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Exports in September down 10.78%, trade deficit widest in 11 months
Amiti Sen, Economic Times

12 October 2012, New Delhi: India's exports contracted for the fifth straight month in September while imports rose marginally, pushing up the trade deficit to an 11-month high of $18.1 billion, official data released on Thursday showed.

Exports contracted 10.8% from a year ago to $23.7 billion, while imports rose 5.1% to $41.8 billion on a 31% rise in oil imports to $14.1 billion, the commerce ministry said in a statement.

"We are tracking the trade deficit levels carefully, as a high current account deficit could be detrimental for the country's balance of payments" an official told ET, adding, "This month's high deficit is worrying, but we have seen worse last fiscal."

Non-oil imports for the month showed a contraction of 4.5%, indicating that the economy was still struggling but rising crude consumption was worsening the trade deficit.

Record high trade deficit last fiscal had pushed up the current account deficit to 4.2% of GDP, but a sharp moderation in gold imports fuelled hopes that the gap would be lower, which was partly the reason the rupee has rallied smartly against the dollar over the last few months.

Although the trade gap has widened, some economists are hopeful of an improvement in the current account deficit. Citibank expects a current account deficit of 3.1% of GDP, its India economist Rohini Malkani said in a note to clients.

But trade experts don't see a rebound in exports, given the deteriorating outlook for the developed nations.

"The global economy is getting into further problem, which is clear from the latest scenario painted by the IMF," said Biswajit Dhar, director-general for developing countries at Research & Information System. "The competitiveness of our exports depends on how much we can reduce transaction cost," Dhar added.

Exporters blame the fall in exports on the high cost of credit and the fluctuation in the rupee.

"The biggest worry is the appreciating rupee, which has risen 10% recently, and the high cost of funds," said A Sakthivel, a garments exporter who also chairs the Apparel Export Promotion Council.

Exports have dipped sharply this fiscal due to shrinking demand from the West, a major market for Indian goods, and other markets such as Japan and Korea. The sectors affected the most include engineering goods, petroleum products, gems and jewellery, drugs and pharmaceuticals, and readymade garments.

Exporters say the government should offer more incentives for them to remain competitive.
SP Agarwal, president of Delhi Exporters Association, said the government should not only give more incentives to small exporters but also put in place a mechanism to shield them against currency fluctuations.

"Earlier this year, we quoted lower price in foreign markets as the rupee was down against the dollar and the euro, and we needed to fight our competitors. Now that the rupee has strengthened, it will not be easy to convince our buyers to give us more," Agarwal said, adding, "Moreover, we are not even sure what prices to quote as the rupee is so volatile."

An expert from a Delhi-based research body said the government should consider cutting red tape to help the sector. "We have not heard much about the Scindia Committee report on transaction costs after it was released last year. It is time for the government to act on the suggestions," he said.

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World trade growth to rebound in 2013: Pascal Lamy
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13 October 2012: World Trade Organisation (WTO) expects trade growth to modestly rebound to 4.5% in 2013 with exports of developed and developing economies increasing by 3.3% and 5.7% respectively and imports increasing by 3.4% and 6.1% WTO Director General Pascal Lamy. It is clear that the world is still working its way out of the crisis he added. The global economic growth rates remain sluggish and global unemployment still remains far too high. New threats to food security are growing and questions about how to effectively address climate change remain. Just last month the WTO revised downwards its projections for trade growth in volumes from the Spring forecast of 3.7% growth to 2.5% which is a larger than expected downgrade.

There have been some recent positive signals regarding measures to reinforce the euro and boost growth in the United States but the fact remains that the European sovereign debt crisis has not yet retreated and this continues to have implications for fiscal adjustment in the peripheral euro area economies and in the developing country markets particularly those in Africa given their strong trade links with Europe. Output and employment data coming out of the United States continues to be below expectation while and industrial production figures in China point to slower growth in that economy. Given that China is the world's largest exporter this has far reaching implications for the global economic landscape. Even though it is expected that trade growth will rebound in the coming year.

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Grab the $100-bn export prize
Arun Bruce, Business Standard

19 October 2012: India has always been a competitive location for manufacturing — labour is cheap, engineering skills sufficiently available, power, where available, is reasonably priced, and manufacturing is of acceptable quality. And, this advantage has gotten even better over the last three years. Consider these facts:

- About 45 per cent of all Deming Awards – the Oscars for quality systems – awarded since 2000, have gone to Indian companies, 26 per cent to Japanese companies, 21 per cent to Thai and only two per cent to Chinese companies.

- At 16 per cent year-on-year growth, Chinese wages have inflated at twice the rate as Indian wages since 2008. Our average labour cost at $1.5 an hour for 2011 is much lower than China's $2.5 an hour.

- The Indian rupee has become cheaper by 15 per cent relative to the Chinese yuan over the last three years, amplifying the labour cost shift.

Put in simple terms, an average Indian product, which was already competitive three years ago, is now about 20 per cent cheaper on a relative basis against a Chinese product — a serious fact for any developed market purchaser to note.

While this increased competitiveness somewhat helped our exports grow till last year (India's share of manufactures in global trade was 1.6 per cent for 2011 as against one per cent in 2007), this year has seen us slipping behind again. Exports have de-grown for the past five months in a row, and early estimates seem to indicate that we could have lost 0.1-0.2 per cent share of global trade.

Why is this happening? There are many reasons, three of which are: a) China has continually increased its export incentives over the last few years to compensate for loss of competitiveness. For example, in door locks, its export VAT (value added tax) rebate has nearly doubled (from five to nine per cent). b) China is aggressively implementing counter-measures to compensate for wage inflation in the east. Its "Go-West" policy has been successful in parts in convincing companies to relocate to its interior. c) Most importantly, Indian infrastructural bottlenecks have intensified. For example, the low cost of power means nothing to an SME (small and medium enterprise) owner who runs his diesel genset for 16 hours a day.

This slippage in global position could not have come at a worse time. The World Trade Organisation predicts that global merchandise trade will continue to grow this year (albeit at 2.5 per cent) before bouncing back to the five-per cent range next year. Gaining 0.2 per cent share per year (we gained 0.3 per cent in our best years 2009 and 2011), could see us grow our manufactured exports by $100 billion over the next three years. Now, that is too big a prize to ignore, especially when China's competitiveness is expected to continually decline.

What needs to be done to capture this $100-billion prize? Four things:

First, implement the National Manufacturing Policy in letter and spirit. Speed up approval, construction and launch of national investment manufacturing zones (NIMZs), and ensure they deliver what they were envisioned to — quality infrastructure, talent availability and labour flexibility. While nine NIMZs have been "approved", there is a need for many more. Land availability among others, will continue to be a major challenge for NIMZs.

Second, address infrastructure issues, especially power shortage. It is unfair to expect the manufacturing economy to grow when the core ingredient – power – is unavailable. India needs to add more than 25-Gw generation capacity every year for 20 years to sustain its competitiveness. This should not be as tough as it is made out to be, given that India has over 150 years of coal reserves and surplus local manufacturing capacity for all key power equipment — including boilers.

Third, look for new sectors to grow in and drive a mission-mode approach to building competence in them. Textiles and clothing will only get us so far. And here, there is a clear need to think big and long term. Consider aerospace. Civil aircrafts alone contributed to $75 billion of US exports last year. Why can India not aspire to become a credible player in aerospace components or even in fully built aircraft?

Fourth, think intra-Asia, think Africa. Intra-Asia trade accounts for half of all exports from Asia, and is growing rapidly. Several Asian countries are growing steadily in consumption — Indonesia for one. Similarly, exports to Africa will grow at double-digit figures for the next decade. In both these economies, acceptance of India-made products is low. The government and the private sector need to work closely to build brand India and establish a cost-effective supply chain to these countries.

The stakes are high for us to get our act in exports together. Fail now, and we could see China surging again, or other countries such as Thailand beating us in the race to becoming an export powerhouse. The question as always is – will we do enough to seize this opportunity, or squander it again?

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China & UAE grab US, EU share of India's trade
Kirtika Suneja, Financial Express

22 October 2012, New Delhi: While global trade growth has plummeted in the aftermath of the economic crisis, India has managed to rather dramatically alter the pecking order of its key trading partners.

An FE analysis has revealed that China and UAE have grabbed the major share of India's trade from the US and EU, conventionally the country's largest partners.

The US' share in India's total export-import trade was the largest at 10.02% in 2007-08; the world's largest economy (considering Europe, sans the fiscal union, cannot be counted as a single economy), was India's biggest trading ally till that year but lost that status to the UAE in 2008-09. In the following year, China too pipped the US, which slipped to the third slot among India's trading partners. In 2011-12, China became India's largest partner.

Hit by a prolonged economic slump, the US doesn't appear to be regaining its slot, while both the UAE (thanks to petroleum trade) and China have strengthened their position (see table).

Among other major countries, Saudi Arabia's share in India's total trade is receding. Even pacts couldn't help trade with certain nations. Despite the comprehensive economic agreement that India signed with Singapore in 2005, trade between the two countries have only declined in relative terms since 2007-08, although the initial two years of the agreement were noted for some rise in trade and a reversal in the trend was seen in 2011-12.

On the other hand, trade with Switzerland has consistently gained momentum in the last five years. "The main factor for the decline in the share of most of the countries is due to a huge spurt in imports from China which jumped 40% in three years. With the UAE, the share has gone up as petroleum products and gems and jewellery are largely imported from the emirates," explained Federation of Indian Export Organisations (FIEO) DG and CEO Ajay Sahai.

"Our exports were limited to a few markets before 2008, but this changed after we introduced the focus market schemes and offered duty credits. India's exports now go to more countries. China has grabbed a large share because of its diversified markets and products schemes," said a commerce ministry official. India's total trade in goods grew from $415 billion in 2007-08 to $795 billion in 2011-12.

In fact, the ministry plans to double India's merchandise exports from $246 billion in 2010-11 to $500 billion in 2013-14 through an aggressive product promotion strategy for high-value items.

"At the core of the market strategy is to retain presence and market share in traditional markets, move up the value chain in providing export products in developed markets and open up new vistas, both in terms of markets and new products," says a strategy paper on the shift in trade away from the US.

Though there is no drop in absolute numbers, experts opine that India's overall trade with its traditional partners has not kept pace with that of other countries as the former are still reeling under recessionary pressures.

In absolute terms, trade with the US has steadily increased and India's exports have moved from $19.5 billion in 2009-10 to $34.7 billion in 2011-12. "No country should keep its eggs in one basket and we are also encouraging exporters to diversify their markets," added Sahai.

"Unfortunately, the slowdown in global trade in 2012 has impacted emerging economies besides the advanced economies, which was not the case in 2008-09. Therefore, we are facing a slowdown in global trade," said an industry expert.

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India now trade-surplus with all Saarc partners
Kirtika Suneja, Financial Express

22 October 2012, New Delhi: For the first time in years, India has become trade surplus with all the South Asian countries, besides registering a 12.2% annual increase in overall Intra-Saarc trade at $15.5 billion in 2011-12. While India's exports with its Saarc partners increased 11.78%, imports rose 14.96%, according to provisional figures obtained from the commerce ministry. New Delhi used to enjoy a surplus in trade with all the Saarc countries except Bhutan for the four years preceding 2011-12. Last year, it posted a surplus with the neighboring kingdom as well by $1.08 million.

Sri Lanka is India's largest trading partner in the Saarc followed by Bangladesh, Nepal and Pakistan. India has a free-trade pact with Sri Lanka, while Nepal enjoys duty-free access to Indian markets. Trade with other Saarc countries, namely Bhutan, Afghanistan and Maldives, is bolstered with their the least developed country (LDC) status. The potential of trade among Saarc nations is set to multiply with the increased focus of these countries to tap Asian markets more aggressively in the wake of the continuing global crisis that the resultant slump in trade with Europe and the US.

Another factor that would give an impetus to intra-Saarc trade is the recent decision of Pakistan to grant most-favoured nation (MFN) status to India, which means non-discriminatory treatment to the country's exporters.

Besides petroleum products, India exports pharmaceutical products, machinery, cotton and sugar, among others to all these countries. Petroleum products are not exported to Pakistan at present.

"We opened up the entire South Asian Free Trade Agreement (Safta) a few years back and the sensitive list in down to 25 tariff lines for the Least Developed Countries (LDCs) with the exception of liqueur and tobacco as they are considered demerit goods. Our intention is to increase trade with our neighbours," said a commerce ministry official.

In fact, the Cabinet recently approved the reduction of 30% (264 tariff lines,) from the Safta Sensitive list for Non Least Developed Countries (NLDCs), allowing the peak tariff rates to reduce to 5% within three years, as per agreed Safta process of tariff liberalization. Last year, India unilaterally reduced its sensitive list for the LDCs under Safta to 25 tariff lines, thus allowing all other imports at zero basic customs duty. Afghanistan, Bangladesh, Bhutan, Maldives and Nepal benefited as a result of this trade liberalisation move.

However, the trend of increasing trade surpluses has worried the ministry and experts alike who fear that the favourable trade balance of $10.5 billon may lead to other countries becoming insecure about India pushing too much for its exports in the subcontinent.

"We urgently need to address the issue of adverse trade balance that every SAARC country has with us as we can't carry on with huge surpluses in our favour," the official added.

The impediment in increasing trade with The Saarc nations is twofold. First, all countries in the region produce similar products and in most cases India produces them cheapest except a few items. Second, even if imports grow faster, the base is so small that the absolute increase will not be much.

“We need a healthy balance of exports and imports and extend the Safta concessions else other countries might act against us for not creating market opportunities for them. We need to give more for greater political will,” explained Ajay Sahai, director general and CEO, Federation of Indian Export Organisations. Another fear pertains to the slowdown in the US and European Union, which might affect Saarc and, thereby, intra-Saarc trade.

“If exports from Saarc decline, then the capacity to import will also fall. The Saarc nations will not flood the Indian markets with imports if global trade declines. So, it is not an opportunity for the regions,” noted Sahai.

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Focus should be on normalisation of bilateral trade first: Sabharwal
Parvez Jabri, Business Recorder

18 October 2012, Karachi: Indian High Commissioner Sharat Sabharwal here Thursday said that India and Pakistan, the neighbouring countries, should first focus on normalizing their bilateral trade ties for implementing WTO business plan and then entering the regime of preferential trade with each other.

"Our focus should be to normalize our trade ties first. After compliance with WTO plan, we can move for preferential trade," Indian diplomat said during a meeting with members of Karachi Chamber of Commerce and Industry (KCCI) at the Chamber's Secretariat.

President KCCI Muhammad Haroon Agar and leader of Businessmen Group (BMG) in KCCI Siraj Kassam Teli along with other officials of the Chamber including its Senior Vice President Shamim A. Firpo and Vice President Nasir Mehmood welcomed the guest.

Indian High Commissioner Sharat Sabharwal said that India and Pakistan's bilateral ties were improving as both the counties were seriously pursuing their plan to boost the trade.

He said that since 2009, both the countries have moved to negative list from the positive list which had blocked a large number of goods to be traded between the two countries. This shift has created a big space and now the negative list has a little number of restricted goods. By the end of December next more goods would be off- loaded from this negative list to increase the bilateral trade, he added.

He said that before the end of 2013 Indian tariff line would be 100 while Pakistan would do this, up to the end of 2017. India and Pakistan have combined economy of about two trillion dollars. If duly exploited, it would guarantee prosperity and development of both the nations, he said.

He said that it is the era of globalization. If we look at European Union, there is a great volume of trade being done among the member states. Whereas, SAARC regional trade is very low against its big potential. It demands due attention, he said.

He mentioned that many economic opportunities having a big potential were emerging in the SAARC region and its member countries must benefit from these. India and Pakistan are two big economies of SAARC region with around two trillion dollars, he said.

Indian High Commissioner to Pakistan mentioned the three agreements recently signed by both the countries. These were about the Quality, the Customs and on the Trade Disputes Resolution.

He hoped that with true implementation of these agreements, mutual trade and investment would significantly increase.

To a question regarding opening bank branches in each other's country, the Indian envoy said the matter was in working process.

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Nepali tea faces crisis as Indian ban nears
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13 October 2012, Jhapa: Nepali tea growers are headed into a huge market crisis with India all set to ban the import of tea leaves produced with the use of pesticides and chemicals.India, which consumes two thirds of Nepali tea leaves, signed an agreement with the World Trade Organization (WTO) in 2007 under which it is to import only tea leaves produced through application of the Integrated Pest Management (IPM) method.

After signing the agreement, India had expressed its commitment to stop importing from January, 2013 onwards any tea leaves not produced as per the IMP method. With the cut-off date set by India less than three months away, Nepali tea growers fear a market crisis. Indian customers have already informed Nepali growers that they will not buy Nepali tea leaves from next year.

"The largest chunk of Nepali tea leaves is produced without following the IPM method," said Ramesh Prasad Poudel, chairman of Nepali Tea Producers' Association. "So, we will not be able to export our tea products to India from next year."

"We have no option left. We will have to follow the IMP method," Poudel added. India has not yet formally notified Nepal about the likely ban, and Poudel says the Indians do not feel any need to do so since only one percent of its tea requirement is met by Nepali production. "India will not face any problem if it stops importing Nepali tea leaves," says Khadka. "So, India will not officially notify us about it."

According to Indra Adhikari, Eastern Region chief of the Tea and Coffee Development Board, pesticides and chemicals have been classified into four hazard groups in the IPM method.

If they are to follow this method, tea growers need to use only non-hazardous pesticides and should not pick the tea leaves for a certain period after the application of chemicals. "Pesticides and chemicals can be used only after technical studies have been conducted on them," he said. "This is the main thrust of the IPM method."

However, Nepali growers have been using pesticides and chemicals without conducting any technical tests. "Nepali tea leaves reek of pesticide even when they are brought to us for processing," said a tea industry operator. "Tea growers should have been careful about this much earlier. Now, a crisis over markets is unavoidable."

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Cotton yarn exports to rise
Sharleen D'Souza & Komal Amit Gera, Business Standard

19 October 2012, Mumbai/Chandigarh: While estimates for cotton exports in 2012-13 have been lowered by the Cotton Advisory Board (CAB) following China's decision to reduce import by half, export of cotton yarn to that country is on the rise.

Export of cotton yarn to China is expected to continue its uptrend as cotton available in that country is priced nearly 20 cents per pound more than in the international markets. Besides, wages are on the rise. As a result, China is now cutting on spinning activities and focusing more on value-added items.

"China is not only importing cotton yarn from India but also from Indonesia and Pakistan. We are definitely benefiting from this. Indian spinners are happy, as they are in a position to utilise their capacities as orders for yarn are pouring in," said S P Oswal, chairman and managing director of the Vardhman group of industries.

CAB has pegged the target for cotton yarn exports at 920 million kg for the current year. Last fiscal, India exported 827.68 million kg of yarn, according to the Directorate General of Foreign Trade (DGFT). Till September this year, India exported 461.52 million kg, according to data released by DGFT.

India's main cotton yarn destinations are China, Bangladesh, Korea and Hong Kong, of which around 30 per cent is shipped to China. It is the second highest export destination after Bangladesh.

"Despite China increasing its cotton yarn imports from India, Bangladesh will still remain India's highest export destination this year. But this may change over a period of time if China continues to cut on its spinning activities," said D K Nair, secretary general of the Confederation of Indian Textile Industry.

This cotton year (October 2012 to September 2013), cotton exports are expected to be around seven million bales, according to CAB, compared to 12 million bales last year.

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Apparel exporters eye non-traditional markets like Russia, Mexico & South Africa
Sutanuka Ghosal & Madhvi Sally, Economic Times

25 October 2012, Kolkata/Ahmedabad: Facing tough competition from countries like Vietnam and Bangladesh in US and European markets, Indian apparel exporters have started venturing into non-traditional markets like Russia, Mexico, South Africa, Australia and West Asia. The plan is to increase exports to non-traditional markets from 24% to 35% within the next few years.

Apparel exports from India to the US slumped 10.6% this year up to July to $1.94 billion, according to data given by the Office of Textiles and Apparel, US. While apparel exports from China and Bangladesh, the major competitors to Indian textile firms, were almost flat, exports from Vietnam clocked a 9% growth.

Talking to ET, Apparel Exports Promotion Council (AEPC) chairman A Sakthivel said: "Our aim is to increase the share of exports to non-traditional markets from 24% to 35%. If this happens, the share of exports to EU would come down to around 40%."

Tirupur, the country's hub of garment exports, has shipped garments worth around Rs 6,000 crore in the first six months of the current fiscal, which is almost the same compared to the previous year.

Tirupur generally exports garments worth nearly Rs 12,500 crore and industry officials say the figure has remained almost stagnant in last three years.
DK Nair, secretary general of Confederation of Indian Textile Industry, said: "While there is a need to reduce dependence on traditional markets like the US and Europe for exports, Indian apparel manufacturers should also work hard to increase productivity and reduce cost to remain competitive." He added that the US market is recovering slowly which is good news for the Indian apparel industry, AEPC has been organising buyer-seller meets across the world to tap opportunities in newer markets.

Indian exporters have visited Japan, Russia, Israel, South Africa, Norway, Sweden and Denmark in the past few months.

"It is not easy to penetrate these markets but there are positive signs," said Sakthivel. The government has set a target of $18 billion for apparel exports during the current financial year, However, Nair said the target seemed hard to achieve as European markets are yet to recover from a recession.

Ludhiana-based ready-made garment exporter Deepak Dumra said merchandise for high-street markets has a reasonably good demand compared to garments manufactured for masses. "We are now working for the next summer and orders are coming at a reasonable pace. One has to be price-competitive to survive," said Dumra whose company Greatway manufactures cotton knit and woolen sweaters, under-garments and shirts.

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Govt allows free export of sugar in 2012-13
Business Standard

16 October 2012, New Delhi: The government today said sugar mills would be allowed to ship the product abroad in the 2012-13 crop marketing year without any curbs.

The decision comes days after the Rangarajan committee has favoured lifting of any restriction on export or import of the commodity.

Food Minister K V Thomas said all decisions on the remaining recommendations of the panel—headed by Chairman of Prime Minister's Economic Advisory Council C Rangarajan—would be taken in a time-bound manner. "We have decided to extend the time for sugar exports under open general licence (OGL) for another year," Thomas told reporters here after meeting Agriculture Minister Sharad Pawar.

He said the food and agriculture ministries are of the view that the government should not adopt a "switch-on and switch-off" trade policy on farm items. Sugar exports were placed under OGL in 2011-12 as production surpassed domestic demand. In earlier years, the government had banned exports before allowing limited export in tranches.

The Rangarajan panel, among other things, had recommended phased decontrol of the sugar sector, removal of obligation on part of mills to supply 10 per cent of sugar at cheaper price to the government to meet the ration shops demand, freedom to mills to decide on the quantum of sugar to be sold in the open market. It has also favoured a revenue-sharing arrangement between farmers and sugar millers .

"It (Rangarajan panel report) will not meet the fate of earlier reports and a time-bound decision will be taken after receiving views from the PMO (Prime Minister's Office)," Thomas said.

The panel is the third committee formed by the government to study reforms in the sugar sector.

Suggestions of earlier panels—Tuteja Committee and Thorat Committee—have not been implemented yet.
In 1971-72 and 1978-79, the government had made attempts to decontrol the sector. In mid-2010, former food minister Sharad Pawar initiated efforts in this regard.

In its other recommendations, the panel has also recommended doing away with the cane area reservation and minimum distance criteria, besides suggesting the removal of controls on by-products such as molasses.

The government estimates the country's sugar production in 2012-2013 to be 23 to 23.5 million tonnes (mt) against the local demand of about 22 mt. India exported 3-3.5 mt of sugar in the 2011-12 crop marketing year that ended on September 30.

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Export of milk products may see more relaxation
Anindita Dey , Business Standard

17 October 2012, Mumbai : The department of animal husbandry under the Union ministry of agriculture is considering additional relaxation in the export of milk products. After the directorate general of foreign trade decided to pursue a free export policy for skimmed milk powder in June, it has now been proposed that export of whole milk powder (WMP) and dairy whiteners also be freed.

In February 2011, the government had banned the export of all milk products, including skimmed milk powder, WMP, dairy whiteners, infant milk, casein and casein products. The list of items prohibited from being exported also included milk and concentrated cream containing added sugar and other sweeteners.

This financial year, the demand for milk powder in India is estimated at 88,000 tonnes, against the availability of 1,12,000 tonnes. It is estimated in 2011, milk production in India, the world's largest producer, stood at about 121 million tonnes (mt).

According to a report by the National Council for Applied Economic Research, from 66.2 mt in 1995-96, milk production has increased to 121.8 mt in 2010-11. The average annual growth in milk production from 2000-01 to 2010-11 stood at four per cent. The Planning Commission has said India's annual milk requirement in 2021-22 would be about 180 mt.

In India, Tamil Nadu, Uttar Pradesh, Rajasthan, Maharashtra and West Bengal are the major producers of cow milk, while Uttar Pradesh, Andhra Pradesh, Rajasthan, Punjab and Gujarat are the major producers of buffalo milk. The wholesale price index for milk rose 76 per cent between 2004-05 and 2010-11, while the wholesale price index for dairy products rose 52 per cent during the same period. This is primarily due to the fact that in the last decade, per capita monthly consumption expenditure on milk and milk products doubled in rural areas.

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Diamond exporters look to domestic market as rupee gains strength
Business Standard

12 October 2012, Ahmedabad : With the festive season round the corner, strengthening of the rupee against the dollar has made diamond exporters look within the country for higher sales and better

realisation. Diamond players have decided to focus more on the domestic market this festive season, fearing an uncertain currency movements during the peak season.

The rupee quoted marginally above Rs 53 against a dollar today. The Indian currency has recovered by about Rs 4 a dollar since June.

According to the industry, a weak rupee would make exports attractive, but at the same time, raw material imports of dollar-quoted gemstones would become costlier, leaving not much net gain for exporters.

“The weak rupee had caused an escalation of raw material costs for diamantaires. The rupee quoted above 55-56 against a dollar during the second quarter of the fiscal. The net gain between payments and receivables is marginal. So, it’s more attractive to sell in the domestic market,” said Dinesh Navadia, a diamond trader and president of the Surat Diamond Association.

Industry insiders maintained diamond exports had been on a decline since April. The data provided by the Gems and Jewellery Export Promotion Council (GJEPC) showed that exports of cut and polished diamonds stood at 13.44 million carats for April-August against 24.79 million carats during the corresponding period last year.

“Newer markets and consumer segments are emerging in the domestic market itself. We see domestic demand growing about 15-20 per cent during this fiscal over the same period last year. Jewellery demand is also upbeat. Therefore, exporters prefer the domestic market over international,” said Pravin Nanavati, a Surat-based diamond expert.

A declining trend of diamond exports can be gauged from the GJEPC data, which shows a decline of about 22 per cent from 66.64 million carats of cut and polished diamonds exported during 2010-11 to 51.86 million carats exported in 2011-12.

“International markets are dull. Key markets such as Europe and the US have shown some improvement, but that is insufficient to encourage exporters as the currency uncertainty is affecting their confidence,” said a diamond exporter from Surat. Industry players see diamond exports to drop 10-15 per cent this festive season.

It may be noted that in October 2011, the rupee quoted at Rs 49.16 a dollar, but it rose to touch Rs 57 a dollar by June this year. However, recently, the rupee showed improvement and recovered to Rs 52.70. A strong rupee would make imports cheap, but at the same time, it is believed to limit the gains for the exporters as the dollar receivables would yield less in rupee terms.

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India’s 2012 gold imports seen falling 25%

Ruchira Singh, Mint

15 October 2012, New Delhi: India’s gold imports in 2012 is estimated to drop by around 25% from last year as high prices, poor liquidity, high inflation and a hike in customs duty has dampened buying sentiment, a member of a trade body said on Monday.

“Gold has been hit in every way. There is a liquidity crisis because of high interest rates and the monsoon was not very good in some states (so purchasing power will be low),” said Prithviraj Kothari, a member of Bombay Bullion Association, a body representing bullion traders, manufacturers and retailers. “The whole cycle of investment has slackened. The equity market and real estate are both slow so it is affecting gold."

Kothari said in the full year, gold imports can be expected to range between 650 to 700 tonnes. In 2011, India imported 933.4 tonnes of gold, down 7% from an all-time high of 1,006.3 tonnes in 2010, according to World Gold Council.

Some buying is expected to pick up later this week when an inauspicious period ends on Wednesday and purchasing for the oncoming festival and marriage seasons begin, Kothari said.

India's inflation in September was at 7.81%, on the back of high food and fuel prices that lowered the chances of the Reserve Bank of India cutting interest rates to shore up the sluggish economy.

In the budget for this fiscal year, the government raised the import duty on non-standard gold to 10% from 5% earlier in a bid to slowdown the rising imports that were hurting the current account deficit. On gold coins and platinum, duty was raised to 4% from 2% earlier.

On Monday, spot gold traded at Rs 30,961 per 10 grams, down from Rs31,080 on Saturday, data on the Multi Commodity Exchange of India showed.

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No easy ride for foreign retailers
Binaifer Jehani, Hindu

22 October , 2012: The Central Government's decision to allow 51 per cent foreign direct investment (FDI) in multi-brand retail is likely to stimulate investments in the organised retail industry. If all the big States implement the decision (at present, only nine States and two Union Territories have agreed to open up multi-brand retail to FDI), we estimate $2.5-3 billion will flow in the form of FDI of the total expected investments of $10 billion in the retail industry over the next five years,

Bulk of the FDI in retail is likely to flow into the food and grocery (F&G) vertical as organised retail penetration (ORP) in this vertical is the lowest. The F&G segment, which stands at $300 billion, accounts for two-thirds of the Indian retail market but has organised retail sales of only around 2 per cent. This highly price-sensitive segment will gain the most from the scale, technology and investments in the back-end that would accompany FDI in retail.

According to the FDI policy norms, the minimum investment by a foreign retailer should be $100 million, and 50 per cent of this amount has to be channelled into the development of back-end infrastructure in the first three years. This minimum investment can typically fund the establishment of around one million sq. ft. of front-end store space, equivalent to 10-15 hypermarkets or department stores. We do not see this clause as a hurdle as we expect foreign retailers, who intend to achieve scale and efficiency of operations, to invest significantly larger amounts.

Back-end infrastructure would include investment made processing, manufacturing, distribution, design improvement, quality control, packaging, logistics, storage, warehouse, and agriculture produce infrastructure. This clause will ensure adequate capital expenditure in the back-end supply chain, and help significantly reduce wastages in fruits and vegetables. An efficient supply chain will enable direct sourcing of fruits and vegetables, which will boost farmer realisations by 10-15 per cent; and still bring down retail prices by 15-20 per cent.

In 2011-12, organised retail penetration was just 7 per cent of the $430 billion domestic retail industry, the remainder being held by small, unorganised retailers (mom and pop stores). Without FDI in multi-brand retail, we believe ORP will increase to 9 per cent in 2016-17; on the other hand, even if all States permit FDI, ORP will be only a modest 100 basis points higher at 10 per cent in 2016-17. The same has been arrived at taking into account the likely supply of quality retail space and the current ORP in large cities.

Further, the lead time for organised retailers to identify appropriate store locations and address issues in rolling out back-end infrastructure will limit the pace of growth in ORP. China opened up its retail sector to FDI nearly 15 years ago. Today, organised retail in China accounts for 20-25 per cent of total retail sales. The share of foreign retailers in organised retail is 25-30 per cent.
Our estimate of FDI inflows indicates that foreign retailers are unlikely to gain a dominant market share in multi-brand organised retail in the next five years. Depending on whether foreign retailers buy into existing retail chains or set up new joint ventures, their share in multi-brand organised retail would vary between 10 per cent and 15 per cent by 2016-17. We believe that domestic players will have to modify their operational structures before entering into joint ventures with foreign retailers as at present all States have not agreed to the policy.

The restructuring exercise will be of either creating a State-wise special purpose vehicle (SPV) or segregating the front-end and back-end operations. Domestic organised retailers can also capitalise on the decision to allow FDI to build fruitful joint ventures with foreign retailers.

To improve profitability in F&G, retailers need to control their supply chain costs and build scale. Every percentage point reduction in supply chain cost and resultant gain in earnings before interest, tax, depreciation and amortisation margin can improve equity IRR (internal rate of return) of an F&G store by 250-300 basis points.

On their part, foreign retailers, with their access to capital and technology, are well placed to leverage this opportunity.

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Govt initiates probe into chemical dumping by EU, Mexico
Business Standard

23 October 2012, New Delhi: India has initiated a probe into alleged dumping of a chemical, used in different industries including plastic and construction, by European Union and Mexico following complaints by domestic players.

The Commerce Ministry's designated authority, the Directorate General of Anti-Dumping and Allied Duties (DGAD), has begun an investigation into alleged dumping of "Polyvinyl Chloride (PVC) Suspension Grade Resin".

In a notification, the DGAD said it has sufficient evidence of dumping of the product from European Union and Mexico to initiate an anti-dumping investigation.

"The authority (DGAD) hereby initiates an investigation into the alleged dumping and consequent injury to the domestic industry ... to determine the existence, degree and effect of any alleged dumping and to recommend the amount of anti-dumping duty, which, if levied, would be adequate to remove the injury to the domestic industry," it said.

The period of investigation is from April-March 2012 . However, for the purpose of analysing injury, the data of previous three years of 2008-2009, 2009-2010 and 2010-2011 would also be considered, it added. After completion of the probe, the commerce ministry, if needed, would recommend the duty and the finance ministry would impose it.

The application was jointly filed by DCW Ltd, Chemplast Sanmar, Reliance Industries Ltd, DCM Shriram Consolidated and Finolex Industries.

Countries initiate an anti-dumping probe to determine whether their domestic industries have been hurt because of surge in cheap imports of any product. As a counter-measure, they impose duties under the multilateral regime of the WTO.

The duty is aimed at ensuring fair trading practices and creating a level-playing field for domestic producers vis-a- vis foreign producers and exporters resorting to dumping.

Unlike the safeguard duty, which is levied in a uniform way, anti-dumping duty varies from product to product and country to country.

India has initiated 275 anti-dumping investigations between 1992 and March 2012, involving 42 countries.

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

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India-EU free trade pact may not conclude this year: IGCC
PTI

18 October 2012, New Delhi: The much-delayed negotiations for the proposed free trade agreement between India and the EU are unlikely to conclude this year due to persisting differences over several issues such as opening up of the services sector and level of duty cuts in the automobile segment.

"I do not expect the agreement to be concluded this year since there are still some critical aspects (issues) under negotiations," Indo-German Chamber of Commerce (IGCC) Director General Bernhard Steinreucke told PTI in an email interview.

Germany is the largest trading partner of India in the 27-nation European Union (EU).

The pact, officially dubbed as Bilateral Trade and Investment Agreement (BTIA), seeks to liberalise trade in goods and services.

The negotiations for the pact, which started in June 2007, has missed several deadlines. These talks were to conclude in 2011, but differences between the two sides on the level of opening of the market came in the way of the BTIA.

The pact that will provide for liberalising trade in services, an area of strength for India, faces hurdles like visa problems in several EU member countries such as Germany and Britain.

The two sides also have differences on matters like level of duty cut in wines and spirit, inclusion of intellectual property rights and data security in the pact.

"In the automobile industry and imports of wine (by India) there are some issues," Steinreucke said. In a meeting yesterday with Algirdas Semeta -- European Commissioner for Taxation and Customs Union, Audit and Anti-Fraud -- Commerce and Industry Minister Anand Sharma expressed his disappointment over EU's stand of not giving data secure status to India.

The country has time and again said that without this status, it would be difficult for New Delhi to further proceed for the BTIA negotiations.

However, Steinreucke hoped that the negotiations for the agreement may be concluded by next year. "With lower tariffs and better access, the EU-India free trade agreement will certainly increase the trade between our two countries," he said.

The country and its largest trading partner EU aim to slash duties on over 90 per cent of the trade under the pact.

The two-way trade increased to USD 110.26 billion in 2011 from USD 83.37 billion in 2010.

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India-EU trade talks hit deadlock over import duty
Amiti Sen, Economic Times

24 October 2012, New Delhi: India's trade talks with European Union seem to have deadlocked over the import duty New Delhi levies on alcohol and automobiles. India says it has already made a liberal offer that is not negotiable any more, but the EU says it wants further cut in import duties that are a maximum of 60% on cars and 150% on whisky. "We have already made liberal offers in both alcohol and automobiles and the EU welcomed it. But now they are trying to re-open areas that have already been agreed upon which is not acceptable to us," a government official told ET.

The issue will come up for discussions again when negotiators meet next month.

New Delhi is understood to have agreed to bring down duties on wine by more than half from 150% to 40% above the threshold level of $4 per litre and whiskies over $6-$7 per litre." The EU is now pushing for cheaper alcohol to be entitled to the duty cuts offered and has asked us to lower the threshold level for wines to $3.2 per litre," the official said.

Similarly, even in automobiles the EU has demanded concessions over and above what the two sides agreed upon earlier. "We had sealed the deal on automobiles earlier this year. New Delhi had offered the EU a very generous deal and there is no reason why it should be re-opened," the official said.

In automobiles, India is understood to have agreed to allow imports of 2.5 lakh cars at 10% duty, a sixth of 60% it levies now, spread over five years. For cars outside the quota, New Delhi has offered to consider reducing import tariffs by half to 30%.

So far, India has not offered concessions on either alcohol or cars to any of its trading partners in its bilateral deals as these two sectors are young and hold a lot of growth potential. The Indian automobile industry, which has been protected so far be-hind high import tariff walls, is apprehensive that lowering duties for EU countries could spell havoc for the infant domestic industry.

Industry body SIAM has warned that duty concessions will keep out investments from the country as foreign car makers would prefer to export their cars to India rather than set up manufacturing facilities.

India, which hopes to gain in the services sector, is also unhappy with the progress on issues such as gaining data secure status in the EU that will increase flow of sophisticated offshore business to the country.

In a recent meeting with the EU commissioner for taxation and customs union, India's commerce minister Anand Sharma criticised the delay in EU's study of India's security processes.

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Canberra makes all the right moves
Harsh V Pant, Business standard

21 October 2012: During her three-day state visit to India earlier this week, Australian Prime Minister Julia Gillard made all the right moves. An Order of Australia, an award rarely bestowed on foreigners, was conferred on Sachin Tendulkar. Gillard elevated ties with India to the highest priority for Australia and in the same league as those with the US, China and Indonesia. Underlining that "Australia's future in Asia is finally grounded in relationships of respect with Washington, Tokyo, Beijing, Jakarta, Seoul and Delhi," Ms Gillard declared that Australia recognises "India's importance in the Asian century" and Australia's goal is a partnership with India "as one of the handful of countries which matter most to Australia." At the same time, she candidly acknowledged that "the strong relationship between our peoples has not been matched by the strength of the connection between our governments."

The highlight of the visit was the decision by the two nations to pave the way for a uranium safeguards agreement that will finally allow Australia to export uranium to India. The safeguards pact is viewed as critical by those who have opposed the changing Australian policy of nuclear trade with a country like India that has not signed the Non-Proliferation Treaty (NPT). By underlying strict requirements on the safe use of nuclear fuel and specifying regulations in consonance with the global nuclear regime, Canberra is keen to signal its continued adherence to international nuclear standards even as it reaches out to New Delhi to give a boost to its mining industry. Though the safeguards pact will take a few years to finalise, the change of policy by Canberra is a remarkable development and needs to be recognised as such. That an Australian Labour government, traditionally considered a non-proliferation hawk, should take this decision is reflective of the changing priorities of Canberra.

Australia has the world's largest deposits of uranium, and major Australian mining companies are looking to expand production as the global demand for nuclear power grows over the next decade. India's civilian nuclear industry is expanding, as the number of operating plants is expected to increase from 20 to more than 60 over the next decade. Ms Gillard was successful in persuading her Labour Party last year to overturn the party policy of opposing uranium sales to a nation that was not a signatory to the NPT, despite significant opposition. The Labour government's decision to reverse the Australian policy of allowing the sale of uranium to India as enunciated by its predecessor had been a big blow to Australia-India ties. It was Kevin Rudd, the former Australian prime minister, who had imposed the ban, on the grounds that India was not a signatory to the NPT.

Washington had to pull out all the stops in convincing the Julia Gillard government that, given the strategic importance of India, Canberra needed to change its policy on uranium sales. And Ms Gillard could point to the US-India civil nuclear pact that has brought India into the global nuclear mainstream.

Australia has the world's largest deposits of uranium, so it always made economic sense for it to sell more to an energy-hungry India. Moreover, it is difficult for Canberra to justify a ban on uranium exports to India, a fellow democracy and a country with impeccable nonproliferation credentials, while continuing to send uranium to China, which has been the most important factor in the weakening of the nonproliferation regime in view of its relationship with Pakistan. Australia has 22 bilateral nuclear cooperation pacts with countries, including the US, China, Taiwan and South Korea.

Even as other nuclear-supplier nations have been lining up to sign civil nuclear pacts with India, Australia found itself marginalised. After the Nuclear Suppliers Group, of which Australia is a member, decided to carve out an exception for nuclear materials exports to India in 2008 by granting it a special waiver, there was no logical reason for Australia to continue with its policy of a ban on uranium sales to India.

Moreover, the geostrategic environment in the Indo-Pacific has undergone a rapid transformation in recent years, with the rapid rise of China. Washington has been working to transform the US-Australian partnership from "an Asia-Pacific alliance to an Indo-Pacific alliance." Australia's ties with China have also been difficult in recent years and building bridges with India underlines the evolving strategic reality in the region. The two states have a shared interest in managing the Indo-Pacific commons, including the very important sea lanes of communication. Closer maritime cooperation between New Delhi and Canberra is crucial in managing the growing turbulence in the Indian Ocean region.

Bilateral trade between Australia and India has increased from $3.3 billion in 2000 to $20 billion last year, and is projected to reach $40 billion by 2016 as negotiations on the Comprehensive Economic Cooperation Agreement continue. India is now the fourth largest market for Australian exports. As the Indian economy grows, Australia will continue to be a major supplier of minerals and fuel. Despite recent tensions regarding attacks on students of Indian origin, Australia has continued to grow in importance as a destination for higher studies. The Indian community is Australia's fastest-growing immigrant community.

It was in 2009 that the two sides decided to elevate their ties to a "strategic partnership." But as is true of all such 'strategic' partnerships, nothing substantive has come out of it. Indian bureaucracy has mastered the art of scuttling momentum in any relationship, and India-Australia is no exception.

With Ms Gillard's visit, Australia has underscored its commitment to its ties with India and signalled its seriousness about a robust partnership. It is time now for New Delhi to reciprocate. The last trip to Australia by an Indian Prime Minister was in 1986, 26 years ago. Earlier this year there were indications that Manmohan Singh would be visiting Australia, but that came to nothing. There is more to the India-Australia relationship than "cricket, Commonwealth and a common language." And New Delhi should not be shy of taking advantage of this growing convergence.

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Member countries show a collective desire to re-engage at the WTO
T S Vishwanath, Business Standard

11 October 2012: World Trade Organisation (WTO) Director General Pascal Lamy is an optimist who wants to ensure that WTO remains relevant. This is evident when one looks at his statement to the General Council of WTO a few days ago when he said that discussions among ministers, negotiators, and other stakeholders confirmed a "collective desire to re-engage".

However, it is important to note that he is a cautious optimist. Pointing at the impasse that the Doha Round of negotiations of WTO have faced in the last one year, Lamy referred to the re-emerging desire to negotiate by cautioning that, “I am neither under any illusion that the factors that have shaped the impasse which we face have changed substantively, nor do I harbour any dream about achieving grand designs or comprehensive deals.”

But reports from Geneva suggest that Lamy’s optimism is not unfounded. Countries, reports indicate, are showing some cautious optimism to new proposals that are now coming to the table for negotiations.

One such proposal that Lamy alluded to in his address to the General Council was the current position on trade facilitation where some countries are of the view that there is a need to move ahead if consensus can be arrived on this specific agreement. However, in the General Council meeting in July several countries had, while stressing the significance of trade facilitation, noted that they did not at this stage consider this area as self-balancing.

Several member countries had stressed the importance of transparency, inclusiveness and multilateralism in any processes ahead, including in agreeing on early harvest candidates within the Doha Round. A number of other countries had also emphasised the importance of respecting the development mandate of the Round.

In his address, Lamy cautioned that the members were now faced with a global economy that is confronted by increasingly strong headwinds. “Slowing global output growth has led us to downgrade our 2012 forecast for world trade expansion to 2.5 per cent from 3.7 per cent in April and to scale back estimates for 2013 to 4.5 per cent from 5.6 per cent. The trade slowdown in the first half of 2012 was driven by an even stronger deceleration in imports of developed countries and by a corresponding weakness in the exports of developing economies. Past experience has shown that in an increasingly interdependent world, economic shocks in one region quickly spread to others - no one is immune. In other words, and I think we all agree this is becoming increasingly obvious, the only way to effectively face up to this crisis is through global collective action.”

One area that needs collective action is taming export competition in agriculture. The G20 group on agriculture has come up with a proposal that seeks an update on the information available with WTO secretariat on export subsidies, export credits, state trading enterprises, and food aid that together constitute export competition.

The G20 has also asked for more details on tariff rate quotas that are used by countries to charge high tariffs on products after the initial quotas are over. It is without doubt that to keep the Doha Agenda development oriented, it will be important to seek higher access for agricultural products from developed country markets that have maintained tariff and non-tariff barriers on these products. There is also a need to look beyond tariffs and identify other barriers like the sanitary and phyto sanitary conditions that are imposed on goods coming into developed country markets from developing and least-developed countries.

Reports emanating from the recent public forum held in Geneva also show that there is a new-found interest developing in the Doha Round. But then it will be important to ensure that the interest that has remained at low ebb for some time is now not just renewed but sustained through some action from members, especially countries like the US that will be critical to the success of the Round.

The Bali Ministerial meeting slated for December 2013 provides negotiators with enough time to come up with some proposals that can help revive the Doha Agenda and bring the WTO back on track. But for that it will be important for all countries to look at proposals that have the greatest possibility of creating a strong consensus on some critical areas like agriculture and industrial goods.

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