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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.

US for 'differentiation' concept in WTO farm talks, India says no

The Economic Times

Geneva, 21 February, 2015: The US wants to introduce the concept of 'differentiation' of developing countries in the WTO negotiations on agriculture, a move that has been rejected by countries like India and China.

The concept of 'differentiation' makes a distinction between developing countries that have existing domestic support programmes in agriculture that could influence global trends and other developing countries which do not have such schemes.

In the WTO General Council meeting, the US said that some studies have indicated that US will have to make significant cuts in its outlay for domestic support under the present draft modalities and termed it as "blood for water" or "blood for air". Referring to India and China, the US said that trade distorting payments have expanded exponentially since 2008 but these countries do not have to do much to reduce their subsidies. This outcome that America cannot endorse, it added.

Some US farm lobbies, based on a study of five developing nations-- China, India, Brazil, Turkey and Thailand-- by an agricultural trade lobbying firm DTB Associates, had said that these countries have breached the .. Under the Doha Declaration, special and differential treatment for developing countries is integral to enable the countries to meet their needs particularly food security.

Developing countries like India and China have rejected the concept of differentiation and have called for respecting the existing mandate.

India had caused much furore among developed nations last year when it blocked the Trade Facilitation Agreement-- for cutting down red tape in global trade-- so its food security programme will not be challenged under WTO rules.

An interim peace clause was finally brought in November 2014 which legally protected existing stock holding programmes of developing countries if purchases at government-set prices take the countries' above the limits they have agreed for trade-distorting domest ic support.

The member states have a deadline of obtaining a detailed work program for post Bali agenda by the end of July.

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India's wheat subsidies illegal under WTO pledge: US industry

The Economic Times

Washington, 22 February, 2015: America's wheat industry has accused India of offering export subsidies to its farmers which are illegal under its WTO pledge, saying countries like China and India have far exceeded their WTO commitments on key commodities resulting in serious trade distortions.

"Increasing support levels gave Indian farmers an artificial incentive to produce more wheat. In fact, India's wheat production increased by 35 per cent over those seven years (2005-06 to 2013-14) to record levels. That buoyed world wheat supplies and increased pressure on prices that hurt wheat farmers in other countries," the US Wheat Associates said in a media release.

Referring to a recent study by Washington-based DTB Associates, it said India's minimum support price for wheat increased by 111 per cent between 2005-06 and 2013-14.

India recently notified the WTO of a much lower increase but the study showed that the Indian government used faulty tactics to calculate the number it reported, a number that many other WTO members have questioned, it alleged.

Over the same time, Indian wheat exports increased from 300,000 metric tons (MT) to 6.5 million MT, the release said.

"The study also included evidence that India is offering wheat export subsidies that are also illegal under its WTO commitment," it claimed.

"Yet, claiming it must maintain a large public stockpile of grain to maintain food security as an advanced developing country, India has demanded exemptions to its trade-distorting levels of support," it said.

"We agree with our US agricultural negotiators that we see no possibility of concluding the Doha agreement by pursuing the same approach used over the last decade," said USW vice president of Policy Shannon Schlecht.

"Hopefully the facts in the study will help raise awareness of the current realities of trade-distorting farm subsidies. Without this information it will be impossible for WTO members to achieve a balanced Doha Round conclusion across the domestic support, market access and export competition pillars," Schlecht said.

The study claims that the governments of India, China, Turkey, Brazil and Thailand have dramatically increased trade distorting subsidies for wheat, corn or rice production over the past 10 years to levels that exceed their WTO agreements.

"US wheat farmers strongly support the goals of the WTO and the Doha Round," said USW president Alan Tracy. "We also believe every WTO member must follow the rules. Sadly, the facts we have uncovered show this is not the case."

Member countries are required to report their domestic support levels to WTO regularly, but more than 650 notifications were late as of November 2014, Tracy noted.

China has not reported since 2008 and India just submitted a notification last fall covering seven crop years to make them current through 2010.

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US challenging China's export sops at WTO could be advantage India

Amiti Sen, Business Line

New Delhi, 25 February, 2015: India could gain significantly from a recent US challenge at the World Trade Organisation (WTO) against China for alleged extension of prohibited export subsidies to a whole range of products such as agriculture items, textiles, leather, medical equipment, speciality chemicals and building materials.

New Delhi is planning to seek observer status in the consultations between China and the US, as a favourable outcome for the US could translate into lower competition from Chinese products for Indian manufacturers as well, a Commerce Ministry official told *BusinessLine*.

"If it is proved by the US that export subsidies are being in the form of disguised sops and incentives, then India, too, will be in a position to impose penal import duties on these products," the official said. Higher import duties on Chinese products could help India lower imports and narrow the existing trade deficit with its neighbour, which, at $36 billion in 2013-14, was more than a fourth of the country's total trade deficit. Moreover, if proved guilty, China would also face penal duties on its products in other key markets such as the US and EU, which could make them less competitive than Indian products, the official added.

Export subsidies

All subsidies directly linked to exports are prohibited under WTO rules. Only countries with per capita income below $1,000 are allowed to provide such sops for products where their global share is lower than 3.25 per cent. The US has challenged China's 'Demonstration Bases-Common Service Platform' programme under which the country provides free and discounted services as well as cash grants and other incentives to enterprises that meet export performance criteria and are located in 179 demonstration bases (industrial clusters) throughout the country. Washington has claimed that under the programme, export subsidies are provided to manufacturers and producers across seven economic sectors and dozens of sub-sectors. The seven main sectors are textiles, apparel and footwear, advanced materials and metals (including specialty steel, titanium and aluminium products), light industry, specialty chemicals, medical products, hardware and building materials and agriculture. Being an observer in the proposed consultations between the US and China is important for India because it will not only be privy to all the issues raised by the US and answers given by China, it could also have access to information provided by China on its various subsidy programmes and incentive schemes which is otherwise difficult to get.

"If we have enough information, we too could challenge the export subsidies independently at some other time if required," the official said.

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India to go slow on agricultural talks as US seeks tariff cuts

Dilasha Seth, The Economic Times

New Delhi, 21 February, 2015: India is likely to go slow on agricultural talks with the US after Washington sought greater market access through tariff cuts for its apples, almonds, walnuts and whiskey. The import duties for these items are at the ceiling level, bound by India at the World Trade Organization.

The video conference of the agriculture joint working group has been put on hold for the time being with India having very little to seek besides market access for grapes, which is a non-tariff issue.

We are still evaluating if there should be a third video conferencing or not. On the agri side, there's hardly anything we are seeking besides grapes. They, on the other hand, want tariff reduction on many items, which cannot be sorted out via bilateral video conferencing as import duties are not US-specific," said a government official.

All these items have a ceiling duty, with walnuts at 100 per cent, fresh apples 50 per cent, and whiskey 150 per cent. Almonds have a specific duty of Rs 100 per kg. These duties make American agricultural products uncompetitive in the market.

Of the $13.8 million worth of apple imports by India in 2013-14, only $0.05 million came from the US. A mere $0.14 million worth of almonds were imported from the US. India and the US formed three working groups during the trade policy forum (TPF) in November --IPR, investment in manufacturing and agriculture.

US assistant secretary of commerce Holly Vineyard is expected to visit New Delhi to discuss bilateral issues sometime in March. "They have not mentioned the level to which they would like a reduction, but have asked for a reduction in a gradual manner," he said.

Besides tariff reduction, US has also raised certain non-tariff issues, seeking market access for poultry and pork. The two countries have already been battling out the poultry ban imposed by India in 2007 at the WTO. The multilateral organization in its October order had asked India to lift the ban on account of avian influenza, calling it 'unscientific' and non-compliant with WTO rules, which New Delhi has appealed against. Besides, India does not allow pork or meat fed with meat, blood or bones.

India has been seeking withdrawal of non-tariff barriers for grapes as US can become a big market for India as it exports at a different time than the top grapes exporters such as Chile and South Africa. "Potentially US can become a very big market for us as we have a natural advantage of producing grapes when others are not," he said.

India had has put in place all necessary sanitary and phytosanitary measures to ensure that quality of grapes match standards sought by US authorities. Currently, EU is India's

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Antidumping duty imposed on imports of graphite electrodes

The Economic Times

New Delhi, 16 February, 2015: The government has imposed an anti-dumping duty of up to $922.03 per tonne on imports of a product used in steel plants, a step to protect the domestic industry from below-cost shipments.

The Finance Ministry imposed the import duty on a type of graphite electrodes based on recommendations of the Directorate General of Anti-Dumping Duty (DGAD) for five years. The duty ranges between $ 278.19 and $ 922.03.

The main use of graphite electrodes is in melting of steel.The DGAD had initiated and conducted investigation into dumping, injury and causal links between dumping and injury to the domestic industry.

In its final findings, the DGAD said it "is of the opinion that definitive measure is required to be imposed to offset dumping and injury being caused to the domestic industry" and recommended the imposition of the anti-dumping duty.

It said the production, sales and capacity utilisation of the domestic industry has declined in the period of investigation (January 2012-December 2012) after a healthy growth during the previous years, while imports increased substantially over the injury period (April 2009-December 2012).

The DGAD had carried out the probe into the dumping on complaints of domestic manufacturers -- HEG and Graphite India.

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

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Iran, India to form joint group to facilitate bilateral trade

The Economic Times

Tehran, 28 February, 2015: Aiming to boost export of Indian products to Iran, a joint working group of experts will be formed to facilitate bilateral trade.

Iran's National Standard Organisation (NSO) along with the experts from the both the sides will examine the quality of the products exported.

The group would evaluate the standard and look into issues over the import of rice, tea and soya, said NSO head Nayyereh Pirouzbakht. The Indian tea imported to Iran so far has been in accordance with the international Codex and ISO standards these are the base and each country has its own conditions for its imports.

"An Indian group visited Iran last month and was familiarised with the condition of standards prevailing in Iran with regard to import of rice and tea," she was quoted as saying by Iran;s state-run news agency IRNA.

The official said after water, tea is the most important drink in Iran. Therefore, for its import, specific details should be considered.

She said any trade transaction, on the basis of standard regulations between Iran and India, can be effective in strengthening bilateral trade.

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Indo-US merchandise, services trade may touch $525 billion by 2025

The Economic Times

New Delhi, 27 February, 2015: Indo-US bilateral trade in merchandise and services sector is likely to touch USD 525 billion by 2025, according to a report.

The report titled India-USA Economic Relations, which was jointly released here today by Washington State Department of Commerce and PHD Chamber, said: "Indo-US merchandise trade has potential to accelerate to a level of $325 billion in next ten years whereas...two nations services trade are estimated at $200 billion for 2025".

PHD Chamber President Alok B Shriram expressed confidence that with recent bilateral policy measures taken by the US administration and the Indian government such as Indo-US Nuke deal, extension of their defence pact for another 10 years as well as forging closer partnership for developing smart cities in India, it would further cement the Indo-US trade and economic ties to achieve the forecast.

According to official estimates, the Indo-US merchandise trade stood at $63 billion whereas their service trade is calculated at USD 34 billion during fiscal 2013-14. Both the merchandise trade as well as services trade between India and US in totality was calculated at $97 billion.

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Indo-US bilateral trade rises to $48.71 billion during April-December

The Economic Times

New Delhi, 28 February, 2015: Reflecting an improvement in economic ties with the US, the bilateral trade has increased to $48.71 billion during April-December of this fiscal, Parliament was informed today.

The two-way commerce is estimated at about $46.83 billion in April-December 2013.

During the first nine months of the current fiscal, exports to the US aggregated at $32.48 billion and imports $16.22 billion, Commerce and Industry Minister Nirmala Sitharaman said in a written reply in the Lok Sabha.

Further, the country's exports of top 10 commodities including petroleum products, drug formulation, cotton fabrics and marine products to the US have increased to $19.95 billion during April-December 2014 from $18.18 billion in the same period last year.

Imports of top 10 commodities including gold, aircraft, electric machinery, medical and telecom instruments rose to $8 billion during the period from $6.43 billion in April-December 2013.

The two-way commerce in 2013-14 stood at $61.66 billion as compared to $61.36 billion in the previous fiscal.

The Minister said that during the recent visit of US President to India, both the sides agreed to continue to strengthen their broad-based partnership for development through stronger trade, technology, manufacturing and investment linkages between the two countries.

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India to soon start FTA feasibility process with Russia, Peru

The Economics Times

New Delhi, 26 February, 2015: India will soon initiate the feasibility process to launch negotiations for a free trade agreement with Russia and Peru, a move aimed at enhancing economic ties with these nations, Commerce Secretary Rajeev Kher said today.

Kher also said the new foreign trade policy (FTP) would be announced after the Budget, that would give a direction to India's efforts to enhance engagements with its trading partners.

He said India is in the process of increasing its economic engagement with regions including Latin America, Africa, South Asia, West Asia and Central Asia.

India will begin work towards "looking at the feasibility of regional trading arrangements with Peru and Russia very shortly," he said.

"In fact a joint study group (JSG) for both these countries have been already constituted and we believe that in the next three to six months, we will have reports of the JSGs and thereafter...the process of negotiating trade agreement will start," Kher added.

He was speaking at the CII's International Engineering and Technology Fair (IETF) 2015 here. Before starting negotiations for FTA, both countries constitute a joint study group to look into feasibility of entering into th ..

The Secretary also said that efforts are on to engage through an institutional method with various regions of Africa "because that is where growth has sustained for a long time and that is where we believe prospects are strong (for India)".

India is also part of the Regional Comprehensive Economic Partnership (RCEP) pact, that has 16 members.

"The whole idea of all of these negotiations are to look for expanding opportunities and to look for collaborations which offer our industry an opportunity to find a toehold on various value chains.

"(This is)... to see how we can re-orient our trade policy primarily driven by the desire to become a participant in the global value chains which has hitherto to an extent bypassed India in several product areas," he said.

Kher said India is trying to look at how it can create regional value chains within the neighbourhood - South Asia, South-East Asia, Central Asia and West Asia.

"So all of this is in the works and we are trying to create a roadmap which will help us in engaging for the next 10 years," he added.

Further, he emphasised on the need to focus on services sector, vital to make manufacturing competitive.

"India's trade in value added services (TIVA) is rated at 42. That means 42 per cent of product on an average is composed of services.

"We need to promote our services. We are organising a global exhibition on services which is scheduled in April," he added.

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Raw sugar exports viable with subsidy extension: ISMA

The Economic Times

Mumbai, 21 February, 2015: The government's move to extend subsidy on raw sugar exports is expected to provide some salve to the industry, hit by huge surplus stocks and record low prices.
The Cabinet Committee on Economic Affairs has cleared the extension of subsidy of Rs.4,000 a tonne (Rs 3,371 a tonne for the year ended September, 2014) on the export of 1.4 million tonnes of raw sugar in the sugar crop year 2014-15 (October, 2014, to September, 2015).“At the current global and domestic prices, raw sugar exports are just viable with the incentives,'' Indian Sugar Mills Association (ISMA) Director-General Abhinash Verma said in a statement. “The sugar mills have been waiting for a long for the news and importantly huge inventory will start moving out,'' UP Sugar Mills Association (UPSMA) Secretary Deepak Guptara told this correspondent.
“We are hopeful that the situation improves, and there is cautious optimism,'' he added.
ISMA estimates sugar production at 16.708 million tonnes up to February 15, an increase of 15 per cent. India is estimated to produce 26 million tonnes of sugar in the current season against the demand of 24.7-24.8 million tonnes.
ISMA estimates there is surplus sugar of around 2.5 million tonnes, and the industry will require incentives for another 1-1.5 million tonnes. “This is the only way forward for the industry to pay cane price even at the fair and remunerative price (FRP) level this season, otherwise the cane price arrears, which are at Rs.12,300 crore, will soon cross Rs.13,000 crore recorded in the last season,'' Mr. Verma said.

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India pushes EU to revoke ban on four veggies

Amiti Sen, Business Line

New Delhi, 21 February, 2015: India is pushing the European Union (EU) to revoke an import ban on four vegetables: brinjal, snake gourd, taro and bitter gourd. The ban was imposed last year after fruit flies were found in some consignments from India. The ban continues to be in force even though import of mangoes, which had been prohibited along with the four vegetables, was resumed earlier this year.

“There is no reason why the ban on the vegetables should continue when the EU inspectors were satisfied with our improved packaging and inspection norms for farm products and removed the restriction on mangoes,” a Commerce Ministry official told *BusinessLine*.

Parleys on

The Commerce Ministry has taken the issue up "strongly" at the relevant working groups and sub-committees of the India-EU strategic partnership forum. The Indian Embassy in Brussels is also engaged in dialogues with various EU officials over the issue.

"The Indian Embassy in Brussels is pitching in proactively to help protect our farmers' interests. In fact, two posts have been created for agriculture experts to advise on matters related to farm goods exports and imports," the official said. Although the total value of the exports of the four vegetables to the EU is just about ₹9 crore a year ($1.5 million), officials said the fight was more to protest the arbitrary ban on agriculture products.

Retaliatory measure?

The European Union, too, has been trying to persuade New Delhi to remove curbs on some of its farm items, such as pork and ham."Although the two bans are not directly connected, often countries retaliate against restrictions by its trading partner by imposing a ban on some on their products as well," the official added.

The working group on sanitary and phyto-sanitary and technical barriers to trade (SPS & TBT) at the India-EU strategic partnership forum discusses the grievances of both sides on issues related to quality restrictions and other technical barriers.

The EU had imposed a ban on the import of mangoes and the four vegetables last May for a period of 20 months. India subsequently made it mandatory for exports of all perishable items to the EU be routed through pack-houses certified by the Agriculture and Processed Food Products Export Development Authority.

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Export earnings from tea drop by 10 per cent

Indrani Dutta, The Hindu

26 February, 2015: In 2014, India exported 201.2 million kg, a steep drop, against 219.1-million kg. in 2013. In dollar terms, the value stood at $643.75 million against $744.2 million. During the year under review, the unit price dropped to Rs.195.3 a kg compared to Rs.198.8 a kg in 2013, as per the provisional figures now available.

The industry said that lower exports and earnings were mainly due to increased output by Kenya and Sri Lanka, which made more crop available in the international market at a time when India suffered crop losses in its peak production period in 2014.

Indian exports were down in many countries, including the CIS (mainly Russia and Kazakhstan), which accounts for 25 per cent of India's tea exports. Russia is the single largest importer.

Other countries, where lesser shipment of India teas were sent, were the UAE, Iran, Bangladesh and Pakistan. To promote teas, the India had sent a delegation to Russia, which had just returned. Another delegation is now touring Iran, where issues over residue levels in Indian teas have contributed to lower exports volumes.

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Spice exports up 12%

George Joseph, Business standard

Kochi, February 17, 2015: During the first half of this financial year, India's spices export rose 12 per cent in volume terms and nine per cent in value, compared to the corresponding period of the previous financial year.

According to Spices Board India, total exports in the April-September period stood at 421,570 tonnes, valued at Rs 6,963 crore. This was 56 per cent of the targeted volume and 57 per cent of the targeted value for 2014-15.

During the April-September period, export of ginger, cumin, celery and chilli saw a marked rise, while that of garlic, nutmeg; fennel, fenugreek and cardamom fell.

The volume of ginger exports rose a whopping 41 per cent to 8,300 tonnes (valued at Rs 103 crore), while cumin exports rose 25 per cent to 87,500 tonnes (Rs 103 crore).

Spice oils and oleoresin exports, in which India leads the global market, rose 21 per cent. A total of 5,925 tonnes of these products were shipped in April-September 2014, valued at Rs 877 crore. During the same period, 161,000 tonnes of chilli (Rs 1,547 crore) and 23,000 tonnes of coriander (Rs 240 crore) were exported.

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India's gold imports may rise to 35-40 tonnes in February

The Economic Times

New Delhi, 21 February, 2015: India's gold imports are likely to rise to 35-40 tonnes in the current month as compared to 26 tonnes in the corresponding period last year, according to gold and silver refiner MMTC Pamp.

"The country has already imported 23.2 tonnes of gold in the first fortnight of this month. Total shipments at the end of the month could reach 35-40 tonnes," a senior official at MMTC Pamp told PTI.The imports could see further increase during the wedding season, which begins in March, the official added.

MMTC Pamp is a joint venture between state-run MMTC and Switzerland's PAMP.In January, imports rose marginally to 36 tonnes from 31 tonnes in the same month of corresponding year.

Gold shipments have been steadily rising after the Reserve Bank in November 2014 scrapped the 80:20 rule, under which it was mandatory for traders to export 20 per cent of the import.The RBI has been easing import curbs on gold since November 2014.

Also, on February 18, the central bank lifted ban on import of gold coins and medallions and allowed banks to lend gold on loan to jewellers.Ahead of the Budget, the industry is expecting a cut in import duty from the existing 10 per cent.India, the world's largest consumer of gold, imports around 800-900 tonnes of gold annually.

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Commerce Ministry seeks cut in gold import duty

The Economic Times

26 February, 2015: Commerce Ministry seeks cut in gold import duty With a decline in Gold imports, Commerce Ministry has sought reduction in import duty on gold, a step that could boost exports and manufacturing of gems and jewellery.

"We have been asking for a cut in gold import duty," Commerce Secretary Rajeev Kher told reporters here on the sidelines of a CII function. In its Budget proposals, the Ministry has suggested the Finance Minister to consider reduction in import duty on the yellow metal. The industry has sought reduction in customs duty on gold to two percent, from 10 percent now. The gems and jewellery sector, which employs about 35 lakh people, would get a boost from the move. Gold imports in December declined sharply to 39 tonnes, from 152 tonnes in November.

Exports of gems and jewellery too declined by 1.2 percent year-on-year to USD 2.66 billion in December. The sector is one of the 25 thrust areas identified under the 'Make in India' programme. The campaign aims at attracting domestic and foreign investments to boost manufacturing and create jobs. The government had raised the import duty on gold to contain the widening current account deficit.

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Pulses' import set for new high on less output

Dilip Kumar Jha

Mumbai, 17 February, 2015: The import of pulses is likely to set a record in 2015-16, due to less of output and rising demand.

Rising local prices have made import viable and these have risen in the current year, too. Prices abroad are Rs 100-150 a quintal cheaper than here. And, the government has allowed duty-free import of chana (chickpea, 80 per cent of total rabi pulses production) till March 31.

Chana farmers have had low prices through two seasons, with trade well below the government's minimum support price.

Official figures show the import of all pulses in April-November 2014, the first eight months of the ongoing financial year, was 3.03 million tonnes, a rise of nearly 25 per cent from the 2.42 mt in the corresponding period of 2013. In November, import surged almost 60 per cent to 664,853 tonnes as against 416,038 tonnes in the same month last year. The Directorate General of Commercial Intelligence and Statistics estimates a 20 per cent rise in import of chickpea during April–November 2014, at 222,238 tonnes.

“Pulses import is set to rise steadily to 3.7-3.8 mt this financial year and further to over four mt during 2015-16, on lower output from domestic sources,” said Bimal Kothari, vice-president of Indian Pulses and Grain Merchants Association and managing director of Pancham International, an importer based in this city.

Data from the Union ministry of agriculture showed a decline of a little over 10 per cent in sowing at 14.59 million hectares till last Friday, as against 16.22 mt by the same time last year. The area sown with gram under sowing of gram (chickpea) was 8.59 mn ha versus 10.23 mn ha in the earlier period. Kothari said prices would rise after April, when the final rabi harvest output would be known. Prices are already 10-15 per cent up since the beginning of January.

“Chana is expected to trade mixed to higher in the coming days due to low supplies in the pot market and the new crop to hit the local market in less than a month. The overall sentiment looks positive for chana, amid expected lower output and duty-free export allowed till March,” said Anuj Gupta, an analyst with Angel Commodities.

The first advance estimates have forecast a 14 per cent decline in kharif pulses’ production at 5.20 mt as against 6.02 mt last year. The estimated 10 per cent decline in rabi sowing is set to lower production proportionately or even more. Against 23 mt of annual consumption, our production was 19.27 mt in 2013-14. A 20 per cent fall in output is expected for chana.

“As gram's weight is high among pulses, there can be an inflationary pull. Mustard will also exert an upward pressure on prices of oilseeds. However, wheat will still be under control,” said Madan Sabnavis, chief economist, CARE Ratings.

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5% import duty on crude likely to be reimposed Financial Chronicle

Subhash Narayan, The Economic Times

New Delhi, February 16, 2015: Following a sustained steep fall in international oil prices, the government may consider reintroduction of the five per cent import duty on crude. The exercise could help the Centre mobilise Rs 18,000 crore as taxes that may come handy in reining in the fiscal deficit to 3.6 per cent of the gross domestic product in 2015-16.

Sources in the government told Financial Chronicle that reimposition of the duty has been broadly agreed upon by the finance ministry and could be announced by finance minister Arun Jaitley as part of budget proposals for 2015-16.

The duty was removed in June 2011 when oil prices had soared to about $120 per barrel. A similar exercise was carried out in 2008 as well when global prices had surged sharply.

“The government has reasons to revise customs duty on crude as the duty acts as a tool not only for raising resources for the Centre but it protects consumers at times of economic exigencies,” said a source on the oil ministry.

The re-imposition of customs duty would also create a level-playing field for domestic oil producers who pay two per cent central sales tax. Imported oil is exempted from this tax.

The country meets just about 20 per cent of its crude consumption from domestic sources while 80 per cent of it is imported. At around $ 50 a barrel, the country's oil bill next fiscal could be in the region of $70 billion. India could import about 1,500 million barrels of crude in 2015-16.

"While the option before the finance minister is to either raise crude import duty or reduce central sales tax on domestic production, the former is most likely to be adopted," said the source quoted earlier.

The duty will shield consumers when oil prices start rising again and the government decides to lower the customs duty.

With oil prices dropping over 60 per cent since June 2014 to around $ 55 a barrel now, the government has also increased excise duty on petrol and diesel four times. This alone could provide the government over Rs 20,000 crore in tax revenue.

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