the decisions on eliminating export subsidies by 2023 are likely to aggravate the crisis in India's sugar sector.

The commerce ministry has also sought the finance ministry's views on the problem of inverted duties (where the duty on inputs or raw materials or components is greater than those on the finished product).

The outcomes of the WTO's Nairobi meet include ministerial decisions on agriculture covering a Special Safeguard Mechanism for developing countries (to counter import surges of farm items) and public stockholding for food security purposes.

It also includes a commitment to abolish export subsidies for farm exports and measures related to cotton.

[Back to top]

US, EU, others want work on 'new issues' at WTO

D Ravi Kanth, Mint

Geneva, January 27, 2016: A month after dismantling the Doha Development Agenda (DDA) trade negotiations in Nairobi, the US, the European Union (EU), Australia and Canada, among others, called for starting work on "new issues" in international trade at the World Trade Organization, according to several participants present at an informal meeting in Davos on Saturday.

China also joined the major industrialized countries by proposing a "solidarity work programme" to address "very relevant new issues such as e-commerce and investment".

In what seems to be a concerted attempt to leave behind the DDA negotiations forever, trade ministers who took part at the closed-door meeting in Davos on Saturday called for examining new issues while adopting "new approaches" to address the remaining outstanding issues.

Switzerland hosted the informal meeting on the margins of the annual World Economic Forum event in Davos in which 22 trade ministers took part to discuss what they should do after the successful WTO's 10th ministerial meeting in Nairobi.

Trade chiefs of the US, the EU, Hong Kong, Indonesia, Japan, South Africa, Kenya, Argentina, Australia, Canada, Lesotho, Mexico, Norway, Pakistan, Russia, and Thailand participated in the half-day meeting. India was not represented.

The US Trade Representative Ambassador Michael Froman maintained that there is fair degree of consensus for adopting "new approaches" to outstanding issues, according to a participant who asked not to be identified.

Effectively, the new approaches as suggested by Froman would involve doing away with the special and differential treatment flexibilities and less-than-full reciprocity commitments for developing countries. Consequently, India, China, Indonesia, and South Africa among others would be treated on par with industrialized countries for undertaking commitments at the WTO. Ambassador Froman said the US is ready to discuss the new issues. He urged the participants to remain "flexible" on scope and modalities while discussing the new issues.

The USTR suggested that if there is no consensus multilaterally then members can explore whether they can be pursued on a plurilateral track, the participant said. At the meeting, China's vice-minister for trade Shouwen Wang said the solidarity work programme would include two sets of issues. Wang said the first set of issues will cover agriculture, market access for industrial goods, and services as well as the remaining issues based on the multilateral approaches in line with the Doha framework. The second set of issues, according to Wang, will cover "issues that are very relevant," particularly new issues such as electronic-commerce and investment with a multilateral approach. The solidarity work programme will have a definite timeframe, the Chinese vice-minister said.

The European Union trade commissioner Cecilia Malmstrom said new issues can be put on the agenda. She suggested the possible candidates for new issues include electronic commerce, digital trade, investment, and domestic farm subsidies.

India has all along opposed new issues maintaining that the DDA negotiations must be completed without delay.

WTO director general Roberto Azevedo who was present at the meeting told the participants that the Nairobi meeting is a "big" success. The Nairobi ministerial meeting has resulted in a substantive binding agreement to eliminate export subsidies on farm products while proposing new disciplines on export credits. Major industrialized countries such as the US, the EU, and also the leading farm exporting developing countries such as Brazil led the push to for the outcome on eliminating export subsidies.

The Nairobi package also included best endeavour outcomes without binding commitments for the poorest countries to improve the market access for the services providers in the least-developed countries, simplification of preferential origin for products supplied by the least developed countries to major industrialized countries, and specific improvements for the cotton producers in the four west African countries of Benin, Burkina Faso, Mali, and Chad.

The Nairobi ministerial declaration also included a work programme for finalizing the special safeguard mechanism for curbing unforeseen surges in imports of farm products and a permanent solution for public stockholding programmes for food security.

India, China, Indonesia, Kenya, and 42 developing countries of the G-33 farm coalition had tabled detailed proposals for arriving at the permanent solution for public stockholding programmes for food security and price and volume triggers for Special Safeguard Mechanism (SSM). But major industrialized countries led by the US, the EU, and Canada along with Brazil ensured that there were no outcomes based on the G-33 proposals.

At Nairobi, India and other members of the G-33 settled for work programmes to continue work for finalizing the permanent solution for public stockholding programmes for food security and the SSM without a definite time frame.

Last week, the Indian cabinet endorsed the Nairobi Package of ministerial decisions and said that it has secured a work programme on the permanent solution for public stockholding programmes and the SSM. "In view of the reluctance of developed countries to agree to continue the Doha Development Agenda post-Nairobi, India negotiated and secured a re-affirmative ministerial decision on public stockholding for food security purposes honouring both the Bali ministerial and general council decisions. The decision commits members to engage constructively in finding a permanent solution to this issue," according to a background note issued by the government maintained. "Similarly, India negotiated a ministerial decision on another very important issue which recognizes that developing countries will have the right to have recourse to an agricultural special safeguard mechanism as envisaged in the Doha mandate," the note said.

Former Indian commerce minister Kamal Nath severely criticized the Indian government for agreeing to the Nairobi package on the ground that it has opened a window to new issues while watering down what had been achieved on the special safeguard mechanism. "I am very unhappy

with the government for agreeing to Nairobi package which has opened up a window to pursue new trade issues while watering down the SSM which was the main issue in the 2008 ministerial meeting," Kamal Nath said.

[Back to top]

India to push for food security, farm imports plan at Geneva

Asit Ranjan Mishra, Mint

New Delhi, January 27, 2016: India will insist on first finalizing the work programme for a special safeguard mechanism (SSM) and a permanent solution for food security when the World Trade Organization (WTO) gets back to work early next month in Geneva before any attempt is made to discuss new issues to be included at the multilateral trade talks.

India's strategy was finalized last week at a two-day brainstorming meeting of its trade delegation from Geneva and officials in the commerce ministry in New Delhi.

"Our approach will be straightforward. All the issues that have been agreed to at the Nairobi ministerial need to get priority," a commerce ministry official said, speaking on condition of anonymity.

While India came away disappointed from the Nairobi meeting as the Doha Development Agenda (DDA) was buried without conclusion after 15 years of negotiations, it had a face-saver in terms of assurance that the negotiations for these two aspects of agriculture will be fast-tracked.

At Nairobi, while India insisted that DDA must continue after the Nairobi conference and no new issues must be introduced into the WTO agenda until the DDA has been completed, developed countries led by the US and the European Union were strongly opposed to the continuation of the DDA.

The Nairobi ministerial declaration acknowledges that members "have different views" on how to address the future of the Doha Round negotiations but noted the "strong commitment of all members to advance negotiations on the remaining Doha issues".

The Nairobi meeting decided that special sessions of the committee on agriculture will be held in an accelerated time frame for finding a permanent solution to the issue of public stockholding for food security purposes and to pursue negotiations on SSM for developing countries.

The WTO General Council has been mandated to regularly review the progress of these negotiations. However, the declaration did not specify any time frame for concluding these negotiations. Earlier, India had derived an interim agreement that protects its right to public stockholding for food security purposes indefinitely, but the country has been insisting on a permanent solution as the present arrangement does not allow it to expand its food security programme to new areas.

An agreement on SSM will allow developing countries to raise tariffs temporarily to protect their farmers from high import surges in agricultural commodities from developed countries.

Biswajit Dhar, professor of economics at the Jawaharlal Nehru University, said although this is the right approach to follow, there should be consistency in what we signal to the rest of the world.

“Our agriculture tariff liberalization policy should be uniform, both at the bilateral and multilateral levels. Otherwise, we will be sending conflicting signals. We also have to get our G-33 position on special products and SSM back on track for the success of our strategy in Geneva,” he added.

The officials from the permanent mission to WTO made presentations on the current thinking on agriculture and what are the likely scenarios that could evolve post-Nairobi.

The official quoted earlier said that the need for a greater coordination between the Geneva mission and the commerce ministry was emphasized.

“We should not wait for the last minute to handle a situation. Our position should be evolving and there should be clear understanding of how we should move ahead. Now, there will be more regular interactions. When any important issue comes, there should be quicker communication through video conferencing. The Geneva mission also pointed out that, technically, they were very sound and headquarters (commerce ministry) should have taken advantage of it,” he added.

[Back to top]

India's trade with Iran set to increase

K Ram Kumar, The Hindu Business line

January 27, 2016: With international sanctions on Iran ending, India's access to the West Asian country, especially for food and allied products, machinery and tools, infrastructure projects, and pharmaceutical products, will increase, according to Export- Import Bank of India (Exim Bank).

The recent lifting of sanctions and restoration of international banking and insurance channels is expected to increase Iran's international trade manifold. This will also hold true for Iran's bilateral trade with India.

"With the removal of sanctions… India's access to Iran's market will increase," said an Exim Bank spokesperson, who did not wish to be named. The lifting of economic sanctions follows Iran agreeing to curb its nuclear programme. Exim Bank was established by the government in 1982 under the Export- Import Bank of India Act, 1981, with a mandate to not just enhance exports from India, but also to integrate the country's foreign trade and investment with the overall economic growth.

Trade deficit

India has had a significant trade deficit with Iran since 2006- 07 on account of surge in oil imports.

According to Exim Bank data, nearly 82 per cent of the total imports by India from Iran comprise mineral products, followed by chemicals which accounts for another 15 per cent.

Agro and allied products, including processed, is the largest category of India's exports to Iran (40 per cent share in 2014- 15), followed by metals and products (19.7 per cent), chemicals (11.7 per cent), capital goods (9 per cent).

"Indian exporters in some sectors have benefited as India did not back sanctions against Iran. With lifting of sanctions, exporters in these sectors will face stiffer competition.

“However, exporters in general and Indian pharmaceutical, IT (information technology) and commodity exporters in particular, will benefit on account of greater market access to the Iranian market,” the spokesperson said.

On the imports front, increased supply of Iranian oil, in an already oversupplied market, will further drive down the crude oil prices, he added.

Iran is a major buyer of basmati rice, soya meal, sugar, barley and meat. Agro and allied products, including processed, was the largest exported product from India to Iran in 2014- 15. Access to the food and allied products market in Iran is expected to increase following removal of sanctions.

The Exim Bank official explained that “Under sanctions, Iran paid a premium of up to 20 per cent over global prices to buy from India. Food companies have gained under this set up. However, such preferences are expected to be disrupted in the medium term.”

Capital goods and transport equipment accounted for 9 per cent and 2.3 per cent, respectively, of the total exports from India to Iran in 2014- 15. India’s exports under these categories have grown significantly after the imposition of sanctions in late- 2011 and mid- 2012.

The official observed that with the removal of sanctions, India’s access to Iran’s market will increase.

However, Indian exporters will now have to compete with Eastern European manufacturers who produce low- end products such as spanners, hand tools and auto parts, and whose access to the Iranian market was limited due to the sanctions.

Infrastructure projects

Indian firms will have greater opportunities in infrastructure projects in Iran. This will include development of the strategic port of Chabahar, among others.

The Exim Bank spokesperson, however, cautioned that competition (for Indian oil and gas companies) will be stiff from American, Chinese and European oil firms, that can commit abundant resources and latest technology for the modernisation of Iran’s oil and gas infrastructure.

India also signed a $ 233- million contract to supply more than 150,000 tonnes of rail tracks to develop Iran's railways. But the project has run into delays. Lifting of sanctions is expected to speed up the implementation of this project.

The total project contracts supported by Exim Bank in Iran as on September 30, 2015 amounted to Rs 900 crore, all of it in the railways sector.

Pharmaceutical Products

Iran’s imports of pharmaceutical products amounted to $ 1.228 billion in 2014, with India being the sixth largest import source for Iran.

The spokesperson said Iran has reported shortage of several specialised medicines, even though these are exempt from international sanctions.

Upon lifting of sanctions, India’s exports in this sector are expected to grow further on account of easier financial transactions.

[Back to top]

China spooks Asian trade

Amitendu Palit, The Financial Express

January 21, 2016: A recent report released by the ADB on economic integration in Asia finds Asia’s trade growth to have dropped below that of world trade growth. Explaining the factors behind the decline, the report highlights moderate growth in global value-chains and an economic slowdown in China.

Indeed, the centrality of the Chinese economy to regional and global growth prospects is much larger than the ripples created on national stock markets by jitters in Chinese capital market. A 7%-slide in the benchmark Shanghai Composite Index on the first trading day of the New Year put the circuit-breaker on in the Chinese bourses. At the same time, the halt in trading also led to large plunges in other Asian markets. The panic might have been exaggerated given that the Chinese stock market has far less exposure to foreign portfolio investors compared with domestic investors. But deep down, economists and investors would be worried over the

prolonging of the effect of a cooling down in the Chinese economy on the region. Some of these concerns resonate in the findings of the ADB report.

The relation between low trade growth in Asia and a decelerating Chinese economy is explained by the enormous significance of China in Asia's trade. This significance arises from China's importance both as a source of exports as well as destination for exports from other Asian countries.

China's high weightage in Asian trade has essentially been driven by its large imports from Asia. These imports are mostly of intermediate and consumer goods. Inter mediate goods are utilised in two ways in the mainland. Some of them are re-exported after processing and re-imported for final assembling. Others, imported as more advanced processed items, are straight away put into assembling. The assembled items are exported to final demand markets across the world, including in Asia. Even mature Asian industrial economies like Japan, Taiwan, Korea and Singapore are importing large assembled items from China. This is evident from China having the highest share, of 43.7%, among Asian economies in hi-tech exports. These exports include aircraft, pharmaceuticals and telecom. At the same time, China also has the largest share among all Asian economies in medium and low-technology exports. The point to be noted though is that these items are all assembled and exported out of China after re-working on intermediate imports obtained from other Asian countries. Myanmar, Hong Kong, Taiwan, Korea, Singapore, Malaysia and Thailand are some of the largest sources of processed intermediate imports for China, whereas Laos, Australia and Central Asian countries are major sources of primary intermediates. Lesser industrial capacity expansion in China implies lower processing of intermediates and lesser imports by China from other Asian countries.

Among Asian exporters to China, the plight of primary intermediate exporters is perhaps the worst. A substantial part of these exports are resource and energy-intensive. Countries like Australia, Mongolia, Turkmenistan, Uzbekistan and Papua New Guinea have been rather badly affected by lower Chinese demand for their exports. A country like New Zealand on the other hand, which is a bigger exporter of processed consumption products to China, essentially milk and dairy products, has been relatively less affected since Chinese demand for consumption imports has held steady.

Intra-regional trade has been the biggest contributor of trade growth for Asia. While not as high as in Europe, where around two-third of total trade is within the region, more than 50% of Asian trade is from within the region. A very significant part of this trade is contributed by intermediate products that move back and forth rapidly across borders undergoing various degrees of processing. It is also this trade that has made several Asian economies important players in global value-chains. As the world's largest assembling centre and by virtue of being based in Asia, China is the most important country in value chains connecting Asian economies to the rest of the world. A substantive part of the dense intermediate goods trade culminates in China's assembling hubs from where products are shipped to various markets for final consumption. Lower Chinese assembling of intermediates not only means lower exports and trade for the rest of Asia, but also lesser expansion of global value-chains between Asia and the world.

Thus, slowdown in the Chinese economy and a moderation in growth of global value-chains as mentioned in the beginning are actually connected developments with the former leading to the latter and the latter reinforcing the former. The eventual casualty has been Asian trade, which is experiencing one of its lowest ebbs since the take-off of Asia as an export hub from the middle of the last century.

The ramifications of poor prospects for Asian trade are worrying for investors too since most long-term investment decisions by MNCs are connected to the former. It is not for nothing that the ripple effects of developments in the Chinese economy are becoming vicious over time.

[Back to top]

European Union positive on free trade talks with India, says Dambois

Arun S, The Hindu

January 31, 2016: Issues related to Intellectual Property Rights (IPR) and the pharmaceutical sectors have been sensitive in the context of India-European Union (EU) trade and investment ties. Denis Dambois, First Counsellor, Head of Research & Innovation, Delegation of the EU to India, told The Hindu in a recent interview that India and the EU are engaged in sorting out issues such as the EU ban on some pharmaceutical products clinically tested by GVK Biosciences.

The EU ban had led to India deferring the negotiations on the proposed bilateral Free Trade Agreement (FTA).

Hopeful that the recent meeting by both sides on the FTA talks would help in restarting the negotiations, Dambois said in all its FTA negotiations the EU has always taken into consideration the specific level of economic development of the counterpart, and India was no exception. Edited excerpts

Do you think the GVK issue has led to mutual mistrust on bilateral trade including the FTA?

The EU decision in relation to GVK-Biosciences was based on scientific considerations and patient safety concerns and not trade considerations, and was in accordance with the advice of the scientific Committee of the European Medical Association.

The measure was indeed precautionary. The European Commission has been in constant contact with Indian authorities, and met with GVK representatives, clarifying the process, and the remedies available.

Thanks to industry's active involvement currently only approximately 25-30 per cent of the products or so called presentations are still suspended.

Relations between the EU and India are good. Both India and the EU have strong interest in strengthening cooperation in the pharmaceutical sector and are working closely in this direction.

Most recently, on this (GVK) issue they had a meeting in January 2016 in Brussels and both sides found the discussion constructive and promising for the future. On the EU-India FTA, the chief negotiators from both the sides had a stocktaking meeting on 18th January in Delhi and we remain positive about taking the discussions forward.

There were concerns that the GVK issue would impact the entire Indian pharma exports and what are your views on that?

The (GVK) decision was not based on trade considerations. It was in accordance with the scientific advice from the European Medicine Agency.

It was not an action against the Indian pharmaceutical industry but dealt with issues identified for one particular clinical trial site. Similar suspensions were previously applied in the past in different countries.

Such procedures do not question the reputation of the company nor the countries concerned, nor of generic medicinal products. They are an integral part of a rigorous scientific assessment process.

In the meantime, much progress has been made on this issue.

The European Commission has been in regular touch with the Indian authorities and industry representatives, and many products have been reinstated.

Concerns were also raised on the inclusion of higher IPR standards in the proposed India-EU FTA. How will the EU address these apprehensions? Concerning IPR standards, India has introduced legislation going beyond the TRIPS Agreement, for example to protect music and film against on-line piracy.

On the proposed EU-India FTA, we hope for a mutually advantageous agreement and it is premature to speculate on what will be negotiated on IPR. Secondly, the EU fully endorses the WTO Doha Declaration on the TRIPS Agreement and Public Health, according to which Members are allowed to take measures to protect public health. India retains the right to protect public health; furthermore, in her negotiations the EU has always taken into consideration the specific level of economic development of the counterpart, and India is no exception.

What are your expectations from the proposed national IPR policy of India?

We note that this is a step in line with the "Make in India" strategy that aims to create a good environment for the protection of IPRs by bringing about changes at legislative and policy level.

We are eager to see the final output. The EU has shared contribution during the consultation phase whereby we have offered to provide technical support to this exercise and share the extensive experience of EU institutions and of the EU Member States.

There are several areas where we can share our experience with India. For instance, in the area of Community Trade Marks and Designs, which apply throughout the EU in a unified way and in implementing utility models a s some EU Member Countries apply them in their legislation.

[Back to top]

India aims to more than double trade with Jordan

Huma Siddiqui, The Financial Express

New Delhi, January 27, 2016: India, a major importer of rock phosphates, potash and finished fertilisers from Jordan, targets to more than double trade with the country in West Asia in the coming decade.

Currently, trade and investments between the two nations hover at around $2 billion. With New Delhi and Amman engaging to expand ties in education, IT, renewable energy and research, trade is expected to touch $5 billion by 2025.

"Trade and economic relations constitute the bedrock of our bilateral relations. Our bilateral trade volume reached $2.3 billion in 2013-14 and the two sides which met under the Joint Trade and Economic Committee in March, 2015, has discussed in detail how to provide further impetus to our economic relations, especially in areas such as renewable energy, IT, transport, education, health and pharmaceuticals," India's ambassador to Jordan Anil Trigunayat told FE.

The Indian diplomat was in New Delhi recently to invite major businesses from here to avail opportunities that are available in Jordan. The two sides are considering growing businesses under Prime Minister Narendra Modi's flagship Make in India initiative.

"Even though the conditions look bleak in the region, Jordan is stable. If we position ourselves now, when things get better we can get into the regional markets and especially Iraq. Education and research are two new areas of common interest. During President Pranab Mukherjee's visit to Jordan, leading Indian universities and institutions had inked MoUs for cooperation and collaboration with their Jordanian counterparts," the envoy added.

Textiles are a very important sector for the Arab kingdom; some 20 textile mills in Jordan are owned by Indians who have invested about $300 million. Jordan is seeking greater Indian investment and representatives of the Tata group have scouted for investment opportunities.

An Indo-Jordan Business Forum has been formed that has 24 top industry honchos who will be meeting soon, looking for projects where the two countries can work together. India is the fourth largest business partner of Jordan; with the trade in India's favor, the country is willing to bridge the trade deficit through mutual cooperation.

It is true the trade volume has shifted in favour of India since 2013. But India remains a major importer of rock phosphates, potash and finished fertilisers.

[Back to top]

Great fall of India's exports

Deepak Nayyar, Mint

January 22, 2016: The news about exports was dismal throughout 2015. For 12 consecutive months, from January to December, India's total exports, in terms of US dollars, were significantly lower than in the corresponding months of the preceding year. This was, perhaps, a nadir.

The problem is not altogether new. It has persisted for some time. Export performance in the recent past has been poor in relation to the needs of the economy and in comparison with some other developing countries.

Table 1 presents the basic contours of India's foreign trade from 2010-11 to 2014-15. It reveals a stagnation in the dollar value of exports, around $300 billion per annum, in the past four years. It also shows that, on average, exports were able to finance just two-thirds of imports.

Consequently, the trade deficit reached alarming levels, at 10% of gross domestic product (GDP), in 2011-12 and 2012-13. Even in the remaining three years, its average level, at 7% of GDP, was among the highest for countries in the developing world.

The associated current account deficit would have been simply unmanageable, were it not for software exports at more than $70 billion per annum, and remittances in the range of $70 billion per annum, in the past three years.

In addition, world prices of crude oil dropped from around $110 per barrel in end-June 2014 to less than $50 per barrel in end-January 2015, to remain in the range of $50 per barrel through the year. But, in mid-January 2016, the price plunged below $30 per barrel, its lowest since 2004. This windfall gain has eased what could have been an exceedingly difficult situation.

It must be recognized that the global economic situation has been difficult for some time. The financial crisis that surfaced in the US in late 2008 led to a sharp contraction in world trade that was much greater than the fall in global output. The Great Recession, which followed in its

aftermath, persists even now. Recovery in output is slow, uneven and fragile. The recovery in trade is just as slow.

During 2010-14, India's export performance conformed to the average. Its share in world exports stayed in the range of 1.5%, while its share in developing countries' exports remained unchanged at 4%. Yet, over the same period, some Asian economies, such as China and Vietnam, managed to increase their share in world exports.

India probably fared worse than the average in 2015. More importantly, its performance in exports of manufactured goods was clearly below par throughout, as its share in world manufactured exports (1.3%) was significantly less than its share in world manufacturing value-added (2.3%).

The slow growth in world trade does impose a demand constraint on total exports from developing countries. But this demand constraint is not binding for single countries such as India, particularly if their share in world exports is small. After all, in the same world economy, several Asian countries boosted their export performance by increasing their share in global exports.

Even if it is a convenient alibi, it would be misleading—if not deluding ourselves—to blame the world economy for India's dismal export performance. The explanation lies in domestic economic factors. And the main culprit is the exchange rate of the rupee.

The exchange rate is a crucial price that determines the rupees earned per dollar of exports (and rupees paid per dollar of imports). Thus, it shapes the price competitiveness of exports in world markets and the profitability of exports for domestic firms. It also influences the relative profitability of exports, compared with sales in the domestic market, which is particularly important in India because most exports are exportables that can be sold either in the world market or in the home market.

Figure 1 compares the depreciation of the rupee vis-à-vis the dollar during 2015, with that of the euro and the currencies of 11 emerging markets in the developing world. It shows the rupee fell the least, just 4.2%, a fraction less than the Chinese renminbi, much less than the euro at 13.6%, and way below the depreciation in the Turkish lira at 25% or the Brazilian real at 44%. In the

first fortnight of January 2016, nervous markets depreciated both the Chinese renminbi and the rupee by a further 1.5% vis-à-vis the dollar.

Such a comparison of nominal exchange rates, which is by definition bilateral, is necessary but not sufficient. There are two derived concepts that are important. The nominal effective exchange rate (NEER) is an index that measures the value of a currency against a weighted average of a basket of currencies. The real effective exchange rate (REER) adjusts NEER for differences in the rates of inflation at home and abroad. NEER and REER can be either export-based (with appropriate weights for currencies of countries that are major markets for, or competitors in, its exports) or trade-based (with appropriate weights for currencies of its important trading partners).

Export-based effective exchange rates for India, both NEER and REER, for every month from September 2013 to November 2015, are plotted in Figure 2. These are more appropriate measures of how the competitiveness of Indian exports, shaped by the exchange rate, in nominal and real terms, changed over time.

It shows that the NEER index appreciated by 8% (from 70 to 75.6 compared with 100 in 2004-05). In contrast, the REER index appreciated by 14% (from 101.2 to 115.2 compared with 100 in 2004-05). Obviously, the competitiveness of exports over the past two years was diminished significantly by the exchange rate of the rupee.

There are, of course, other underlying domestic factors that constrain export performance. Despite massive import liberalization, access to imported inputs necessary for export production remains a serious problem. The infrastructure—power, roads, transport, communication and ports—is simply inadequate. Non-price factors that affect the competitiveness of manufactured exports, such as quality or delivery dates, persist. But these usual suspects have been with us for a long time and cannot, by themselves, explain the dismal export performance in recent years.

The persistently overvalued exchange rate in India means that the rupee is overpriced. Why? In the past, when exchange rates were fixed, devaluations often had negative political consequences for governments. However, in the present world of floating rates, currencies do depreciate or appreciate. Hence, the politics of exchange rates is passe. But it might have a corollary in the

form of a macho belief system that thinks of a strong rupee as a plus point for the government. Any such belief is flawed.

It might just be a camouflage for the real reason, which is never made explicit. This stems from the compulsion of financing large current account deficits (in the balance of payments) though capital inflows provided by foreign institutional investors. The economy needs a strong exchange rate for confidence, together with high interest rates for profitability, to sustain such portfolio investment.

This solution often turns out to be worse than the problem. It erodes the competitiveness of exports over time and enlarges the trade deficit. Larger trade deficits and current account deficits require larger portfolio investment inflows, which beyond a point undermine confidence, and create adverse expectations, even if the government keeps the exchange rate pegged.

When a stifling of exports does ultimately force an exchange rate depreciation, confidence may simply collapse and lead to capital flight. This is the story of many currency crises across the developing world over the past two decades.

It is essential to recognize that the exchange rate is a price which matters for the economy in many spheres much more important than portfolio investment inflows that can be unstable, fickle or volatile. The overvaluation of the rupee, which makes exports difficult and imports attractive, must be corrected.

The time has come to let the rupee depreciate not just in nominal terms but also in real terms. A more appropriate exchange rate would help reduce the balance of trade deficit to manageable proportions by stimulating exports and dampening imports. It would also help domestic manufacturing firms competing with imports to Make in India and combat the onset of de-industrialization.

Even for those who want the comfort of large foreign exchange reserves, exports and trade surpluses (China and Taiwan) are a far better way of accumulating reserves than portfolio investment inflows (India) that can be withdrawn on demand.

Clearly, the exchange rate is a critical determinant of export performance and matters for the economy in other domains. Similarly, exports play a vital role in the performance of the

economy. In the external sector, exports are a means of financing imports, which are essential to sustain desired levels of consumption, investment and production in the economy, while keeping the trade deficit and external borrowing within manageable proportions.

At the macro level, exports not only provide an external market that complements domestic demand as a driver of economic growth on the demand side, but also impart efficiency and competitiveness in domestic production by enforcing a cost discipline on the supply side. India cannot aspire to sustainable high growth without a dramatic transformation in its export performance.

[Back to top]

Our logistics are a major trade barrier

Pravakar Sahoo Shaju John, The Hindu Business line

January 19, 2016: An emerging economy such as India needs to expand international trade to sustain 7- 8 per cent growth. At present, exports contribute only 16 per cent to India's GDP — low compared to peers such as China (34 per cent), South Africa (27 per cent) and Indonesia (26 per cent). Further, increasing supply of a semi- skilled, young labour force demands manufacturing growth supported by exports that would generate employment opportunities.

Therefore, the implementation of sound trade facilitation policies for low trade and transaction costs is a prerequisite to attract investors to make in India and consider it their manufacturing hub. Given the recent push to sign the WTO Trade Facilitation Agreement, which is estimated to create 18 million jobs in developing countries, mostly in India, trade facilitation measures need to be put in place.

Falling behind peers

According to the latest Logistics Performance Index (LPI) by the World Bank, India lags when it comes to logistical facilitation of foreign trade, ranking 54 out of 160 countries compared to China (28) and South Africa (34).

LPI is a composite index that includes crucial indicators affecting trade and transaction costs such as customs, infrastructure, quality of logistics and timeliness. In this context, the recent report by the Comptroller Auditor General of India which was tabled in Parliament, on the performance audit (PA) of the trade facilitation measures initiated by the department of commerce and the department of revenue for the period 2010- 11 to 2013- 14, offers several observations and suggestions.

In recent years, there have been several new initiatives by the revenue department, the commerce department and the Central Board of Excise and Customs (CBEC) for enhancement of trade facilitation. These include measures such as efiling documents through the Indian Custom Electronic Commerce Gateway (ICEGATE), introduction of 24x7 customs clearance facility and special categories of trading partners. The CAG notes that an increasing percentage of importers are accessing the ICEGATE portal to file bills of entry rather than service centres, which is a good thing.

However, the risk management system (RMS) does not meet the desired goals. RMS provides for the clearance of low risk consignments without assessment or physical checking. Although facilitation levels were enhanced in 2011 — up to 80 per cent, 70 per cent and 60 per cent for air cargo complexes, ports and inland container depots (ICDs) respectively — data from commissionerates reveals that the targeted proportion of bills to be facilitated via RMS has not been achieved. In four air commissionerates, only 59 per cent of bills were facilitated through RMS against the target of 80 per cent.

The audit also finds that the option of inspection of goods at factory premises provided by CBEC exporters has largely been underutilised. At present only about 37 per cent of the shipping bills undergo inspections at factory sites, leading to delays and associated costs, even though a single factory stuffing permission is sufficient for all customs locations.

Laggardly approach

In September 2012, the CBEC implemented 24x7 customs clearance facilities on a pilot basis at selected customs houses for certain categohas come down by about 18 per cent in the last one year (2013- 14).

The CAG points out that the introduction of the On Site Post Clearance Audit (OSPCA), which has more stringent requirements for ACP status holders compared to the Post Clearance Audit applicable to non- ACP operators, discourages new entities from joining the ACP programme and incumbents from renewing. As for the AEO scheme, despite the benefits in terms of simplified customs procedures, declarations and so on, the complex procedure for application and subsequent grant of authorisation has emerged as the deal- breaker.

Last mile trip- ups

The lack of last mile connectivity has adversely affected India's trade facilitation efforts. Projects facing delay include the Chennai- Ennore port connectivity project, the elevated four- lane link road from Chennai to Maduravoyal, and the Walayar checkpost, Kochi. Timely execution of the Sagar Mala project (to modernise Indian ports) will improve logistical efficiency, thereby reducing transaction costs. Other issues dogging trade logistics in India include lack of rail infrastructure to move containers to inland container depots (for reasons such as line congestion, limitations in loading of containers), lack of coordination between various stakeholders for improvement in infrastructure at ports, and lack of feeder network at the international container transhipment terminal.

Delay in payment of duty by importers is a major problem at customs ports. The report says that on an average 48 per cent of bills were paid beyond a period of 24 hours at 12 commissionerates, with Mumbai JNPT and Kolkata going up to 65 per cent.

The delay is largely attributed to disagreement between importers and customs authorities on the quantum of duty to be paid. This could be attributed to interest, revision of duties in case of advance or prior bill of entry, reassessment of warehousing bill of entry into home consumption bill of entry, etc. The blame lies on both sides. While importers delay in furnishing replies to queries raised by the customs authorities with regard to classification, valuation, notifications and so on, the queries raised to importers are also piecemeal.

The CAG report attributes issues such as inspection delays, bill of entry, manual registration and authorisation for making trade facilitation difficult and increasing transaction costs. Efficient trade facilitation does not call for new policies and schemes; it requires a clear road map to implement existing policies and transparent frameworks within which these policies and schemes

can function uniformly across all customs commissionerates. This will greatly enhance the ease of doing business in India.

[Back to top]

Commerce ministry backs measures to boost SEZs

The Hindu

January 21, 2016: The Commerce Ministry is in the process of identifying reasons for the slowdown in the Special Economic Zones (SEZ). It has also asked the Finance Ministry to consider steps to ensure greater investment and employment generation in these enclaves to boost exports from SEZs.

The EPCES wants SEZ units to be allowed to sell in the domestic tariff area (DTA or domestic market) by shelling out the same duty applicable to imports from nations who are free trade agreement (FTA) partners of India.-

The commerce ministry has taken up with the finance ministry issues raised by the SEZ developers and units including removal or reduction of Minimum Alternate Tax (MAT) and Dividend Distribution Tax (DDT) on SEZs, according to a government statement. It is also looking into the developers' opposition against a proposal considered by the finance ministry for abolition of all direct tax benefits for SEZs not operationalised before April, 2017. Finance ministry has been asked to extend the Sunset Clause (provision relating to the expiry of the benefits to SEZs) on SEZs up to 2023.

This follows a meeting that the Commerce Minister Nirmala Sitharaman held on Tuesday with a delegation of Export Promotion Council for export oriented units and SEZs (EPCES).

Opposing the proposal that was being considered by the Central Board of Direct Taxes for abolition of all direct tax benefits for SEZs not operationalised before April, 2017, EPCES said it would create uncertainty in the minds of investors and lead to an increase in the number of applications for de-notification of approved SEZs. The commerce ministry said Sitharaman

informed that the issue has already been taken up with Finance Minister Arun Jaitley, adding that IT/ITeS industry body Nasscom has also taken up this issue.

The imposition of MAT and DDT on SEZs has led to a slowdown in terms of growth in exports from these enclaves, reduced number of SEZ notifications, slower operationalisation of SEZs and increased number of applications for de-notification of approved SEZs, EPCES said. It has also dented the investor friendly image of SEZs, created uncertainty in the minds of foreign and domestic investors, EPCES said, adding that MAT should be totally withdrawn or reduced to its original rate of 7.5 per cent.

The EPCES also wanted SEZ units to be allowed to sell in the domestic tariff area (DTA or domestic market) by shelling out the same duty applicable to imports from nations who are free trade agreement (FTA) partners of India.

Since SEZs are duty and tax free enclaves, they have to pay regular duties for sales in the domestic market, which in turn makes their items costlier as compared to imports from FTA partner nations that enter India at zero or lower than regular duties, they said. Ms. Sitharaman assured the delegation that this matter will be looked into, according to the statement.

The delegation comprised of senior representatives of Reliance Industries Jamnagar SEZ, Adani Port & SEZ, Tata Steel SEZ, DLF Ltd., Serum Institute of India Ltd, P.P. Jewellers, Phoenix Infocity, J. Matadee Free Trade Zone, ION Kharadi – Panchshil Group.

[Back to top]

Centre pushes states to form export policy

Jyoti Mukul & Dilasha Seth, Business Standard

New Delhi, January 17, 2016: With a view to giving a concerted push to India's declining exports, the Narendra Modi government has asked states to formulate respective export promotion policies focusing on products or services of interest to supplement the Centre's efforts at boosting the country's outbound shipments.

"We have asked every state to come out with an export policy identifying product and services of interest that have significant potential in the global arena. Ultimately, it is the states who deal with land, electricity, water and value-added tax (VAT)," said a senior commerce department official.

The move was discussed with the states in the first meeting of the Council for Trade Development and Promotion chaired by Commerce and Industry Minister Nirmala Sitharaman earlier this month. The Centre and states would have to work together to improve export performance, added the official cited above.

Exports for the current financial year are expected to be below $300 billion, after being above it since 2012-13. Intense competition from China, on account of the latter's highly devalued currency, has out-priced New Delhi's exports from the global market, resulting in the 12th straight month of export decline in November 2015, with outbound shipments down 17.2 per cent in the first eight months of FY16.

The government is expected to announce the trade numbers for the first nine months of the current year on Monday.

Centre pushes states to form export policy The commerce department had asked the states to outline the enabling environment they would create for the export growth of the identified products and services, besides streamlining VAT waivers or refunds processes electronically.

States have also been asked to come up with a single-window mechanism for coordination of the Centre and state support for export promotion. The role of states is seen as crucial with infrastructure, VAT, land and environmental clearances, and labour, under the domain of states.

A few states, such as Jharkhand and Karnataka, already have export policies while Gujarat, Kerala, Andhra Pradesh and Punjab are in the process of formulating it. "Some states have come out with export policies and we have had a look at those. Only a very few of them are of acceptable level, while for the rest we have given our recommendations," said the official.

The commerce department has found the export strategy to be at the acceptable level for Karnataka, Assam, Arunachal Pradesh, Chhattisgarh, and Gujarat. The effort is also to make it easy to do business through a 98-point reform action plan across eight sectors. These include

setting up of business, registration, compliance with tax procedures, and complying with labour regulations.

Jharkhand, in its policy announced in 2015, extended a number of fiscal incentives including electricity duty exemption, allotment of land for exporting units, and transport subsidy for shipment to ports up to Rs 10 lakh per exporter. It also extended a marketing development fund for exhibitions and fairs. Jharkhand aims to increase its share in the country's exports to two per cent by 2019 from less than one per cent now.

In the Council for Trade Development and Promotion meeting, most landlocked states asked the Centre to provide transport subsidy, which was more than the freight cost in many cases.

Karnataka has focused on export sectors including services, silk and engineering, besides others. Gujarat is in the process of finalising the export policy, targeting to increase share in the country's outbound shipments to 33 per cent in five years from 22 per cent now. It is looking at extending a set of fiscal incentives including tax exemptions for units located there, besides support in trade fairs and exhibitions.

"The Centre can only look at the macro level, while it is for the states to focus on potential goods and services in their export strategy by identifying constraints, potential markets and technical barriers to enter those markets," said Ajay Sahai, director-general and chief executive officer, Federation of Indian Exports Organisations.

The Centre unveiled its five-year foreign trade policy for 2015-20 last year, aiming to double exports (merchandise and services) to $900 billion by 2019-20. Under the foreign trade policy, the government provides tax incentives through the Merchandise Export from India Scheme and the Services Exports from India Scheme, in the form of fully transferable duty credit scrips with reward rate ranging between two per cent and five per cent. Exporters can use these scrips to offset service tax, excise duty, or customs duty.

[Back to top]

Gold import bill up 12%, reaches $35 bn in 2015

Rajesh Bhayani, Business Standard

January 17, 2016: India's gold import in December 2015 is estimated to have crossed 100 tonnes following sharp increase in demand for the precious metal during the first and the last week of the month when prices fell sharply world over.

With 105 tonnes of estimated imports in December, total gross import in 2015 crossed 900 tonnes which was 25 per cent more than 2014. In terms of value, it was up about 12 per cent at around $35 billion, as December import bill was around $3.7 billion. India imported $31.17 billion worth gold in 2014.

Sudheesh Nambiath, lead analyst, GFMS Thomson Reuters said, "Gold demand increased in December when prices were at the lowest level in 2015, and as retailers increased their inventory to optimum levels. Our estimate for December import is 107 tonnes." In 2015, just over 700 tonnes gold was net import as rest was duty-free imports for re-export after value addition.

Despite sharp spurt in quantity imported, import bill went up by only 12 per cent because of low prices in international market. Average international gold price fell by 8 per cent in 2015 while the price oscillated in a $246 range. In other words, gold prices in international market fell by nearly 20% from the annual high. The import bill low also because more imports took place when prices fell below $1,100 per ounce. On the other hand, significant increase in import of unrefined or dore gold happened at a premium pricing, which at times was a percentage over the LBMA price. Its share in total supply increased from some 15% to 30% in 2015. Mostly dore is imported at a premium over the LBMA gold PM price because of heavy competition at sourcing, given the 2 per cent differential that refiners in excise-free zone enjoy. Dore gold import in net gold purity terms was more than 200 tonnes as per estimates of GFMS Thomson Reuters.

Gold import in November was 98 tonnes. In March and August 2015, gold import had crossed 100 tonnes mark as prices were lower, according to GFMS.

Gold demand in the last two weeks has again remained subdued because of traditional belief that this period is inauspicious to buy precious metal. A bullion dealer said, "Indian demand for gold may or may not increase even when prices are around bottom but they take inauspicious days seriously."

During 2015, there were apprehensions about gold demand from rural sector because agriculture output was impacted due to poor rains. However, according to Nambiath, “Pent up demand at lower price levels and expectation for further weakening of Indian rupee added to the gains.”

[Back to top]

Steel exports must be raised in next three months

Sushim Banerjee, The Financial Express

January 19, 2016: The Purchasing Managers’ Index (PMI) has gained much importance in evaluating the plight of the manufacturing sector. As manufacturing occupies the centre piece for industrial production, the PMI movement seems to precursor the trend of industrial growth of a country. There is an implicit faith in survey results (PMI basis) compared to data on reported output (industrial production basis) although industrial production generally follows PMI with a lag.

Accordingly, the December figures of PMI raise both hope and despair for things to shape in 2016. The global manufacturing index at the end of the year gives a mixed picture. While almost all major emerging countries led by China, India and Brazil had contracted (as revealed by PMI) as well as by Russia and even the US, the welcome news is the revival of major European countries as indicated by rate of expansion in production and new order positions which are reported to be the highest in last 3 years. Positive indices are also visible for Japan and Turkey.

India has witnessed a sudden backward movement of industrial growth. The contraction indicator of PMI going down below 50 (it is 49.1 in December, 1.2 notches down from November index) suggests a temporary increase in uncertainty in business environment that has adversely impacted prospects of investment and new order position. It is temporary because the contraction immediately follows the expansion of industrial output revealed by October indices of industrial growth.

Thus manufacturing growth in October at 10.6% is down at (-) 4.4% in November, capital goods production at 16.3% in October is down at (-) 24.4% in November, while consumer durable production at 42.3% in October has fallen to 12.5% in November. Cumulatively all this

downturn in one month has brought down the industrial production growth to (-) 3.2% in November as compared to 9.8% growth in October.

The PMI for October at 50.7 came down to 50.3 in November. As it has further gone down to a contraction mode of 49.1 in December, it is likely to hit the industrial output figures for December. The delays in economic reforms, including the introduction of GST and measures to further easing of doing business in the country, are taking a toll on lifting the veil on business sentiment forcing the corporate sector to pursue a wait and watch policy till flow of public investment increases in critical projects.

Globally the marginal recovery seen in the euro zone provides a welcome signal for Indian exports. The industrial production figures for October is a good positive for Germany, France, Belgium, Italy, the Netherlands, Poland, Sweden and Turkey which reveal a growing appetite for goods and services and may benefit global trade.

During the first 9 months of the current fiscal, Indian steel exports to Germany, France, Italy, the UK, Belgium and Spain reached 6,43,000 tonne. This is despite the fact that Indian steel is facing AD/CVD barriers to enter euro zone in respect of HR Coils and Europe is troubled by cheap flow of imports from China whom they are opposing to give the market economy status in AD/CVD/ Safeguard investigations. All the major European countries are also showing positive current account balances that indicate higher import compatibility.

Significantly, the US economy has yielded a lower PMI in December (51.2) compared to previous month, but still remains above contraction level. The strength of dollar is paving the way for more imports and is causing a threat to its manufacturing sector. The internal demand though growing is of little help to its industrial segments in augmenting output. Steel exports from India to the US at 0.24 million tonne is lower compared to last year and may continue to languish due to various protective measures adopted by the US against HRC, CRC, Plate and Pipe imports from India.

During the first three quarters of the current fiscal, while steel imports by India have increased by 29%, steel exports by the country have dropped by the same percentage compared to the previous year leading to a net import shortfall exceeding Rs 30,000 crore. Indian steel exports to

the UAE, Saudi Arabia, Ethiopia, Iran, Bangladesh, Nepal and Sri Lanka must be raised in the next three months to brighten the balance of trade in steel.

[Back to top]

India starts probe into dumping of rubber by EU, South Korea

The Financial Express

New Delhi, January 20, 2016: India has initiated a probe into the alleged dumping of rubber variants used for leather goods by the EU, South Korea and Thailand, following complaints from Reliance Industries and Indian Synthetic Rubber.

The move is aimed at protecting domestic players in the sector against cheap imports. The Directorate General of Anti-Dumping and Allied Duties (DGAD), an arm of the Commerce Ministry, has begun investigating imports of 'styrene butadiene rubber (SBR) of the 1,500 series and 1,700 series' from these three regions.

In a notification, DGAD has said it has found sufficient prima facie evidence of dumping of the product from China. "The authority (DGAD)... hereby initiates an investigation into the alleged dumping and consequent injury to the domestic industry, to determine the existence, degree and effect of any alleged dumping and recommend the amount of anti-dumping duty, which, if levied, would be adequate to remove the injury to the domestic industry," the notification said.

The period of investigation covers October 2014 to September 2015 (12 months). SBR is mainly used in footwear, rubberised fabric, tyres, tread, conveyor belt, hose and shoes, water pipes and auto accessories.

Indian Synthetic Rubber Pvt is a joint venture of Indian Oil Corporation, TSRC, Taiwan, and Marubeni Corporation, Japan. The company is stated to have commenced commercial production in February 2014. It has claimed that the dumping of the product in the country is materially retarding establishment of the domestic industry.

Reliance Industries, the co-applicant, has also set up a plant for production of the product under consideration, but is yet to announce its commercial production.

Countries start anti-dumping probes to determine whether their domestic industries have been hurt because of a surge in cheap imports. As a counter measure, they impose duties under the multilateral regime of WTO. The duty is aimed at ensuring fair trading practices and creating a levelplaying field for domestic producers vis-a-vis foreign producers and exporters. India has already imposed an antidumping duty on several products, to tackle cheap imports from countries, including China.

[Back to top]

Country's farm exports set to drop for second straight year

Banikinkar Pattanayak, The Financial Express

New Delhi, January 22, 2016: The country's farm exports are all set to drop for a second straight year, with products monitored by the Agricultural and Processed Food Products Export Development Authority (Apeda) expected to record a 25% decline in outbound shipments in the current fiscal, according to sources.

The exports of dozens of commodities monitored by Apeda will likely touch $16 billion this fiscal, compared with $21.3 billion a year before, thanks primarily to a crash in global commodity prices, said the sources. Such products accounted for over a half of the country's total farm exports in the last fiscal. Between April and November, the exports of such products dropped 27% from a year earlier to $10.6 billion, far worse than an 18.5% decline in the country's merchandise exports during this period, showed the DGCIS data. Total farm exports could also fall to $3033 billion in 2015-16 from almost $39 billion a year earlier, said the sources.

The plunge in farm exports couldn't have come at a worse time for the country which has witnessed a contraction in goods exports for a 13th straight month through December. Once touted to have the potential to be a long-term driver of India's goods exports, the agriculture and

allied sector has been bugged down by elevated levels of domestic prices in times of a global crash caused by plentiful supplies and a demand slowdown.

Analysts said the high cost of production (especially following a second straight year of deficient monsoon that drove up input and irrigation costs), elevated levels of minimum support prices fixed by the government, low level of mechanisation due to small land holdings and less financial muscle of farmers have severely eroded India's competitiveness in farm exports in times of a global economic slowdown. Consequently, prices of commodities ranging from cereals to fibre to dairy products and oilmeals have been mostly ruling higher than the global levels.

“The global commodity crash has hit us badly. Wherever we are net importer, we have gained, and wherever we are net exporter (for instance, agriculture), we have suffered. So while inflation has remained within the comfort zone, the drop in commodity prices have dragged down export value and hurt farmers the most,” said Ashok Gulati, chair professor of agriculture at ICRIER. With global supplies remaining abundant, Gulati expects farm commodity prices to stay subdued in the coming fiscal as well unless some weather problems crop up and worsen production prospects.

[Back to top]

India likely to miss its garment export target for current fiscal

Banikinkar Pattanayak, The Financial Express

New Delhi, January 21, 2016: India will likely achieve just over 90% of its garment export target in the current fiscal, despite the sector putting up a better show than textiles and many other merchandise segments, sources said on Wednesday.

The country's apparel exportsmayjustaboutcross$17 billion in 2015-16, compared with the target of $18.73 billion for the fiscal, as outbound shipments to key markets like the US and Europe remained lower than expected due to an economic slowdown, they added.

According to Apparel Exports Promotion Council (AEPC) chairman Ashok G Rajani, the garment segment still witnessed a 5% rise in exports in December from a year before and a 2.8%

increase during the April-December period to $12.47 billion, far outpacing an 18% contraction in the country's overall exports.

The country's overall textile and garment exports grew roughly 5% in the last fiscal to $41.4 billion from a year before, but still lower than the official target of $45 billion for 2014-15. The government has set the target for the textile and clothing exports at $47.5 billion for 2015-16.

Already, garment exporters are concerned about Vietnam, a key competitor, likely getting duty-free access to the EU market from 2017 under a free trade agreement concluded between the two parties late last year, while Indian exporters have to pay a 9.6% duty to ship out to the 28-member bloc, said Rajani. Even the proposed Trans-Pacific Partnership, once implemented, will allow Vietnam zero-duty access to the US, while Indian garment exporters are required to pay duties in the range of 17-30%. While the EU made up for almost 40% of Indian garment exports last fiscal, North America accounted for just above 25%.

"The India-EU Broad based Trade and Investment Agreement (BTIA) is yet to be finalised, exporters are expecting faster conclusion of the talk so that they can compete with Bangladesh and Vietnam," he added.

India and the EU on Monday took stock of "outstanding issues" for the proposed free trade agreement (FTA) after a gap of almost three years. The EU suggested that a secretary level meeting be held on the issue, commerce secretary Rita Teatoia said on Monday, adding that India would decide on how or whether to proceed after that meeting. However, she added: "We are keen to go ahead and work towards a balanced agreement."

Rajani has sought the simplification of and flexibilities in labour laws. "Women employee should be allowed to work in night shifts, fixed term employment, given the industry's seasonal nature, enhancement of working hours and relaxation in overtime and quarterly cap and liberalising procedures for lay-offs," Rajani said. An investment of R30 crore creates opportunities for 2,200 jobs andR120croreworthexports, he said at the 56th India International Garment Fair.

Textiles minister Santosh Kumar Gangwar inaugurated the fair, which is expected to attract over 800 buyers from across the globe.

For its part, the textile ministry has sought a quick resolution of the India-EU free trade agreement. Already, competing countries like Bangladesh and Pakistan have zero-duty access to the EU market. Gangwar last month told FE that he had already recommended easing of labour laws for the sector, including doubling overtime limit for workers and easing restrictions for women to work at night in factories.

[Back to top]

How India lost the plot in global iron ore trade

Kunal Bose, Business Standard

Kolkata, January 27, 2016: The world saw India embrace resource nationalism when, by way of slapping a very high export duty on iron ore, irrespective of whether it is lump or fine form and its iron content, it ensured major fall in the exports of the steel ingredient.

Not only did exports slide from a high of 127 million tonnes (mt) in 2011-12 to less than 5 mt in 2015 (January-December), ore production during this period went down from 227 mt to 128.90 mt.

This, however, does not provide any scope to rejoice at having attained the objective of conservation of a resource to be needed in growing quantities in the future by a rapidly expanding domestic steel industry.

As a 30 per cent duty smothered exports by outpricing Indian ore in a rapidly falling market, the court ordered stoppage of mining on a large scale because of the absence of environment and forest clearances. This has caused dislocation to the extent that the country last year became a net importer of the mineral: India's iron ore imports of 15 mt in 2015 exceeded exports by over 10 mt.

In a move which amounted to going back on its earlier commitment to allow duty-free export of iron ore pellets to encourage local agglomeration of fines not much in use in the country, the government put a 5 per cent levy on pellet exports on January 27, 2014.

The duty, described as "irrational" by industry officials, led capacity use to drop to as low as 30 per cent and closure of a number of export-oriented units. The virtual collapse of the industry finally led the government earlier this month to remove the duty on pellet exports.

Similarly, in order to ensure some presence in the world market, New Delhi in a belated move is charging a duty of 10 per cent on export of ore with iron content of up to 58 per cent. Ores richer in iron will continue to be charged 30 per cent duty.

But why should exports channelled through a public sector trading house invite a flat duty of 10 per cent in a blatant discrimination against private parties?

The world's leading producers of the mineral must be gloating over India's near disappearance as an exporter. Unfazed by the collapse of iron ore prices to a ten-year low of around $40 a tonne in the midst of the prolonged supply glut, Vale of Brazil and Anglo-Australian miners Rio Tinto and BHP are all doubling down on capacity expansion and increasing sea-borne ore supply.

As Vale is to complete expansion of the world's largest iron ore complex at Lajaras in Brazil later this year, both Rio and BHP are investing heavily to expand their network of mines and infrastructure in Australia's Pilbara region.

Not only are supplies rising from the big three, Hancock Prospecting, of which Australia's richest person Gina Rinehart is the chairperson, has begun shipments of iron ore from its 55-mt Roy Hill project, claiming an investment of $11 billion.

All these groups have their mines designed for highly cost efficient production, which will facilitate their riding out the commodity slump. For example, Rio, the industry's lowest cost producer, incurred cash costs of $16.20 a tonne in the first half of 2015. Therefore, even if the bearish forecast of Citigroup that ore prices could fall below $30 a tonne materialises, industry leaders would still remain in profits but with their margins squeezed.

Falling prices have forced closure of high cost mines in China and elsewhere. Otherwise, why should China lift imports of iron ore by 2.2 per cent to a record 952.72 mt in 2015 when its crude steel production was down 2.3 per cent to 803.83 mt?

If growing efficiency levels of leading miners are considered, then for them to consider production cuts would require ore prices to fall further. Investment banker Goldman Sachs agrees.

Less competitive

What do the recent developments in the global ore market mean for India, which earlier vacated space for over 120 mt of ore to miners in Australia and Brazil?

Local industry officials are worried that as a large number of mines, particularly in Odisha, remain shut following the Supreme Court order of May 16, 2014 and reopened mines in other parts of the country are only limping back to normal production, steel mills in the south will have reasons to strengthen their import dependence for security of ore supply.

Railway iron ore freight from east coast to the south being Rs 3,131.42 a tonne, imported ore is working out cheaper for steelmakers in Karnataka. In the comity of steel producing countries, India remains an exception where steel production and demand continue to rise at healthy rates. This makes India a natural target for global mining leaders who now have the benefit of low dry cargo shipping freight.

Mining groups here are minnows compared to the likes of Rio which lifted production of ore by 11 per cent to 327.6 mt in 2015. It will further raise output by about 7 per cent this year to 350 mt. In contrast, India's production last year was down 23.53 mt to 128.90 mt.

While the big foreign miners enjoy significant cost advantage because of their colossal operations and highly efficient logistics management, their Indian counterparts find their iron ore costs escalated by a host of levies such as royalty (at 15 per cent of average sale price) on ad valorem basis, and contribution to the District Mining Foundation (30 per cent of royalty) and the National Mineral Exploration Trust (2 per cent of royalty).

Therefore, the longer the large number of mines in Odisha, which has the biggest share of the country's iron ore production, remain in limbo the more foreign mineral will meet the growing demand.

Hopefully then, those non-functioning Odisha mines which have received all the statutory clearances will be allowed to resume production without further loss of time.

[Back to top]

Anti-dumping duty imposed on melamine, Mulberry Raw Silk

Business Standard

New Delhi, January 28, 2016: Government today extended the anti-dumping duty on import of melamine from China for five years and also imposed the levy on Mulberry Raw Silk from the neighbouring country to protect domestic industry from cheap inbound shipments.

The Department of Revenue in the Finance Ministry issued a Gazette Notification extending the levy at a rate of USD 331.10 per tonne anti-dumping duty on import of melamine, which is used in beauty and utility products from China.

In a separate notification, it imposed an anti-dumping duty of USD 1.85 per kg on Mulberry Raw Silk from China.

India had first imposed the restrictive duty on melamine imported from China in November 2004. Imposition of such duty was extended up to February 18, 2016.

It has now been extended for five year.

In imposing the safeguard duty on melamine, the department went with the findings of the Directorate General of Anti-dumping and Allied Duties (DGAD) which stated that there is "continued dumping" of the chemical product from China which is causing "injury to the domestic industry."

In the "event of revocation or cessation of anti-dumping duties, dumping of subject goods from subject country (China) and injury to domestic market is likely to continue or intensify," it had observed.

In case of Mulberry Raw Silk, DGAD had stated "the material injury has been caused by the dumped imports of the subject goods" from China and "recommended imposition of definitive anti-dumping duty on imports" in order to "remove injury to the domestic industry."

Imports of the silk from China had increased considerably from 12.63 lakh kg in 2010-11 to 22.17 lakh kg during the period of the investigation (April 2013 to June 2014).

India had imposed the restrictive duty on melamine for the first time in November 2004. In 2008, DGAD initiated the sunset review in the matter of continuation of anti-dumping duty on imports and in 2010 the duty was imposed.

Further, after the complaint of the domestic industry, the authority initiated the second sunset review investigation in December 2014 to review the need for continued imposition of the duties.

Melamine imports from China have increased from 17,580 tons in 2010-11 to 30,780 tons during April 2013 to June 2014.

Anti-dumping measures are taken to ensure fair trade and provide a level playing field to domestic industry. It is not a measure to restrict imports or cause an unjustified increase in the cost of products.

[Back to top]