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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.

After a rise in November exports again contract in December

Business Standard

January 16, 2015: Hopes for a sustained revival in merchandise exports were dashed by the data for December showing outbound shipments fell 3.8 per cent from the same month a year before, $25.4 billion against $26.4 bn earlier.This was due to a fall in the value of sales of refined petroleum products, continued slowing in Europe and weak retail sales in the US, official data showed on Thursday.

Exports had contracted in October by about five per cent but then rose 7.3 per cent in November from a year earlier."I would not like to comment on monthly growth. I am not worried about the dips and rises. The overall mood is good," Commerce and Industry Minister Nirmala Sitharaman said in Jaipur.

Imports in December also fell 4.8 per cent to $34.8 bn, compared to $36.6 bn in the corresponding period of a year earlier. Inbound shipment cost of crude oil came down due to falling global rates and there was a not so significant rise in gold imports.As a result, after quite a while, the trade deficit narrowed in December, to $9.4 bn, lowest in the current financial year, from $10.2 bn in December 2013. It had been as high as $16.9 bn in November. This was the first time in the current financial year that the trade deficit came down to a single digit.

Though this would augur well for the current account deficit (CAD), which rose to 2.1 per cent of gross domestic product in the second quarter (July-September) of the current financial year against 1.2 per cent in the first quarter and 1.7 per cent in the second quarter of 2013-14, the contraction in exports is not considered a good sign for the economy. Ideally, the trade deficit should reduce from a rise in exports and a reduction of imports in commodities considered non-essential.

Economists, however, warned the CAD could increase in the year's third quarter (October-December), compared to the second quarter, due to high gold imports in October and November. Hit hard by declining prices, petroleum product exports plunged 21.2 per cent at $3.8 bn in December against $4.9 bn in the year-ago period. Petro products generally run neck-and-neck with engineering ones for the number one slot in the export basket. However, engineering exports were way ahead at $6.9 bn in December, up 20.5 per cent over the $5.7 bn a year before.

A host of labour-intensive items saw a contraction in exports — gems and jewellery (though marginally by 1.1 per cent at $2.7 bn), cotton yarn, fabrics (2.1 per cent at $916 million), manmade yarn, fabrics (0.6 per cent at $441 mn), spices (a fall of 5.3 per cent at $192 mn).

"These are all labour-intensive sectors and their slowdown will have a bearing on employment," said Rafeeque Ahmed, president, Federation of Indian Export Organisations.

YES Bank chief economist Shubhada Rao said given the attenuation in oil and agri-commodity prices, it would be prudential to shift the export thrust towards value-added manufacturing goods like textiles, pharma, chemicals, leather, handicrafts and engineering goods; which have been gaining traction in recent years.

"Government's emphasis on debottlenecking of supply side linkages through speedy reforms, in conjunction with easing interest rate cycle, point towards a near-term resuscitation in manufacturing and investment activity which are expected to carry the export momentum," she said.

Ahmed noted leather and its products, with double-digit growth in November, grew only moderately in December, up only 0.7 per cent to $511 bn in December. The contraction in exports, he thought, was due to a decline in demand in many markets, including emerging countries, coupled with softening of the prices of crude oil, commodities and metals.

According to recent data, retail sales in America fell 0.9 per cent in December from the previous month.

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WTO chief says India should lead talks on food stock solution

Nayanima Basu, Business Standard

January 17, 2015: India should assume a leading role in spearheading the talks for having a permanent solution in public stockholding for food security purposes, according to World Trade Organization (WTO) Director-General Roberto Azevêdo.

"The first decision and clearly the most important for India was a clarification of the Bali decision on the public stockholding for food security purposes mainly and unequivocally stating the 'Peace Clause' agreed in Bali would remain in place until a permanent solution is found for that issue … I look forward to India playing a leading role in this regard in the coming months," Azevêdo said here on Friday, while addressing the Confederation of Indian Industry Partnership Summit.

Lauding the efforts of Prime Minister Narendra Modi and Commerce and Industry Minister Nirmala Sitharaman in achieving the breakthrough in November last year that led to the adoption of the Trade Facilitation Agreement (TFA), Azevêdo said it was a significant decision that enabled all 160 members agreed to come together and bring issues back on track. Azevêdo said the impasse that was reached in the talks that were agreed in Bali had a "paralysing effect on negotiations across the board".

The standoff happened last year in July when India refused to sign the TFA that would have converted it into a legal document. TFA aims at easing global customs norms.

India took a stance that it will not agree to TFA until the 'Peace Clause' on food stocks is made permanent until a final solution is arrived at on the issue. Earlier, it was agreed in Bali in December 2013 that the 'Peace Clause' or interim measure will be applicable only for four years. However, the impasse was broken when US assured its support on India's stance at the WTO. Subsequently, all members also agreed. Azevêdo said WTO members are now working towards ratifying TFA according to their own domestic procedures.

“It has the potential to make a big difference, particularly for countries like India,” he added. Underscoring the need for members to put their focus back on the Doha Development Agenda, which started in 2001, Azevêdo said that all countries should start negotiations by July. He also highlighted the tough times expected ahead with the onset of negotiations that will culminate at the 10th ministerial conference in Nairobi in December.

On the other hand, minister Sitharaman once again stated that mercantilist policies of certain countries cannot be encourage if the Doha development round has to be completed. "There is an attempt to link free trade to development. Trade and development are intertwined but I would be hastened to think that only trade is development. Development must remain at the core of the Doha round," Sitharaman added. She also highlighted that the objective of the Doha round is alleviating poverty, which cannot be done if the agreements are achieved based on countries’ growth rates.

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WTO should continue to stem protectionism: Nirmala Sithara

KR Srivats, Business Line

New Delhi, January 17, 2015: The World Trade Organisation should continue with its good work of stemming protectionism and India will work with this multilateral body to move in that direction, Commerce and Industry Minister Nirmala Sitharaman has said.

"WTO had made every effort to stem protectionism. It should continue to stand up to protectionism", Sitharaman said at a special Plenary at the CII Partnership Summit 2015 at Jaipur on Friday.

This special plenary was held to mark the two decades of existence of the WTO.

Starting on January 1, 1995 with 127 members, the WTO has significantly expanded in the two decades of its existence with as many as 160 members and accounting for 98 percent of the global trade.

In her address, Sitharaman urged the WTO to be more responsive to the needs of the developing countries and least developed countries, who account for minuscule share of less than 1 per cent of the global trade.

India’s Concern

Sitharaman also expressed concern about attempts being made by certain countries to equate only free trade to development."Trade is an important instrument (for development). But only free trade cannot be equated to development. Development encompasses of other things also and not just trade", Sitharaman said.

Development was at the core of the Doha Development Agenda and it must remain at the centrestage, she said, noting that WTO's future work programme must factor in the point that prosperity of few cannot be achieved at the misery of many.Later, WTO Director General Roberto Azevedo told *BusinessLine* that he agreed with the Indian position that trade cannot be the only element affecting development of countries.

"She (Nirmala Sitharaman) is absolutely right. Trade is not the only element affecting development, there are many elements that affects the development of countries. It would also be wrong to say that trade does not play a part.

While trade is not the only element that must be looked into, it is clearly one important element of the development debate", Azevedo said.He also made it clear that it was not for the WTO (the organisation) but its members who have to find the right balance.

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Time for an Indian trade facilitation committee

Nisha Taneja & Shravani Prakash, The Finanacial Express

January 19, 2015: With the WTO's Trade Facilitation Agreement (TFA) finally in the rule books, it is now vital for India to get cracking on its execution. For this, the first step would be to expedite the formation of an empowered National Trade Facilitation Committee (NTFC), with a clear and demonstrable mandate.

A National Trade Facilitation Committee is a "permanent non-profit organisation, established with the objective of simplifying and automating procedures and information exchange in administration, commerce and transport". The government has often mooted the idea of forming a NTFC and the process has reportedly been initiated. It is time to put it on high-priority given there is a binding requirement for all WTO members to create a Trade Facilitation Committee "to facilitate both domestic coordination and implementation of provisions of the TFA".

An NTFC is important as it acts as the vital communication channel between government and the private sector as well as helps avoid turf wars among the numerous government agencies involved in cross-border trade. Also, the “presence of a NTFC, along with the evidence of political will, is regarded as a crucial determining factor when donors prioritise technical assistance efforts”.

The tasks entrusted to NTFCs typically include, among others, drawing up and implementing a national trade facilitation plan; assessing barriers to trade facilitation and making policy recommendations for their reform; providing a national focal point for the collection and dissemination of information; reviewing and evaluating progress of negotiations and making timely recommendations for adjustments.

Even though the WTO requirement is recent, several NTFCs have already been established in the last 30 years under technical assistance projects executed by various international institutions like the United Nations Conference on Trade and Development (UNCTAD) and the Economic Commission for Europe (ECE). Developed countries, such as UK and Sweden, have successfully operated TF committees. Many developing countries are also increasingly using this method for streamlining their trade and transport operations. In South Asia itself, Nepal had established a NTFC in 1997 and Pakistan in 2001. China also established one in 2004.

A review of these operational NTFCs by UNCTAD showed that such committees have not only been instrumental in maintaining coordination and communication but also help in implementation of concrete projects and ensuring a good WTO negotiating position. While forming India’s trade facilitation body, the existing examples could be studied in detail to assess the factors that would determine the success of such a committee.

For one, India can draw lessons for conceiving the committee’s structure and membership. Existing NTFCs generally have representatives from all concerned government agencies (mostly ministries of trade/ commerce, transport, and finance, including customs); trade and transport service providers (such as carriers, freight forwarders, multi-modal transport operators, customs brokers, commercial banks, and insurance companies) and traders (exporters and importers).

A number of countries have set up joint trade and transport facilitation bodies, which could be the suggested structure for India’s national trade facilitation committee. The body could take the form of a public-private partnership and comprise representatives of all organisations involved in international trade and transport.

This committee could have both regulatory and advisory functions, and be empowered to implement facilitation measures. For this, commitment and representation from the highest level of government would be essential. The Chairmanship of such a joint body is usually vested with senior officials from the ministries of trade/commerce, transport or customs; or is rotated between them. In India’s case, a feasible option could be a Joint Chairmanship between the Ministry of Commerce (responsible for implementation of the TFA) and the Customs

Department (responsible for final clearance of traded goods at the border). The offices of the NTFC can be set up within the ministries that chair the bodies, while an independent Secretariat can be established in a separate office.

While such a structure would mean that the government will exercise a dominant role in the facilitation of international trade and transport, a significant representation from the private sector is very vital. The committee should not only have representatives from trade and transport related government agencies, but also from trade and transport service organizations of the private sector.

Another important consideration while setting up the NTFC would be to ensure the inclusion of some members who are directly involved with facilitation of cross-border movement of goods via the land ports that are used for trading with India's neighbours in South Asia. This is essential because these land ports at India's borders with countries like Pakistan, Nepal, Bangladesh and Bhutan continue to be less efficient than the sea and air ports, and often get left out of the trade facilitation agenda.

Apart from devising an inclusive structure, other factors shown to drive the success of NTFCs should also be incorporated. For example, the committee's work Programme must be linked to government and business priorities, there should be an effective review mechanism, adequate funding should be ensured, the terms of reference must be flexible and there should be a fair degree of institutionalisation.

Once the national trade facilitation committee has been established along these lines, it will be in a position to effectively implement the obligations of the Trade Facilitation Agreement. This would enable India to secure a fair share of the $1 trillion that the deal is estimated to generate annually for the world economy.

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EU lifts ban on import of mangoes from India

The Times of India

London, January 20, 2015: The European Union on Tuesday decided to lift a ban on the import of mangoes from India after the country made improvements in plant health controls and certification system, clearing the way for them to return to the 28-member bloc.

A European Commission committee voted to lift the ban today. The legislation now needs to be formally adopted and published by the European Commission.

This will take around a month, but the positive vote by the Committee gives certainty to Indian exporters and UK importers about the position for the forthcoming mango season.

Welcoming the decision, British High Commissioner in India James Bevan said: "This is great news for the UK-India and EU-India trade relationship and especially for Indian exporters and UK consumers.

"The British Government worked hard to have the ban lifted. This includes sending an expert to provide technical training, prior to the EU inspection in September. This is great news for the UK-India and EU-India trade relationship and especially for Indian exporters and UK consumers," Bevan said.

"We are pleased to have played an important role in bringing the ban to an end," Bevan said.

The EU accounts for more than 50 per cent of total exports of fruits and vegetables from India. The UK is the main destination, followed by the Netherlands, Germany and Belgium.

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Intermediate goods export via FTA route increases

Business line

Kolkata, January 21, 2015: Data collated by the Commerce Ministry has indicated that since 2009 the share of raw materials in India's exports basket to countries with which it signed the free trade agreements has remained stagnant, while the intermediate goods exports have gone up.

Import data

Sumanta Chaudhuri, Joint Secretary, Department of Commerce, said the Ministry has taken initiatives to collect comprehensive export (through FTA route) data.Import data suggest that the impact of FTAs on import surge was restricted to 20-25 per cent, he said. In the past few years, after India entered into a number of FTAs, higher value addition at home and exporters going up in the value chain has been the broad trend.

Launching a sample survey among the exporters and importers on the experience in using the FTA-related benefits, Chaudhuri said the survey results would be made public in the next three months.

Reviewing pacts

The Ministry is targeting reviews of FTAs for future re-negotiations. The inputs would also be used to frame new export-import policy.The official said for gathering export-related data, the Government is considering changes in the Customs department's software and exporters' disclosure formats.

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India, U.S. near tax pact to boost foreign investment

Sumeet Chatterjee

Mumbai, January 23, 2015: India is set to strike a bilateral tax agreement with the United States as early as this weekend, hoping to boost foreign investment and ease concerns raised by bruising disputes including cases against Vodafone and Shell.

The pact, which industry executives say would specifically target the prickly issue of transfer pricing, is part of the Indian government's broader push for bilateral tax deals with top trading partners including Britain.

A finance ministry source said there was already a broad agreement between the Indian and U.S. tax authorities. Several tax officials said a deal could be signed during U.S. President Barack Obama's visit to India, which begins on Sunday.

Transfer pricing, or the value at which multinational companies trade products or services between their units across borders, has been a contentious issue in India in recent years, with the tax department aggressively pursuing billions of dollars of claims.

The tax department has worried that foreign companies have been underpricing goods or services provided by their Indian units, in order to pay less tax.

Tax officials and lawyers with direct knowledge of the matter said the aim of the pact was to make it easier to predict the fiscal impact of doing business in India.

"This is a very positive framework where the government is saying that we don't always have to go ahead and litigate in most of the transfer pricing cases," said Sanjiv Malhotra, a partner law firm BMR & Associates LLP’s direct tax practice.

India entered into its first transfer pricing tax pact with Japan last month.

The Indian tax department is also in talks with Britain, as well as a couple of other European nations, with agreements likely to be signed later this year, said the tax officials, declining to be named ahead of an announcement.

A slew of multinational companies including Vodafone Group Plc, Royal Dutch Shell Plc, IBM Corp, Microsoft Corp and Hewlett-Packard Co have fallen foul of India's tax collectors in last couple of years.

The tax department charged the firms with under-invoicing the value of products, services or shares offered to parents and, therefore, lowering tax liabilities.

A few companies including Shell have won favourable rulings in the Indian courts on those tax claims, but many other cases are still being litigated, and, tax lawyers said, the agreements between India and other countries won't involve those cases.

Finance Minister Arun Jaitley has repeatedly asked tax officials to move towards a tax-friendly regime to erase the "bad name" India has earned among foreign investors.

Last year, in his interim budget, he announced new measures to reduce litigation on the transfer pricing issue.

Under the bilateral pacts, the Indian government will enter into so-called advance pricing agreements, which set the tax liability of the transfer pricing value for the next four to five years, with other countries.

India introduced an advance pricing agreement in 2012 and talks between the United States and New Delhi for a pact first started in late 2013, but Washington's push to settle past transfer pricing cases have delayed the process.

"The agreement with the United States will give a major boost to the companies operating in India. The scope for litigation will come down significantly," said a consultant for transfer pricing taxation with a leading global firm.

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Consensus on Indo-US trade deal unlikely

Arun S, The Financial Express

New Delhi, January 25, 2015: Even as the United States is pushing for revival of talks on a proposed bilateral investment treaty (BIT) with India during President Barack Obama's visit, a breakthrough is unlikely any soon as their respective model BIT texts — the starting point for negotiations — are almost poles apart.

The talks on an India-US BIT had begun as early as August 2009, but have seen little progress so far. New Delhi has now incorporated stringent norms in its model BIT text (which is in the 'final draft' stage and awaiting Cabinet clearance) following foreign investors and MNCs, including Vodafone and Siestema, issuing legal notices to the Indian government, invoking different BITs that India had inked with other countries.

The extreme position taken by India in its new model text could be rejected in toto by Washington, said sources.

These include provisions totally excluding tax issues, as well as portfolio investments and derivatives from the BIT's purview. The US model BIT text has not fully divested investors of their right to challenge the government's tax-related decisions. Besides, it has also not excluded short-term investments and derivatives from protection under BIT.

The other main bone of contention would be India's move to leave out the 'most favoured nation' clause (which mandates the signatory countries to accord equal treatment — in like circumstances — to investors from all countries).

The absence of an MFN clause in India's BIT text implies that foreign investors with operations in multiple countries will not be able to invoke a BIT between India and any other country that is most favourable to them (to win huge compensation) in case of a dispute. The US model BIT text has an MFN clause.

What can also irk Washington is India's model text asking aggrieved investors to first exhaust local judicial and administrative remedies before proceeding ahead with arbitration overseas. There is no such restriction in the US model text.

In addition, Indian BIT text has a clause preventing investors from challenging decisions of Indian courts, something that will not get US approval.

Besides, the US might also challenge the curbs imposed by New Delhi's model BIT text on repatriation of investments to help India safeguard its interests when or if it faces balance of payments (BoP) problems.

Washington, sources said, is against any such restrictions on capital flows. Also, India's model text does not have a detailed procedure on how such restrictions on repatriation of investments can be imposed, something which makes it difficult for investors to challenge the curbs in courts or during arbitration.

The US model text has a detailed procedure, which makes it very difficult to impose any restrictions on capital outflow.

Another provision in India's model text that the US will find it unpalatable are the performance requirements that it imposes on investors including transferring technology to India. The US will also oppose India's BIT text giving the policy space to the Indian government to have a law requiring that Indian citizens need to be appointed in senior management positions in companies in certain sensitive industries. Also, the US will not be pleased with India's model text excluding protection to those investors without long-term interest in the country.

India's BIT text specifies that only 'enterprises' having 'real and substantial business operations' in the host state, including through transfer of technological know-how, can claim protection. This move is meant to discourage investments by shell companies/ front companies / mailbox companies through low-tax countries, but since many US firms route investments through such low-tax nations like Mauritius and Singapore, Washington could oppose this clause.

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Budget may raise import duty on electronics, mobiles

Arup Roychoudhury & Jayshree P Upadhyay, Business Standard

New Delhi , January 26, 2015: Planning to buy a new cellphone or laptop? You might want to do so before the end of February; these items are likely to become more expensive after the Union Budget, at least for the near future.

Budget 2015-16 might increase the import duty on mobile phones and laptops by two to three percentage points, to push domestic manufacturing of these technology products, say sources in the know.

At present, import duty on mobile phones across categories (in the form of countervailing duty) stands at six per cent. On laptop and desktop computers, this is much higher, at 12 per cent.

The government imposes countervailing duty on certain products to provide domestic players a level playing field.

An increased rate of import duty on these products, if implemented, is likely to fetch the government an additional revenue of Rs 4,000 crore - a large chunk of that from mobile handsets - during financial year 2015-16.

India imported 225 million mobile phones last year. The industry pegs the country's imports next year to be 15 per cent higher, at 259 million. On average, the number of laptop and desktop computers shipped to India every year stands at around 10 million.

Assuming the average cost of a mobile handset before Customs duty at Rs 4,000, the government could earn an additional Rs 3,120 crore from mobile phones alone. Add to that a potential additional Rs 1,000 crore from computers, and the increase in the government's revenue on account of import duty hikes exceeds Rs 4,000 crore.

Some market players say the government's intent in such a move could be greater than the need to increase its revenue; a raise in duty on finished imported goods will promote domestic manufacturing.

However, some other experts believe this might not have much of an impact, at least in the short term. "The cost for domestic manufacturing in India, with excise duty and value-added tax (VAT), is one of the highest in any tax jurisdiction," says Saloni Roy, senior director, Deloitte Haskin & Sells.

A marginal increase in duties might give only a limited push to domestic manufacturing of these products, Roy said. "Unless there is a steep increase in import duty, the industry will continue to look at foreign markets for these products."

Earlier, the previous central government had adopted a similar strategy. It had levied tax at six per cent on imported mobile phones costing more than Rs 2,000 apiece. This was later in 2014 revised to cover all categories of phones.

The strategy had little success in promoting domestic manufacturing, as is visible in the sharp drop in India's production of mobile handsets, especially after the closure of Nokia's Chennai factory. Home-grown companies like Lava, Karbon and Micromax import mobile phone parts from China and Taiwan, and reassemble those in India.

"The cost for manufacturing in India (with taxes) takes our liability to close to 25 per cent - much higher than the cost incurred in importing parts," says an information technology executive who does not wish to be named. The government needs to offer additional incentives for promoting domestic manufacturing, he adds.

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India and US get down to business

Asit Ranjan Mishra, Elizabeth Roche & Ragini Verma , Live Mint

New Delhi, January 27, 2015 : India and the US moved to deepen their economic engagement, both striking a conciliatory note on divisive issues such as intellectual property rights (IPR), taxation and a bilateral investment pact, a day after Prime Minister Narendra Modi and President Barack Obama broke the stalemate on the civil nuclear deal between the two countries. The US committed itself to starting a dialogue that may lead to a so-called totalization agreement that would eliminate dual social security taxation, a situation that occurs when a worker from one country works in another and is required to pay social security taxes to both on the same earnings. India, for its part, signalled flexibility on its IPR regime. Prime Minister Modi also signalled his willingness to reverse retrospective taxation introduced by the Congress-led United Progressive Alliance (UPA) that had prompted concerns among foreign investors. The moves to deepen trade and investment ties came on the second day of Obama’s three-day visit to India, his second in five years. On Monday, Obama became the first US President to be in attendance at India’s annual Republic Day parade as chief guest, an occasion marked by a display of India’s military might and cultural diversity. On Sunday, Obama and Modi had decided to make the US-India civil nuclear deal operational, opening up a market potentially worth billions of dollars to US companies and giving India access to important technologies in another sign of warming relations between the two countries. Both leaders addressed business leaders on Monday at the India-US CEO Forum and the India-US Business Summit. Modi told the summit that his government will provide a non-adversarial tax regime and may even reverse the retrospective tax clause introduced by his predecessor Manmohan Singh’s government. Modi’s government was criticized for not doing so in its first budget despite having a majority in the Lower House of Parliament. “Our immediate target is to bring us from the rear ranks of the world into the top 50. You will find a tax regime that is predictable and competitive. We have removed some of the excesses of the past. We will now soon address the remaining uncertainties,” he added. On the contentious IPR regime that US companies have been critical of, Modi said he agrees it is an important issue and everybody should work together to sort out the problem. “We have constituted a joint working group on this—US-India working group; whatever suggestions come up form this forum, we will implement this," Modi said at the CEO forum. An Indian CEO present at the closed-door CEO forum said Walt Disney chairman and CEO Robert Iger raised the issue. "He said his company has a lot of investment in India, but a lot of their films are being pirated. He said the laws are there, but they are not being implemented. Finance minister Arun Jaitley said 'we have to look into it'. Modi also acknowledged that there is piracy, both in information technology (IT) software and films and we have to tackle this and take strong legal action," he said. India also raised the issue of the totalization agreement. India has been demanding such an agreement, claiming it loses more than $1 billion every year in the absence of such a pact. "In the joint statement, the US made a commitment that we will have a dialogue with the Indian government on totalization. We have said that we need a time-bound programme on totalization so that there is a definitive agreement reached within some time," Deepak Parekh, chairman of Housing Development Finance Corp. Ltd, said after the meeting. Chanda Kochhar, managing director of ICICI Bank Ltd, said the US side raised the issue of a bilateral investment treaty. "Bilateral investment treaty is going to be a very important building block for expanding the relationship. The point that was made in the CEO forum is that we take feedback from both sides before concluding the treaty so that the treaty becomes meaningful," she added. At the business summit, Obama said the relationship between the two countries is defined by much untapped potential. Obama said that while the US does about $560 billion trade with China, its trade with India stands only at about $100 billion. "That may give you some sense of both the kind of growth that India might unleash and the potential for greater trade between our two countries," he said. Obama said both sides had agreed to resume discussion that would move the two countries towards a bilateral investment treaty "that would facilitate India businesses making more investments in the United States and US businesses making more investments here in India". Obama announced that in next two years the US Exim Bank will commit up to $1 billion in financing to support "Made in America" exports to India. The US will also facilitate lending to small and medium businesses across India, which may result in $1 billion in loans in both the under-served rural and urban markets. This, Obama said, will generate more than $4 billion in trade and investment to India and support thousands of jobs in both countries. Obama said India needs to incentivize trade and investment, not stifle it. "We need to be fostering a business environment that is more transparent and more consistent and more predictable. In knowledge-based economies, entrepreneurs and innovators need to feel confident that their hard work and in particular their intellectual property will be protected," he added. Obama announced an "Indian Diaspora Investment Initiative", a new-public private partnership to help Indian-Americans to directly invest in India's future. Obama said this will generate a new stream of financing for Indian businesses that are investing in non-traditional and often overlooked markets. "Whether it is providing healthcare to rural communities or improving water and sanitation, to opening up some of those new bank accounts, this can be another spark in india's economic engine," he said. After a lull in the bilateral trade relationship, both sides resolved their differences on the food security matter to seal a deal at the World Trade Organization in November. Later that month, both sides held a Trade Policy Forum meeting after a gap of four years. Soon after, India's trade ministry announced a committee to identify bottlenecks faced by US firms wanting to invest in the country and fast-track investments. During Modi's visit to Washington in September, the two sides announced a working group on IPR issues to resolve differences.

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Steel Ministry seeks increase in basic customs duty to deter cheap imports

Meera Mohanty, The Economics Times

Bhubaneswar, January 27, 2015: The steel ministry is set to seek a sharp increase in peak rate of basic customs duty on steel products to 25% from 10%, a measure that it wants to be announced in the Budget next month to help stem the tide of cheap imports from China and, more recently, Russia. The ministry also wants sops to make exports of Goa's low-grade iron ore feasible. It has already asked the finance ministry for an immediate increase in duty to 10% from 7.5% for flat products and to double it to 10% for long steel.

"Increasing peak rate will allow the government to change duty to meet market demands without going to Parliament," said a ministry official, requesting not to be named. The Centre can easily meet this demand, the official said, pointing out that the World Trade Organisation's peak import duty for steel is 40%.In the interest of domestic steelmakers, the ministry led by Narendra Singh Tomar could also ask for steel to be included in the negative list of free trade agreements with Asian countries, the official said.

A simultaneous waiver of the 2.5% import duty on raw material for steel such as coking coal, dolomite, limestone and scrap and nickel used in stainless steel is also being sought, according to industry executives. This is besides the duty waiver being sought on imported LNG that will benefit gas based steelmakers such as Essar and Wellspun.

The companies that stand to benefit could not be reached for comment. The mines ministry expects a significant improvement in domestic iron ore supplies in 2015-16, following the promulgation of an ordinance that will allow several shut mines to resume operations.

Tomar, who holds the combined charged of mines and steel ministries, had earlier told ET that the government's first objective is to meet the domestic requirement for raw material, in line with the 'Make in India' programme. "In case there is surplus production then we might look at incentivising exports. In some cases such as that of low-grade iron ore fines, where there is no domestic demand, a case can be made," the minister had said.

Relief may be in the offing for Goa's iron ore miners. A 30% export duty is in place for iron ore although the international price of the critical steel input has crashed to its lowest in five years. Goa's miners say they do not have a domestic market for their ore, 90% of which is of less than 58% grade FE and unused in domestic blast furnaces.

Withdrawal of the export duty is, therefore, critical to resumption of mining that was banned for two years due to regulatory issues. The mines ministry has asked the finance ministry to consider a differential duty instead of a flat 30%. This could be discussed in a meeting between the representatives of ministries along with Goa chief minister Laxmikant Parsekar.

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India, US to battle it out at WTO over solar policy

D. Ravi Kanth, Live Mint

Geneva, January 27, 2015: Even as Prime Minister Narendra Modi and US President Barack Obama signed an agreement on Sunday to promote clean energy and expand solar energy initiatives, a move widely seen as giving US companies access to the lucrative Indian market, the two countries are preparing to slug it out in the World Trade Organization (WTO) over India's solar policy. Next week, a dispute settlement panel of the WTO will commence hearings on a trade dispute between Washington and New Delhi over the Indian government's imposition of local content requirements for solar cells and solar modules under the Jawaharlal Nehru National Solar Mission (JNNSM). The panel, which will be chaired by former New Zealand trade envoy David Walker, will begin its proceedings on 3 February when the US will make its first submission as to how India violated WTO commitments by implementing JNNSM. In its dispute notification, the US has charged India with imposing national content requirements and denial of national treatment for solar cells and solar modules. The US has also complained that India provides subsidies to its domestic producers involved in the manufacture of solar cells and solar modules. WTO members are not supposed to insist on national content requirements that discriminate against foreign products. Governments are also required to provide national treatment, under which imports must be treated on par with domestically manufactured products. The US claims that the Indian government's measures to impose national content provisions and deny national treatment have impaired benefits accruing to American companies. The WTO dispute settlement proceedings will go on for several months and a preliminary ruling will be issued in six months. In New Delhi, a senior Indian government official said on condition of anonymity that India wouldn't budge from its stand at the WTO. "Without support from the government, our domestic industry can't survive," said the official. Interestingly, Chinese and Taiwanese firms may be slapped with an anti-dumping duty by the US after the US International Trade Commission on Wednesday ruled that their photovoltaic product shipments had hurt US domestic manufacturers. India has rolled out an ambitious campaign to promote solar energy by enlisting the Indian Army, Indian Railways and central public sector units in the effort and providing them with grants on the condition that they source solar equipment from domestic manufacturers. According to the plan, reviewed by Mint, the government will provide financial support of up to Rs.1 crore per megawatt (MW) to the implementing agency for setting up large solar capacities by placing orders with domestic manufacturers. It requires an investment of around Rs.8 crore per MW for setting up solar photovoltaic power projects. JNNSM was launched by the previous Congress government four years ago and aims to promote ecologically sustainable growth while addressing India's energy security challenges. Gujarat, where Modi was chief minister before becoming prime minister last year, was the first state to implement the mission. Although the US has made a strong case about the loss of commercial gains to its domestic producers of solar cells and solar modules in the Indian market, Washington too, has resorted to similar measures, including local content requirements and a range of subsidies for promoting its renewable energy sector at the federal, state, regional, and local levels. India has raised the issue repeatedly against the US at the WTO's committee on subsidies and countervailing measures, stating that American subsidy schemes relating to local or domestic content requirements are inconsistent with its global trade obligations. New Delhi has provided a five-page questionnaire listing out US programmes such as solar energy credits that are contingent upon compliance with domestic content requirements. But the Indian government has refrained from raising a trade dispute against the US on its WTO-inconsistent programmes in the renewable energy sector despite collecting evidence about the US subsidy regime and the country's local content provisions. Against the backdrop of the Modi-Obama agreement to promote clean energy and increase cooperation in solar energy initiatives, trade lawyers are asking whether the US is prepared to suspend the dispute against India on solar cells and solar modules. "The dispute settlement understanding in Article 12.12 states that the panel proceedings can be stopped anytime at request of the complaining party," said a trade lawyer who asked not to be identified. "If there is political will due to changed circumstances or new understanding between the two leaders, then the US can simply call for the suspension of panel proceedings," the lawyer added. The way the US-India trade dispute on solar cells goes could well decide whether genuine national necessities and bilateral initiatives to promote renewable energy eventually triumph over mercantile commercial concerns.

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US poultry import: India appeals against WTO rejection of ban

Business Standard

New Delhi, January 28, 2015: India has filed an appeal against a World Trade Organization (WTO) ruling of October 2014, in favour of the US over New Delhi's ban on poultry import from America.

The appeal was filed on Monday, a commerce department source said here. The appeal was filed at the WTO appellate body. India banned import of poultry meat and chicken legs from the US on fears that this could result in spread of bird flu, in 2007. WTO's dispute settlement body, ruling on a petition filed by the US, found the restrictions violative of global trade rules.

The commerce department says it held discussions with the department of animal husbandry and concluded there was enough ground to appeal, the source said. The WTO ruling of October was that India's restrictions were not based on scientific principles and were imposed without sufficient evidence. However, the government here believes it can prove its fear of low pathogenic strains of bird flu are valid.

The ruling had repercussions for the domestic poultry sector, as India could no longer restrict import of cheap chicken legs from the US.The poultry industry had urged the government to appeal.The ban was not supported by the World Organisation for Animal Health.With annual production of 3.5-4 million tonnes, India is the fourth largest producer of chicken in the world, after the US, China and Brazil.US consumers generally prefer chicken breasts. Chicken legs are frozen for export to other markets.

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India raises the stakes in trade battle against US

Utpal Bhaskar, Live Mint

New Delh, January 29, 2015: India has raised the stakes in an ongoing trade battle with the US at the World Trade Organization (WTO), with state-owned NTPC Ltd calling bids for developing solar projects in Rajasthan, Telangana and Madhya Pradesh from domestic manufacturers. “Only domestic manufacturers can participate in this NTPC tender,” an Indian government official said, requesting anonymity. Interestingly, the bids called by India’s largest power utility for developing 750 megawatt (MW) of solar photovoltaic projects in these states involving an investment of around Rs.6,000 crore was called on Saturday, a day before India and the US issued the statement that spoke of support to India’s ambitious green energy programme during US President Barack Obama’s visit. Obama’s visit comes amid a trade battle between India and the US at WTO, where a dispute settlement panel has been established to hear US complaints against India’s domestic content requirements on procurement of solar cells and modules under the Jawaharlal Nehru National Solar Mission programme (JNNSM). The panel, which will be chaired by former New Zealand trade envoy David Walker, will begin its proceedings on 3 February when the US will make its first submission as to how India violated WTO commitments by implementing the JNNSM. The bid documents will be available from 4 February. According to the terms of the tender, these 250 MW packages will have five blocks of 50MW each and will comprise of two-stage bids, techno-commercial and price. “Solar will form an important part of our energy mix,” said an NTPC executive who also didn’t want to be identified. As part of its strategy, India has rolled out an ambitious campaign to promote solar energy through organizations under the ministries of defence and home such as the Indian Army, and central public sector units (CPSUs) such as Indian Railways, NTPC, NHPC Ltd and Coal India Ltd, providing them with grants on the condition that they source equipment from domestic manufacturers. According to the plan, reviewed by Mint, the government will provide financial support of up to Rs.1 crore per MW to the implementing agency for setting up large solar capacities by placing orders with domestic manufacturers. It requires an investment of around Rs.8 crore per MW for setting up solar photovoltaic power projects. This comes in the backdrop of Prime Minister Narendra Modi’s Make in India programme, aimed at attracting foreign investments and turning India into a manufacturing hub. In its dispute notification, the US has charged India with imposing national content requirements and denial of national treatment for solar cells and solar modules. While the US has also complained that India provides subsidies to its domestic producers involved in the manufacture of solar cells and solar modules; the Indian government has termed the scheme WTO-compliant. Queries emailed to the spokespersons of NTPC and India’s ministry of new and renewable energy remained unanswered till press time. NTPC, which has a 17% share in the country’s electricity generation mix, with an installed power generation capacity of 43,128 MW, plans to generate 3,300 MW from solar energy. The utility plans to add 14,038 MW during the 12th Plan period (2012-17) and has budgeted an ambitious capital expenditure target of Rs.1.5 trillion. It has set itself the target of becoming a 128,000 MW power producer by 2032. India and the US on Sunday agreed to work closely on efforts to promote solar energy. “We very much support India’s ambitious goal for solar energy and stand ready to speed this expansion with additional financing,” Obama said after his meeting with Modi in the national capital on Sunday. Mint reported on 24 January about the US statement of support which may help it attract more investment to fund projects to produce solar and wind power. India has substantially revised an earlier solar energy target of achieving 20,000 MW of capacity by 2022 to 100,000 MW. It plans to put in place 60,000 MW of wind power capacity by then. Both targets would require around Rs.10 trillion of investment if they are to be met. “Prime Minister Modi emphasized India’s ongoing efforts to create a market environment that will promote trade and investment in this sector. President Obama welcomed India’s ambitious solar energy goals and encouraged India to continue its efforts to increase trade and private investment in this sector. President Obama conveyed the potential availability of US government official financing in this area, consistent with its policies, to support private sector involvement for those entities in contributing to India’s clean energy requirements,” the joint statement said. There has been growing interest from US firms to set up manufacturing facilities in India. US-based SunEdison Inc. announced this month that it plans to build a solar photovoltaic manufacturing facility in India in a joint venture with Adani Enterprises Ltd with an investment of around $4 billion. Also, First Solar Inc., which builds large solar farms, mainly for utilities, is exploring an opportunity to set up manufacturing operations in India. India’s National Action Plan on Climate Change recommends that the country generate 10% of its power from solar, wind, hydropower and other renewable sources by 2015, and 15% by 2020. Of India’s installed power generation capacity of 255,012.79 MW, renewable power has a share of only 12.42%, or 31,692.14 MW.

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India, US disagree over food security

The Economics Times

Geneva, January 30, 2015: Disagreements flared up between the US and India here today at the first informal meeting to find a permanent solution on public stockholding for food security in developing countries.

The G-33 countries led by India and including China want public stockholding for food security purposes to come under the "Green Box" -- domestic support for agriculture that causes minimal or no trade distortion.Under current WTO rules, developing countries are subject to only minimal disciplines on agriculture subsidies.

Other countries, including the US and Australia contend that price support is by definition market distorting. The US said that "members cannot create a loophole in discipline" and are disappointed that the G-33 -- a group of developing countries that coordinate on trade and economic issues -- re-submitted a proposal that was rejected.

India, on its part, argued that the proposal was never rejected. The EU said there are "legitimate concerns" both of food security and trade distorting impact.The main element of the G-33 proposal is that acquisition of stocks of foodstuff by developing nations with an objective of supporting low-income producers should not be included in the calculation of Aggregate Measurement of Support (AMS), or the so-called "trade distorting domestic support."Even though developing countries are allowed agricultural subsidies, another major area of concern has been the calculation of the AMS--the difference between procurement price and the external reference price is treated as a subsidy to the farmer and included in the AMS.The external reference price is still calculated on the 1986-88 prices.Since food prices domestically and internationally have dramatically risen since the time, it effectively limits the governments capability to provide schemes for their small farmers.

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India, China, Indonesia want cap on foodgrain procurement removed

Amiti Sen, Business Line

New Delhi, January 31, 2015**:** Maintaining its hard posture on food security at the World Trade Organisation (WTO), India has said that Government procurement of foodgrain at non-market prices should be allowed without limits.

China, Indonesia and Turkey were some of the other members of the G-33 alliance of developing countries in agriculture which pushed for exclusion of support prices for foodgrain from the list of trade-distorting subsidies.

Difference of opinion

The proposal, discussed in the first session on finding a “permanent solution” to India’s (as well as some other developing countries) problem of ensuring food security without bending global trade rules was, however, opposed by some such as the US, the EU, Pakistan, Australia, Japan, Argentina and Paraguay.

“While India and some other G-33 members argued that unlimited Government food procurement was necessary to ensure food security to poor, those objecting said that without adequate disciplines it could lead to unintended consequences such as hurting the food security of other countries,” a Government official told *BusinessLine.*

WTO members are supposed to find a “permanent solution” by the end of this year as per the agreement reached in the Bali Ministerial meeting in December 2013, which was later re-negotiated by India.

New Delhi, meanwhile, has got a short-term solution as part of the Bali deal where members have agreed not to take legal action against it in case subsidy cap is breached. Since the reprieve granted to India is subject to a number of conditions including sharing of numerous data and details, India wants a simple 'permanent solution' to the problem as soon as possible.

"India and the G-33 want that on account of public stockholding, whatever amounts of subsidy go beyond *de minimis* (the subsidy cap fixed at 10 per cent of total production), it should be excluded from the aggregate measurement of support (actionable subsidies)," the official said.

The G-33 proposal, made in 2012, also talks about alternative solutions which includes calculating procurement subsidies by changing the base year from 1986-88 and making it more recent, or by indexing it to inflation.

"We are flexible in our approach. We don't intend to just stick to one proposal, but are ready to discuss the alternatives suggested in G-33's earlier proposal," the official said.

India runs the risk of breaching the agriculture subsidy cap, at least in rice, in a few years' time once it fully implements its food security legislation.

In Bali, it agreed to give its approval to an agreement on trade facilitation that places obligations on all members to upgrade their customs infrastructure only on the condition that the rules on food procurement subsidies are changed.

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Import curbs in Iran adds to woes of Basmati rice traders

Sutanuka Ghosal, The Economic times

Kolkata, January 29, 2015: Basmati demand in the domestic market has not picked up despite a price fall in the last six months following Iran's decision to put a ban on imports. Retailers and branded players say that consumers are anticipating a further fall in prices, which are around 30-40% lower now. Exporters are the worst sufferers in the current fiscal year as they will have to book losses since they are unable to clear the inventory.

"Iran's ban on basmati rice imports has affected our exports. And the domestic market is also down. We will have to book losses this fiscal year," said Bal Krishan Mittal, managing director of Punjab-based Gurdaspur Overseas, a basmati rice exporting firm. The branded players are offering 20% to 30% discounts to beef up sales in the domestic market and to liquidate stocks.

"We are running trade schemes in which we are offering discounts. Earlier, consumers used to stock basmati rice if they had got it at a lower price. But now they are purchasing basmati according to their requirement. There is a general sentiment in the market that prices may fall further," said Uday Nayak, business head (domestic market), Shri Lal Mahal, a 108-year-old basmati rice player.

The company sells basmati rice under the brand name Empire, Heena, Royale, Mughlai, Supreme and Neelam. In the local mom-n-pop shops, basmati offtake has not surged and the movement is also slow in the organised retail space, said MP Jindal, president of All India Rice Exporters' Association. "It is a bad year for exporters. However, a delegation is going to Iran by the end of this month to find out how long will this ban continue and when will the fresh orders be placed by Iran. Traders are currently shipping only rice consignments with permits of last year to Iran," Jindal said.

A section of the industry fears that farmers may bring down acreage under basmati rice next kharif season if this price fall continues. India's basmati crop output has been around 81 lakh tonne last kharif, or summer, season, compared with 66 lakh tonne in 2013. Incidentally, Iran has barred rice from other countries as its local crop is reported to be good this year.

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As debt rises, sugar mills seek export subsidy sop

The Economics Times

New Delhi, Jan 31, 2015: The sugar industry has made a fresh pitch for extending the controversial export subsidy on raw sugar citing a threefold jump in its debt burden from Rs 11,400 crore in 2008 to Rs 33,600 crore in 2013.

While the Cabinet is expected to raise the subsidy to Rs 4,000 a tonne from Rs 3,371 next week, the powerful sugar lobby also wants a fresh loan-restructuring package despite managing to extract major concessions on bank loans earlier. During bumper harvests, the industry typically cites its inability to pay cane arrears to pressurize the government into doling out concessions such as export and loan subsidies.

This time, however, the export subsidies have been questioned at the WTO, where Australia, Brazil and the US have alleged the subsidies aren't compliant with global trade rules. The Indian Sugar Mills Association said this is probably the first time that the mills are unable to even pay the Centre fixed fair and remunerative price to the farmers.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.

India's Rs 12-billion food security programme, which is binding by law, is a key welfare measure aimed at delivering millions out of poverty by providing subsidies to consumers through the PDS, and the producers of food grains and also through subsidising through inputs like electricity.The logjam was broken by an interim peace clause in November 2014 that legally protected existing stockholding programmes of developing countries if purchases at government- set prices take the countries' above the limits they have agreed for trade-distorting domestic support.

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