INDIA'S TRADE NEWS AND VIEWS

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A 13-member delegation of Indian Electronic and ICT firms participating in a buyer-seller meet here have expressed optimism in Nigeria…

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For the first time in over two decades, India's $70 billion software exports industry is now generating every additional $1 billion in revenue with less than half the number of engineers …

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More FTAs, less red tape

The recent summit of the Association of Southeast Asian Nations, or Asean, in Phnom Penh was noteworthy for two reasons…

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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.

Losing steam: Global trade growth is set to slow down again, thanks to recession in Europe and a slump in the US and China
Rajesh Rai, India Business Journal

4 December 2012: A continuous slowdown in demand in major markets of the world is expected to hit global trade severely this year. The World Trade Organization (WTO) has downgraded its 2012 forecast for global trade expansion to 2.5 per cent from 3.7 per cent. The WTO has also scaled back its 2013 estimate to 4.5 per cent from the earlier 5.6 per cent.

The volume of world trade as measured by the average of exports and imports only managed to grow 0.3 per cent in the second quarter of 2012 compared with that of the first or 1.2 per cent at an annualised rate. 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.

"The WTO now expects world merchandise trade volume to grow by 2.5 per cent in 2012 (down from 3.7 per cent in April)," the world body adds. On the export side, it anticipates a 1.5 per cent increase in developed economies' trade, down from 2 per cent, and a 3.5 per cent expansion for developing countries, down from 5.6 per cent. "On the import side, we foresee nearly stagnant growth of 0.4 per cent in developed economies (down sharply from 1.9 per cent) and a more robust 5.4 per cent increase in developing countries (down from 6.2 per cent)," the WTO forecasts.

Woes in 2011

Global trade rebounded after its collapse in the recession. Trade expansion slowed from 13.8 per cent in 2010 to 5 per cent last year, missing a 2011 forecast of 5.8 per cent. The world trade is not yet out of the woods, notes WTO Director-General Pascal Lamy.

In 2011, developed economies exceeded expectations, while developing ones did worse than anticipated. The US economy saw exports growing by 7.2 per cent in 2011 after rising by 15.4 per cent a year earlier. Exports from the EU grew by 5.2 per cent compared with 11.5 per cent in 2010.

The fastest-growing regions were West Asia at 4.9 per cent; the Commonwealth of Independent States, which includes most former Soviet republics, 4.6 per cent; and South and Central America, 4.5 per cent. China, the world's biggest exporter, again outpaced the rest of the world last year at 9.3 per cent, but that was a far cry from the 28.4 per cent jump it achieved in 2010.

Now, several indicators of export activity are flashing red as Europe's recession, anaemic US growth and the slowing Chinese economy damp exports worldwide. Europe is the epicentre of the weakness radiating through the global economy. Chinese exports to the European Union - until last year its largest export market - have fallen by 5 per cent so far this year through August.

Weak exports have exacerbated a slowdown in China's domestic economy, which economists project will grow around 7.5 per cent this year. This would be the weakest annual expansion since 1990.

Fragile conditions

More than three years have passed since the trade collapse of 2008-09, but the world economy and trade remain fragile. The further slowing of trade expected in 2012 shows that the downside risks remain high. Economic prospects have brightened in the United States and Japan as labour conditions improve in the former and business orders pick up in the latter. But these positives will provide only partial relief from the earlier negatives, notes the WTO.

"In an increasingly interdependent world, economic shocks in one region can quickly spread to others. Recently-announced measures to reinforce the euro and boost growth in the United States are therefore extremely welcome," notes Mr Lamy. However, he adds: "But more needs to be done. We need a renewed commitment to revitalise the multilateral trading system, which can restore economic certainty at a time when it is badly needed. The last thing the world economy needs right now is the threat of rising protectionism."

The multilateral body points out that the global economy has encountered increasingly strong headwinds. Output and employment data in the US have continued to disappoint, while purchasing managers' indices and industrial production figures in China point to slower growth in the world's largest exporter. More importantly, the European sovereign debt crisis has not abated, making fiscal adjustment in the peripheral eurozone economies more painful and stoking volatility.

Critical times

Risks to the forecast will remain mostly on the downside as long as financial uncertainty in Europe remains elevated. Besides, other events can also intrude to produce worse outcomes for trade, including a "hard landing" for the Chinese economy or geopolitical tensions.

However, there is also some upside potential if the European Central Bank's recently announced bond-purchasing programme has an immediate salutary effect on the EUs' import demand. "In this case, we might see slightly faster growth in the fourth quarter and for 2012 as a whole, but possibly less growth in 2013 as the reversion to recent trends would be weaker," the WTO adds.

The growth of world trade in the first half of 2012 is less than what traditional econometric models will predict, given current rates of growth in the Gross Domestic Product. A similar trend had occurred during the trade collapse of 2008-09, which accompanied the global financial crisis and may be related to issues such as access to trade finance or, in the case of the sovereign debt crisis, the re-introduction of exchange rate risk into peripheral eurozone economies. Meanwhile, policy-makers are hoping that there is no repeat of the 2008 crisis.

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India, China influencing pattern & scope of international trade: WTO
PTI, Economic times

28 November 2012, Melbourne: Emerging economies like India, China and Brazil are no longer "policy takers" but are significantly influencing the pattern and scope of international trade, according to WTO Director General Pascal Lamy.

"These emerging powers -- China, India, Brazil, Mexico, Indonesia, Malaysia, South Africa -- and many others are no longer policy takers.

"These countries now increasingly influence the pattern and scope of international trade, creating new supply and demand pulls and flexing their influence in international organisations," he said recently at the Richard Snape Lecture here.

Lamy said, "This is no longer the world of the twentieth century dominated by the US pillar on one side and the European pillar on the other. We are in a twenty-first century multi-polar world".

The WTO chief said emergence of some developing countries as key players and as "real contributors" to global dialogue on trade and economics is a fundamental feature of this new geo-political reality.

He said the global network of imports and exports is no longer just the North-South paradigm of the past century.

"Increasingly we are seeing developing countries as producers and as markets for each other and this is one of the growing patterns of the new landscape of trade," he added.

The WTO chief said that the in the past 20 years, merchandise trade between developing countries has expanded much faster than the North-South trade.

A recent report by UNCTAD notes that in 2010 South-South exports made up 23 per cent of world trade compared to just 13 per cent in 2000.

"Developing countries are now the largest market for other developing countries. While this is encouraging, the contribution of developing regions to South-South trade is highly skewed," he said.

Asian countries make up more than 80 per cent of South-South trade, with the shares of Africa and Latin America being just 6 per cent and 10 per cent respectively in 2010.

Lamy said that economic ties between Africa and China and Africa and India are growing considerably.

"Trade between China and Africa will likely hit upwards of $ 200 billion in 2012, up 25 per cent year on year. If this trend continues, reports are that Africa could surpass the EU and the US to become China's largest trade partner in three to five years," he added.

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Asian economies discuss best practices for dispute settlement
WTO: 2012 Press Releases, Press/683

30 November 2012: Hosted by the Centre for WTO Studies at the Indian Institute of Foreign Trade (CWS/IIFT), the workshop unites practical WTO litigation training and exchanges of experiences on the domestic needs and challenges that often characterise engagement in WTO dispute settlement.

The event, co-organised by the World Trade Organization, the Advisory Centre on WTO Law (ACWL) and the International Centre for Trade and Sustainable Development (ICTSD), in collaboration with the CWS/IIFT, is the first of its kind in the Asian region and builds upon an earlier Tripartite Specialised Training on WTO Litigation that was organised in Geneva in May 2012.

Litigation Training Course

"The WTO Dispute Settlement system has proved to be an important tool to Asian economies, including many developing countries. Nonetheless, challenges remain as countries can only take advantage of the system if they have domestic legal capacity to identify and prepare cases - whether it is with the assistance of outside counsel or on its own," Valerie Hughes, Director of Legal Affairs at the WTO said when welcoming the trainees on 26 November 2012. "It is these practical skills that we hope to build with this innovative training programme," she added.

Senior legal experts from the WTO and ACWL provided a 2.5 day training course to 20 junior officials, which ended at noon on 28 November with an interactive Moot Court.

"Training is an important element of the ACWL's activities. In addition to providing legal advice and litigation services to developing countries, we are committed to sharing our own experience and expertise to further strengthen the legal capacity in our Member States' capitals," Cherise Valles, Deputy Director at ACWL, commented on the course.

Regional Dialogue

With a shared belief that advanced learning can be enhanced with the exchange of experiences and best-practices on the real life challenges that countries face when managing trade disputes, the workshop was joined by 11 high-level experts from within the region. On 28 and 29 November, the senior experts participated in two roundtable debates on intra-governmental coordination and on private sector engagement, coordinated by ICTSD.

"I am very glad that the organizers have chosen this subject for the discussions," Ambassador Narayanan, former Ambassador of India to the WTO, said when opening the first roundtable session. "Governmental coordination is not only of pivotal importance, but one also cannot find any guidance on this in books or other literature. It has to come from practice and experience and this is a perfect forum for such discussions".

As pointed out by Miguel Rodriguez Mendoza, Senior Fellow from ICTSD, by 2012, Asian economies have accounted for 20% of all WTO complaints, reflecting a similar figure for their share of world merchandise exports; by comparison, the Latin American countries have initiated 24% of all cases, despite accounting for only 4% of world merchandise exports. Also, despite the overwhelming importance of intra-regional trade, Asian economies rarely engage in intra-regional disputes, perhaps due to value chains in the region, he noted.

National Dialogue

Following the intra-regional component, two dozen Indian representatives from industry, civil society, academia and private counsel gathered to discuss Indian opportunities and challenges on 30 November. High-level representatives introduce the mechanisms that are in place in India for intra-governmental coordination and private sector outreach.

"Informing industry about the opportunities provided by the WTO rules-based system and means of engagement is considered critical to realise the development potential of the multilateral trading system," Marie Wilke from ICTSD noted in her opening remarks at the National Dialogue.

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Govt assures full support to industry on dispute resolutions
PTI

24 November 2012, New Delhi: Assuring full government support in the process of resolving disputes, the Commerce Ministry today asked industry body CII to provide a list of all cases of dispute on export contracts between India and any other country.

Joint Secretary in the Ministry of Commerce and Industry J K Daddo suggested that if WTO Dispute Resolution Mechanism is followed, disputes can be settled amicably, CII said in a statement.

"Dadoo asked CII to provide them with a list of all cases of dispute on export contracts between India and any other country and assured full support by his ministry to the Indian companies in the process of resolving disputes," it said.

The official said the ministry is also working on strengthening the dispute resolution framework of the anti-dumping disputes.

Dadoo was speaking at CII's summit on Salvaging Dispute Resolution.

The chamber said with increasing number of Indian industry engaged in global businesses and commercial transactions, alternate dispute resolution is emerging as the popular mode of resolving commercial disputes.

Lalit Bhasin, Chairman, CII Task Force on dispute resolution said courts are flooded with public interest litigations which is making it difficult for ordinary litigants and commercial entities with genuine disputes to access the courts of law.

Bhasin said delays in judgement to litigations, particularly in commercial context are hindering the growth of the economy.

He also said looking at the rising costs of arbitration, "we have to encourage and promote mediation and conciliation methods".

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A drag on the developing world
T S Vishwanath, Business Standard

6 December 2012: The ongoing dispute between the GMR group and the Maldives government over the investment for an airport in Male brings focus on a recent discussion at the World Trade Organisation (WTO) public forum, and which was followed by an article by Martin Khor, executive director of Geneva-based South Centre.

The WTO public forum session, which was reported by the Third World Network (TWN), was on "Investment Provisions and Agreements: What is the right 21st century approach?", and was organised by Our World Is Not for Sale Network, the International Trade Union Confederation and Public Citizen. This report and Khor's article emphasised a viewpoint that investment treaties could prove to be a drag on the developing world and might adversely impact policy space for governments.

The TWN report quoted the comments made in the WTO forum by South Africa's senior trade official, Xavier Carim, on the recent changes made by Pretoria in its investment policy. This followed a review that found that the country's bilateral investment treaties (BITs) were inconsistent with South Africa's constitution, the TWN report said.

After the review, Carim said, the South African Cabinet concluded that Pretoria "should refrain from entering into BITs in future, except in cases of compelling economic and political circumstances". "The review also identified difficulties with respect to international arbitration. It observed fragmentation in the system; the lack of common standards of protection; inconsistent interpretations by arbitration panels even on similar matters; as well the growing complexity of the international system through an evolving jurisprudence. All this exacerbates uncertainty and risk." Carim then said, "In particular, we were concerned with investor-state dispute provisions in our BITs. This, in our view, opens the door to narrow commercial interests on subject matters of vital national interest and to unpredictable international arbitration outcomes, and is a direct challenge to constitutional and democratic policy-making."

The view against investor-state provisions in agreements was also supported by Khor in his article where he noted "the epidemic of cases and the high losses that governments have suffered or will potentially suffer is giving rise to grave concerns and calls by several governments as well as public interest groups and legal experts to review and amend the agreements that have led to the legal suits".

The agreements are of two types —BITs signed between pairs of governments (of which there are now around 3,000) and the investment chapter contained in bilateral or regional free trade agreements (especially those involving the US). Many agreements have "investor-state" dispute systems under which a private company or investor can directly sue governments in an international tribunal by claiming that its property or profits have been “expropriated” or “adversely affected by a violation of contracts or by recent policy measures”.

Interestingly, the Indian government is reportedly looking to review its bilateral agreements after foreign telecom companies decided to use BITs, following the Supreme Court’s decision to cancel their 2G licences in April 2012. Sistema invoked the treaty between India and Russia, while Telenor invoked the agreement with Singapore. As is evident from the TWN report and Khor’s article, there is a view in the developing world that countries need policy space when it comes to accepting obligations in investor-state disputes in trade agreements.

This holds true if the investor-state tiff over an investment does not have a political hue, but is purely based on commercial issues. What emerges from the Indian company’s problem with Male points to a need for a possible fresh view of the position taken by the panel at the WTO public forum.
While taking a genuinely important case of protecting developing countries from unwanted legal processes, it is also important to understand that investment decisions need to be backed by strong safeguard provisions.

Political decisions can sometimes be shrouded in policy moves, which can be detrimental to both the investor and the state itself, which is receiving that investment. The decision taken by Male could, for instance, impact Maldives in attracting genuine private investors into the country. State enterprises in some countries, which may back the current leadership in Maldives, may be willing to invest, but authentic private sector investors may lose faith in the regime.

It would be interesting to have a perspective on this issue from Khor and the other speakers at the WTO public forum.

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Shrimp Export: India protests unscientific, unjustified standards
Amiti Sen, Economic Times

4 December 2012: India has raised with the World Trade Organisation what it calls "unscientific and unjustified" health standards imposed by Japan on its shrimp exports.

The move comes as more than 140 containers of frozen Indian shrimps await clearance at Japanese ports. Japan, which has recently lowered the acceptable level of ethoxyquin in shrimps, has since August rejected seven Indian consignments of the seafood. Ethoxyquin is an anti-oxidant widely used in shrimp feed.

"We have raised the issue with the sanitary & phytosanitary committee of the WTO. We believe the new standards that have been imposed are unscientific and unjustified," a commerce department official told ET.

According to industry estimates, export of shrimps from Odisha and West Bengal has fallen by up to 50% in the last four to five months due to the Japanese restrictions. In 2011-12, shrimps accounted for half of India's total seafood export of $3.5 billion.

While India is not immediately filing a case against Japan at the WTO, it hopes that discussing it at the SPS committee will generate pressure on Japan to respond positively.

"There are other countries like Vietnam that are facing similar entry barriers in Japan for their shrimps. We hope to generate enough pressure at the WTO forum to force Japan to reconsider," the official said. "If this doesn't work, we could consider a formal case against this restrictive measure."

The commerce department has also sought a clarification on why the testing procedures were institutionalised selectively only in 2012, despite the notification being made in 2005.

Japanese authorities rejected shrimps from India in August after the level of ethoxyquin, an anti-oxidant, in some shrimps was found to be in the 0.02-0.04 ppm range. Japan's newly introduced health standards tolerate ethoxyquin levels up to 0.01 ppm.

"Figures supplied to us unofficially by the marine products export development authority reveal that more than 140 containers that have reached the Japanese port face the risk of rejection," the official said.
New Delhi's primary concern is that Japan has not carried out a risk assessment for setting the tolerance limit for the chemical and the extremely low default level of 0.01 ppm has been set without any scientific justification.

"Most of the countries, including the US and the EU, and international bodies like Codex have not prescribed any limit for ethoxyquin in fish and shrimp. So far, there is no evidence to prove that ethoxyquin at a level above 1ppm is injurious to health," MPEDA chairman Leena Nair said.

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Government initiates probe into dumping of a chemical by China
PTI

27 November 2012, New Delhi: India has initiated a probe into alleged dumping of a chemical, used in semiconductors and fertilisers, by China 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 "Red Phosphorous".
Tamil Nadu-based Metal Powder Company Ltd and Mumbai-based United Phosphorus Ltd had filed the application for investigation.

In a notification, the DGAD has said the petitioners have provided sufficient evidence that the normal value of the chemical in China is significantly higher than the net export price.

The evidences have prima-facie indicated that the product is being dumped from the neighbouring country, it said.

"The Authority (DGAD) considers that there is sufficient evidence of injury being suffered by the petitioners caused by dumped imports from the subject country (China) to justify initiation of an anti-dumping investigation," it said.

The period of investigation is from April 2011 to 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 DGAD, if needed, would recommend the duty and the finance ministry would impose it.

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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Antidumping duty likely on chemical from Israel, Taiwan
PTI

28 November 2012, New Delhi: India may impose anti-dumping duty of up to USD 150.88 per tonne on a chemical, used mainly in plastic industry, imported from Korea, Israel and Taiwan, to protect domestic players from cheaper shipments.

The Directorate General of Anti-dumping and Allied Duties (DGAD) has recommended imposition of the duty on imports of 'Phthalic Anhydride', the Commerce Ministry has said in a notification. The Directorate's recommendation comes on the basis of its findings that increased imports have caused material injury to the domestic industry, it said.

Leading producers IG Petrochemicals, Mysore Petrochemicals and Thirumalai Chemicals and SI Group Ltd had filed a petition for imposing anti-dumping duty on behalf of the domestic industry. It said the import of the chemical has increased to 40,605 tonne during January-December 2010 from 22,356 tonne in 2007-08. The duty ranged between USD 91.12 per tonne and USD 150.88 per tonne, it said.

The DGAD, which is under the Commerce Ministry, in its recommendations said that the chemical has been exported to India below its normal value from the three countries. "...the Authority recommends imposition of definitive anti-dumping duty...so as to remove the injury to the domestic industry," it added.

Anti-dumping duty is recommended by the Commerce Ministry, while the Finance Ministry imposes the same.

The country has already imposed anti-dumping duty on imports of fabric, yarn, nylon tyre cord and several chemicals.

Unlike safeguard duties, which are levied in a uniform way, anti-dumping duties vary from product to product and from country to country. Countries initiate anti-dumping probes to check if domestic industry has been hurt because of a surge in cheap imports. As a counter-measure, they impose duties under the multilateral WTO regime.

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15% safeguard duty suggested on import of a chemical
PTI

2 December 2012, New Delhi:The Revenue Department has recommended 15 per cent safeguard duty on import of a chemical used in manufacturing of medical devices, with a view to protecting the interest of domestic producers.

The Directorate General of Safeguards (DGS), under the Revenue Department, after an investigation recommended that 15 per cent safeguard duty should be imposed on import of Dioctyl Phthalate for one year and 10 per cent in the second year.

Four domestic producers of the chemical had sought imposition of the duty on the chemical alleging that its increased imports was causing serious injury to them.

The DGS concluded that "increased imports of Dioctyl Phthalate India have caused or threatened to cause serious injury to the domestic producers ... and it will be in the public interest to impose safeguard duty on (its) imports..."

DGS said that "it has been established" that injury to various economic parameters of the domestic industry, like production, sale, inventory has been caused by the increased imports of the chemical. Dioctyl Phthalate is widely used as a plasticizer in manufacturing of articles made of PVC. It has been used as a plasticizer in medical devices such as intravenous tubing and bags, dialysis bags and tubing, and and blood bags.

In their application, the domestic producers had said that there is a surge in import both in absolute and relative terms.

The imports surged from 21,484 MT in 2009-10 to 38,967 MT 2011-12, showing a sharp increase of 81 per cent.

Data on the imports further revealed, the market share of the domestic industry increased from 66 per cent (2008-09) to 72 per cent (2009-10) and thereafter declined to 71 per cent (2010-11) and further to 61 per cent (2011-12).

The DGS said that while the domestic industry further enhanced its capacity in 2011-12, the decline in production despite increase in capacity is quite significant and is clearly adverse situation.
In accordance with WTO norms, safeguards give domestic producers temporary relief while they adjust to the pricing tactics of competitive foreign players.

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Govt starts probe into dumping of solar cells by China, US
PTI

2 December 2012, New Delhi: The government has initiated a probe into alleged dumping of solar cells by Malaysia, China, Chinese Taipei and the US following complaints by domestic players.

The Directorate General of Anti-Dumping and Allied Duties (DGAD) under the Commerce Ministry has begun an investigation as it "finds sufficient prima facie evidence of dumping" of the cell, originating in or exported from these countries, the ministry said in a notification. "...(the DGAD would) 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 Solar Manufacturer’s Association has filed the application for investigation on behalf of Indosolar Ltd), Jupiter Solar Power and Websol Energy Systems Ltd.

The period of investigation is from January to December 2011. 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.

The action is against solar cells imported from these countries "whether or not assembled partially or fully in modules or panels".

Further, it said the applicant has requested for retrospective imposition of duty as the injury is claimed to be caused to the domestic industry by massive dumping of the cells in relatively short time.

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-trade 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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US, Australia raise "subsidised" India wheat export issue with WTO
Stuti Chawla, NewsWire18

21 November 2012, New Delhi: India's robust wheat exports from the central pool seem to have ruffled many feathers. A number of countries, including Australia and the US, have raised the issue of India's "subsidised" wheat exports with the World Trade Organisation, two government officials said.

"Some countries have problems with India's wheat exports, as they feel there is an inherent subsidy in exports," one of the officials said.

Under the World Trade Organisation norms, members cannot introduce new subsidies that could distort international trade.

Though the Indian government maintains it is not giving any subsidy on wheat exports, some countries have questioned that, as the government's wheat export prices are lower than its economic cost of procuring wheat.

The government's economic cost of wheat procurement was 19,100 rupees a ton this year. The highest price the government has fetched in its export tenders so far is $319.15, or about 17,700 rupees, a ton.

The second government official said the government is not giving any direct subsidy on export of wheat, as the Food Corp of India is anyway reimbursed for incidental costs incurred on procurement. "If you look at sale of wheat from the government stock, exports are fetching the highest price compared to other state-run welfare schemes...There is no subsidy that we are giving only for exports," the official said.

The government has so far sold a little over 1 mn ton wheat via tenders, and plans to sell another 1 mn ton this year.

Exports are part of the government's plan to liquidate grain stocks from the central pool, as total stocks are far higher than the government's warehousing capacity. At the start of this month, the government had 69.5 mln ton food grain in stock, including 40.6 mln ton wheat, as against its total storage capacity of about 62 mln ton.

The government has also stepped up allocations in the local market to liquidate the wheat, some of which could start deteriorating if kept much longer.

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Cabinet continues unrestricted export of wheat, non-basmati rice
Business Standard Reporter

30 November 2012, New Delhi: The Cabinet has decided to continue unrestricted export of wheat and non-basmati rice. “The Cabinet Committee on Economic Affairs (CCEA) has approved the continuation of the unrestricted export of wheat and non-basmati rice, in view of the adequate availability of wheat and non-basmati rice in the domestic market. The proposal was moved by the Department of Commerce,” a statement released after the meeting said.

However, a PTI report said that the government has also approved export of an additional 2.5 million tonnes of wheat from the central pool, bringing the total of such exports to 4.5 million tonnes. “The CCEA has approved an additional export of wheat from FCI godowns. The Cabinet did not mention any specific quantity for exports but there was an agreement to review exports once the shipments touch 25 lakh tonnes,” PTI said quoting an unnamed source.

In August, it had first approved export of two mt of wheat, for the first time in seven years. Of these, tenders have been floated for sale of about 1.8 mt, of which almost one mt has been sent out.

As on November 1, the wheat stock in the central pool is estimated at a little over 40 mt, almost three times more than the required quantity. Experts and market watchers feel India should immediately allow export, in tranches, of five to seven mt in the next few months to take advantage of favourable market conditions. “Prices in the global market are expected to stay over $300 a tonne in the next few months, providing the country a golden opportunity to liquidate its inventories at good prices,” said a leading trader.

Prices are expected to stay stable because of low supplies from America, the world’s biggest exporter, and also from Australia, Ukraine, Russia and Argentina because of poor weather. Traders said India’s latest wheat sale could easily fetch around $320 (Rs 18,000) a tonne in the international markets.

Liquidating the wheat through exports would also help compensate the government’s additional carrying cost. Officials said the current economic cost of wheat in government warehouses was around Rs 19,000 a tonne, including the taxes paid. The price the government is expected to get by selling wheat is around Rs 17,000 a tonne.

“The ideal way would be to keep on exporting 1.5-2 mt in small lots or else the international markets would crash, if India or, for that matter, any other country flood the international market,” the trader said. In August, when India floated its first tender to export from central stocks, the international market was weak at around $296 a tonne. Now, these are around $320 a tonne. Two government-owned trading companies, unlisted PEC Ltd and State Trading Corporation of India, got the highest bids at $324 a tonne and $322.22 a tonne, respectively, in their latest export tenders.

The country produced a record 93.9 mt of wheat in the 2011-12 crop year (July-June), almost eight per cent more than the previous year. Apart from the government's Food Corporation of India, traders have also shipped a little over three mt of the grain since September 2011.

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Govt eases cotton export rules
Komal Amit Gera, Business Standard

6 December 2012, Chandigarh: Cotton export procedures have been liberalised, in the backdrop of market prices barely ruling above the government support price, at a time when new crop arrivals have begun. A notification by the directorate general of foreign trade (DGFT) says the cap for obtaining a registration certificate (RC) has been increased to 30,000 bales (a bale is 170 kg), from the present 10,000 bales, unless the quantity exported was less than this in the previous season. In the latter case, the RC would be given for the previous amount, if it was more than 3,000 bales; those who'd exported less and newcomers would get an RC for up to 3,000.

DGFT has been allowed to issue multiple RCs within this eligibility, subject to some riders. Also, applications are now possible from three more centres — Ludhiana, Rajkot and Visakhapatnam.

Alok Sekhsaria of P D Sekhsaria Trading Co, Mumbai, says the decision would make operations easier. However, the price of cotton in the international markets is about the same as the domestic market, so the impact would not be substantial, for now. Dilipbhai Patel, president of the All Gujarat Cotton Ginners Association, said the price of the Shanker-6 benchmark variety was close to Rs 33,400 a candy (356 kg), which does not make export viable. However, if the price falls with the arrivals picking up, it might benefit more exporters.

Bhagwan Das Bansal, president of the Punjab Cotton Ginners Association, said the price of J-34, the variety grown in the region and Rajasthan, was Rs 33,210 a candy. Traders are projecting a fall of about Rs 500 a candy after the entire crop arrives in the market. The current decision of the government will then bear fruit, he said.

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Cardamom export likely to be just half of last year's
Sharleen D'Souza, Business standard

30 November 2012, Mumbai: Cardamom export this year is expected to see a fall of at least 50 per cent, due to lower production. About 2,000 tonnes is available for export and even if more stocks meant for local consumption is diverted, it will be around half of last year's export of 4,650 tonnes (worth Rs 363 crore). Apart from lower output, pricing is an issue. The export price of the major competitor, Guatemala, is lower than India's.

The Spices Board of India has fixed an export target of 4,000 tonnes for 2012-13, split between 3,000 tonnes of the small variety and 1,000 tonnes of the large one.

Last year, India produced a bumper crop of 21,000 tonnes. This year's is expected at only 14,000 tonnes because of delayed rain and crop damage. With 2,000 tonnes of carryover stock, the availability will be around 16,000 tonnes. With a home consumption of 13,000-14,000 tonnes, the export surplus will be a little over 2,000 tonnes.

In the first four months of the current financial year, export was already down 50 per cent, at 485 tonnes as against 966 tonnes in the same period last year.

The main export destination for India is the North Africa and West Asia region, with Saudi Arabia the biggest importer. The US and Europe are not looking at India for imports, as our prices are high. It recently fell due to the gutkha ban in many states. However, recently, when auctions reopened after a month's closure, the price of cardamom started to climb and has moved up to Rs 1,150 a kg for the eight-mm variety from Rs 950 a kg a fortnight earlier, up 21 per cent.

"The price of the spice won't go higher than these levels, as the higher price will not be viable for further demand and the old crop has started to enter the market," said Moolraj Ruparel, a Mumbai-based exporter.

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Free sugar exports under the open general licence system over for now
Rituraj Tiwari, Economic Times

4 December 2012, New Delhi: After allowing uncapped free sugar exports under the open general licence (OGL) system for almost five months, the government has fallen back on the previous system of quota allocation.

In the new sugar season starting October, mill owners seeking to export sugar will have to obtain a release order (RO) from the sugar directorate.

Food minister K V Thomas said free sugar exports under OGL has ceased after September 30, 2012, and exports, when allowed in the existing season, can happen only through the previous system in which the government allocated export quota to a mill based on its sugar production during the previous three years.

"Now sugar mills will have to obtain release orders again from the sugar directorate for exporting sugar," he said. The government had put sugar under OGL in May this year to expedite exports and dispensed with the earlier system of exporters approaching the sugar directorate.

"In that system, sugar exporters would obtain registration certificate (RC) from the Directorate General of Foreign Trade without having to register with the sugar directorate. Exporters would obtain an RC for shipping a maximum of 20,000 tonne at a time. They may apply for another RC after shipping 10,000 tonne," said an official.

Last year, India exported 36 lakh tonne of sugar with over 25 lakh tonne under the RO system, which has been in place since 2010. Under OGL, 11 lakh tonne of export could take place. "According to the industry's feedback, exporters found the RO system better than OGL. The quantity under the previous system tells the real picture," said Thomas.

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Cheaper Pakistan sugar floods Punjab market
Rituraj Tiwari, Economics Times

26 November 2012, New Delhi: Sugar from Pakistan, which is at least Rs 5 a kg cheaper than the Indian variety, is finding favour with traders in the country, especially across the border in Punjab.
"Sugar coming from Pakistan to Punjab costs around Rs 35 per kg in India (including duty and transportation) as compared to the local variety being sold at Rs 40 a kg, offering a good margin for traders," said Rajauli Singh, a sugar trader in Amritsar.

According to an industry source, Pakistan has the lowest sugar price at Rs 25 a kg in Indian rupee. (1 Pakistani rupee equals 0.5776 Indian rupee). The prices of Brazilian raw sugar are ruling around $500 a tonne while Indian sugar prices have climbed by around 25% in the past three months to about $680 a tonne, making imports from Pakistan viable.

The import duty on refined sugar is 10% which is not good enough to check cheap imports from Pakistan. The Pakistan government has decided to allow export of 4 lakh tonne of sugar this year. With its main importer Iran declining to buy refined sugar in favour of raw sugar imports for its own sugar mills, the worries of Indian sugar mills have increased manifold.

"There is no quantitative restriction on refined sugar import and neither is it covered under regulated release mechanism which controls the sale of domestic sugar in the market. So, dumping of cheaper Pakistani sugar will badly affect the interests of the domestic sugar industry," said a sugar miller, who requested anonymity. Realising the pertinent threat, the food ministry has already recommended to the finance ministry that the import duty on refined sugar be doubled from 10% to 20%.

"It's been over a month now. The finance ministry has to take a decision on this. Import duty on raw as well as refined sugar is 10%. But in such conditions, refined sugar import is more profitable as it doesn't invite levy obligation and excise duty which makes raw sugar import dearer effectively by at least 4-5%," said a sugar directorate official.

According to Indian Sugar Mills Association, an industry body, the country is likely to produce 24 million tonne of sugar as against the requirement of 22.5 million tonne, meaning a surplus production for the third consecutive year.

"Last year, the surplus was over 4 million tonne and with an opening balance of around 6 million tonne, India doesn't need any white sugar imports. If at all import is needed, the government should allow raw sugar imports improving mills' capacity utilisation," said a sugar mill owner, who did not wish to be identified.

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Pak should look at more options to increase trade: Sharma

Times Of India

30 November 2012, New Delhi: The government on Thursday said Pakistan should look at more options to increase bilateral trade and move towards grant of most favoured nation (MFN) status to India.

"Pakistan government has taken some steps to move towards full normalization of trade relations with India... This process must be taken to its logical end by phasing out the negative list and eventually according MFN status to India," commerce and industry minister Anand Sharma told a visiting business delegation from Pakistan.

The statement comes after India went ahead and granted concessional duty access to more products from across the border.

At the meeting, Sharma also said India was open to allowing private banks from Pakistan to set up branches in the country after the first two branches were opened. "Let both the countries quickly establish first two branches and we may also look at the possibility of expanding and bringing in some of our private sector banks. We are open to that," he said.

Two banks from across the border — National Bank of Pakistan and United Bank — are expected to set up branches in India while Punjab National Bank is keen to go back to Lahore. The decision to let banks open branches is part of a trade normalization exercise, which includes more trade through land route and tariff concessions.

During the meeting, Sharma once again pressed on the need for more trade through the land route as several products such as hosiery and sweets do not remain competitive if they have to be transported by ship. "It would be beneficial to the business communities of both sides if Pakistan allows all items not in the negative list to be traded across the land border at Attari-Wagah," the minister said.

In addition, he hinted at the possibility of another link being opened up. "We are keen on Khokhrapar-Munabao. A joint working group was agreed to be set up. In our state of Punjab, they want to open more border points and also in Rajasthan connecting Sindh. I believe there is a similar desire from the Pakistan side so that other states of Pakistan are also connected."

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In Guwahati, new hope for India-Bangla ties
Jyoti Malhotra, Business Standard

3 December 2012, Guwahati: The sun sets over the Brahmaputra in Guwahati as it has over centuries, the boats sail placidly along and people living on banks carry on their trade in small goods or big business just as they did the day before.

Some things are different though over this weekend, the highlight of which has been the visit of a group of members of Parliament from Bangladesh. They have met a variety of stakeholders, including chief minister of Assam Tarun Gogoi, the local business community, representatives from Assam's intellectual class and the press.

Guwahati is an easy-going Tier-II town, as most towns of its ilk spread across the country, but as the news of the visit of the Bangladeshi parliamentary delegation spread, its small, unassuming press club was inundated with journalists. On Sunday morning, the Eastern Chronicle screamed the following headline and other newspapers adapted variants : “Illegal immigrants in Assam? Bangladesh not aware.” In a state that has been roiling with agitations against “foreigners”, code-word for illegal Bangladeshi and other immigrants for some decades now, you could look at the statements by the visiting Bangladeshis in two ways: The first, a denial of the problem that Assam has borne the brunt of in recent years, and the second, for both sides to admit that these refugees are primarily motivated by economic considerations — just like the thousands of Indians who illegally move to the US and Europe — in the hope that a better life awaits them across the porous border into India.

The big question is how poor countries with large populations can hold their people inside their sovereign borders, especially when threat hasn't worked and political promises have remained largely unfulfilled. Stories of how homes on the 4,096 km-long India-Bangladesh border have bedrooms on one side of the border and kitchens on the other side speak of the continuing apathy with which successive governments in both countries have refused to breathe sense into the circa 1947 Radcliffe Line.

But it seems the problem is more unique than plain indifference. Prime Minister Manmohan Singh and Sheikh Hasina signed the Land Boundary Agreement (LBA) during Singh's visit to Dhaka last year, and finally it seems Delhi will move to introduce its ratification in this session of Parliament. External Affairs Minister Salman Khurshid is believed to have already initiated discussions with the Left parties and is expected to also consult the other major political parties to get their points of view. This exercise is essential because the ratification needs an amendment to the Constitution, which needs a two-thirds majority, and the government doesn't have the numbers in the Rajya Sabha.

The ratification of the LBA will pave the way for a hundred acres or so of land to be acceded to Bangladesh, along with the exchange of 111 enclaves and the adjustment of adverse possessions. Once this happens, the last 6.5 km of the border, pending since 1947, will be demarcated. It is believed the Bangladeshi parliamentary delegation also heard assurances to this effect, which is expected to help

Hasina's Awami League government push their report card when it goes to the polls a year from now. Truth is, the new boundary will only streamline the map, not stop illegal migration.

For that — governments in Delhi and Dhaka, and much more importantly, governments in Guwahati, Agartala, Kolkata and Dhaka — have to sit together and think up creative solutions.

They will need all the help from local business and industry to transform this decades-old problem. How about turning the problem on its head? If all sides can agree that porous borders are actually an aid, rather than an obstacle, to the development of their peoples, then the natural concomitant is to open up these borders to sub-regional trade in goods as well as transit trade, and fees for the transit country, between the provinces of India's North-East and Bangladesh.

If Dhaka can open up transit for Indian goods and people seeking to move from one corner of the north-east to the other, India would reciprocate by letting in Bangladeshis on valid work visas into its neighbouring north-eastern states.

Remember that Assam is really a country, not only because of its astonishing diversity but also because of its size and amazing richness of raw material.

Just like the Line of Control between the two Kashmirs is slowly opening up to greater trade and connectivity between Kashmiris from India and Pakistan, a porous border between India's north-eastern states — especially Assam and Tripura — and Bangladesh would go a long way in resolving the tinderbox of problems this region is currently sitting on.

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Managing India-China trade ties
Biswajit Dhar, Livemint

4 December 2012: The second India-China strategic economic dialogue held last week came at a time when the two countries need to address a range of bilateral economic issues. Revisiting bilateral economic relations is important for changing the global rules of economic engagement. For years, India and China have been involved in re-shaping the global economic architecture to make the functioning of the multilateral institutions in the areas of trade and finance democratic. India and China are also coordinating their positions in critical negotiations on climate change that are taking place in Doha.

Bilateral economic relations between India and China have gone through interesting phases in the past decade. Towards the middle of the previous decade, the two governments were in active consultations for commencing negotiations for a free trade agreement (FTA). These preparations went astray as the Indian government faced opposition from major industry associations. These associations were apprehensive about their ability to stand up to competition from the relatively cheap Chinese products and, were therefore, unwilling to allow lowering of tariffs through an FTA. Another reflection of the unease of Indian businesses with imports from China is the large number of anti-dumping complaints that have registered against Chinese firms.

Policymakers may have failed to bring the two economies together in a closer relationship through a FTA, but the market had worked out its own plan. Rapid expansion of trade since the beginning of the previous decade indicates this clearly. In 2001-02, India-China trade was just less than $3 billion. This increased to $75.6 billion in the last fiscal, registering a 25-fold increase. More significantly, China has emerged as India's largest trade partner since 2009. Currently, India-China trade accounts for nearly 12% of India's total trade.

The spurt in trade volumes took place on the back of India's rapidly increasing imports from China. From a tad above $2 billion in 2001-02, India's imports from China increased to over $57.5 billion by 2011-

12—a 28-fold increase. In contrast, India has not been able to penetrate Chinese markets very well; its exports have lagged its imports from China by a considerable margin, thus giving rise to the spectre of unbalanced trade. The high trade deficit that India faces indicates this clearly. In 2011-12, the deficit exceeded $39 billion and was more than twice the level of India's exports to China. It is not just the absolute trade deficit that should worry India, but the rate at which it has increased. In the last fiscal, the level of trade deficit was twice as high as that recorded two years back.

Besides the trade imbalance, the commodity composition is also skewed against India. In 2011-12, raw materials and intermediate products made up for more than 90% of India's exports to China. In other words, India was feeding the factory of the world that China is. But one noticeable change that has occurred in the past three years is that while in 2008, raw materials were nearly 80% of India's exports to China, in the previous year, the share of raw materials had declined while those of intermediate products has increased to nearly 34%. This probably indicated that component manufacturers from India are getting involved in the production networks spawned by Chinese enterprises.

In contrast, raw materials and intermediates were less than 40% of India's total imports from China. The share of these products was as high as 70% in the beginning of the previous decade, but has declined rapidly as China implemented a policy to restrict exports of raw materials.

India has thus got into a division of labour with its neighbour wherein it exports low value-added products and imports high value-added and technologically sophisticated products. Perhaps the only cause of comfort for India could be that China has developed this trade pattern with most of its major trading partners, including Brazil and South Africa.

Where, then, are Sino-Indian economic relations headed and what contribution can the strategic economic dialogue make in this process? Trade relations, the most visible sign of economic engagement between the two nations, need a close look, particularly the yawning trade deficit that India faces. While it is no one's case that the trade should be balanced, the magnitude of imbalance could introduce undesirable strains in bilateral relations. Importantly, this is also the view of several commentators in China.

Even a casual look at the developments in the Chinese economy shows there are opportunities for India. After 2008, policymakers in China have realized that their growth model, based substantially on exports, cannot be sustained. Rapid growth has also pushed up wages. These will, undoubtedly, erode China's export competitiveness. This could result in a relocation of production bases away from China. India with a diversified production base is best placed to take advantage of this development. It must prepare to make the most of this coming change.

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India seeks lower import tariff from Australia
Amiti Sen, Economic Times

26 November 2012, New Delhi: India has asked Australia to lower tariff and other import barriers on a host of products including pharmaceuticals, passenger cars, gems & jewellery, garments, chemicals and machinery in the bilateral free trade agreement being negotiated.

New Delhi has stressed that specialised access for some identified products from India, many of which are being imported in large quantities from China, is important to bridge the gaping trade deficit between the two countries.

"We are keen to conclude the proposed FTA with Australia, but it has to be done in a way that the large trade deficit does not get larger and we get to sell the products where we are competitive," an official told ET. India imported goods worth $15 billion from Australia in 2011-12 compared to exports worth $2.4 billion, running a trade deficit of $12.5 billion.

India and Australia began talks on a free trade pact, formally known as a comprehensive economic cooperation agreement, in May last year and are still at an initial stage of discussion. Both hope to increase bilateral trade to an annual $45 billion from the present $18 billion in the next five years as a result of the FTA.

New Delhi believes that its industry can export several products to Australia if it gets marginally better terms of trade, especially in goods where China is dominating. In a recent negotiating group meeting, India came up with a long list of products where it could give Australia assured quality at reasonable prices, the official said.

It included pharmaceuticals, organic chemicals, gems & jewellery, passenger cars, transport equipment, machinery and instruments, manufacture and metals, electronics goods, plastic products, garments, leather, rubber products, marine products, telephones, metal and furniture.

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No demand from steel companies to ban import from Japan, South Korea: Anand Sharma
PTI

26 November 2012, New Delhi: Government has not come across any demand from domestic steel makers for removing steel from the purview of free trade agreements (FTAs) with Japan and South Korea or imposing ban on imports from the two countries, Parliament was informed today.

"No," Commerce and Industry Ministry Anand Sharma informed the Lok Sabha in a written reply.

He was replying to a question whether indigenous steel makers have demanded the removal of countries like Japan, South Korea and China from the list of preferential Free Trade Agreement countries or for the imposition of ban on import of steel from these countries.

The minister's answer is in contrast to demands made by leading steel makers like JSW Steel and Essar Steel.

The two steel majors have sought removal of steel from the purview of FTAs with Japan and South Korea, while voicing concern on rising imports from the two Asian economic powers.

"Japan and Korea are pushing for more steel into India. There is more than 300% increase in imports of steel in just one year from these countries. So, the government needs to sit back and take a look at this. Steel should be outside of the purview of FTA," JSW Steel's Chairman Sajjan Jindal had said in September.

Steel Minister Beni Prasad Verma had also rejected their demand earlier and had said, "I don't know what the industry is clamouring for. They have to understand that when import duty would be near zero by 2025, they have to compete".

According to the Joint Plant Committee of the Steel Ministry, imports went up to 4.25 million tonne (MT) during April-October period of the current fiscal as against 3.27 MT in the same period of last year, a growth of 30 per cent.

In 2011-12, India's total steel import stood at 6.83 MT. In January, 2010, India had signed FTA with South Korea and with Japan in August last year. Under FTA, duties on most of the products, traded between the countries, are either eliminated or reduced sharply.

After FTA came into existence, import duty on Korean and Japanese steel products were reduced to 3.13

per cent from five per cent in 2010. Imports from other geographies attract 7.5 per cent import duty.

Cashing in on duty benefits, Japan and South Korea have also become leading exporters of steel to India replacing the traditional exporters European Union and Russia.

According to a Commerce Ministry data, Japan and South Korea together sold steel products worth $ 2.873 billion in 2011-12 to Indian consumers.

During the first half of the current fiscal, steel imports from the two countries were worth $ 1.653 billion.

As per the data, China has been the largest exporter of steel products to India, amounting over 25 per cent of total Indian imports at $ 2.738 billion in 2011-12. During the April-September period of the current fiscal, imports from China had been at $ 1.198 billion.

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Delay in signing of Free Trade Deal with EU worries textile industry
Sutanuka Ghosal & Madhvi Sally, Economic Times

23 November 2012, Kolkata/Ahmedabad: With Free Trade Agreement (FTA) between India and European Union (EU) not coming through, the Indian apparel industry is extremely concerned.

Exports to EU have drastically fallen this year with the region reeling under the worst ever economic recession in recent times. The FTA was expected to be signed in October-November this year but textile industry officials say that it has now been pushed back to the first quarter of next year.

In the EU region, India's textile exports have suffered the most in Italy, where the exports are down by 33.65 per cent during April - September FY13 as compared to same period the previous year.

In France and Germany, exports are down by 31.28 per cent and 28.53 per cent respectively on a year-on-year basis. India's overall exports of made-ups have declined by 5.76 per cent in the first six months of the current fiscal year to $11,960.74 million.

"Value-wise, the difference between this year and last year's exports has narrowed down because the rupee has weakened against dollar in FY13 as compared to FY12. In the April-September 2012 period, the rupee was valued at 45.24 against the dollar but in the first six months of FY13, the rupee has fallen to 54.66 against dollar. But volume-wise exports were much less," said DK Nair, secretary general of the Confederation of Indian Textile Industry (CITI).

Textile exports from India to EU, which attracts an import duty of 12 per cent, are costlier than that from Bangladesh. "There is no duty on EU imports from Bangladesh, which has emerged as one of our biggest competitors in the world markets," said Nair.

Exporters find the inordinate delay in signing FTA with EU quite disappointing. Gautam Nair, managing director, Matrix Clothing, said: "The weak recovery in the EU region and the US has reduced the purchasing power of people in these markets, leading to a shortfall in the overall demand. The India-EU FTA should come soon, because EU is our biggest market and the textile sector will benefit from this." Incidentally, orders from EU in the post-Christmas period have just dried up.

Raja M Shanmugan, MD of Tirupur based Warsaw International said European importers were keen that India sign the FTA. "They realise that we are disciplined, have ample raw material (cotton), technical knowhow and will be competitive. So, why should we remain behind Bangladesh, which enjoys duty-free access to the European Union (EU), Australia and the US?" he asked.

Ludhiana-based ready-made garment exporter Deepak Dumra has seen a 10 per cent fall in export orders. "Orders are slow particularly from Greece, Spain and Italy and we are being hopeful of things improving by early next year," said Dumra.

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Indian ICT firms passionate about Nigerian market
PTI

27 November 2012: A 13-member delegation of Indian Electronic and ICT firms participating in a buyer-seller meet here have expressed optimism in Nigeria emerging as a major market for products and services from India.

The companies are participating in a three-day business tie-up summit organised by the High Commission of India in Nigeria and the Electronics and Computer Software Promotion Council of India.

"There is a huge business opportunity in Nigeria and India SMEs are ready to do business in Nigeria because the country has a big telecoms market and the next generation will make a huge difference." head of the delegation from India and Managing Director of Telematic4u Services Ltd, Pratap Hedge told PTI after the interaction with Nigerian businessmen.

According to him, the major advantage and facilitator of business between both countries is English as a common language.

He said sectors like telecoms are growing at fast pace in Nigeria.

He added that the large population of the oil rich African country is a big advantage citing instance from India which also has a large population that became advantageous.

"Our Council is in Nigeria to interact with Nigerian buyers of ICT products and services, as well as explore the possibilities of business cooperation and strategic alliances with them," he said.

"As a catalyst for the India ICT industry, our council is here to develop a new mechanism of making our products accessible and affordable to Nigerians," he added.

Managing Director and CEO of Airtel Nigeria, a subsidiary of Bharti Airtel, Rajan Swaroop while sharing his experience in Nigeria with the businessmen said the country has the potential to surpass India in the ICT sector.

"In 1990, India was in the same position Nigeria found itself today but the potential of this African country is huge," he said.

"Information Technology (IT) is one of the thrust areas identified by the Department of Commerce of the Government of India for enhancing trade between India and Nigeria," the High Commission in Nigeria said in a statement before the meeting.

With bilateral trade at over USD 17.3 billion, India is currently Nigeria's second largest trading partner.

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IT exporters adding revenue with fewer new employees
Pankaj Mishra, Livemint

25 November 2012, Bangalore: For the first time in over two decades, India's $70 billion software exports industry is now generating every additional $1 billion in revenue with less than half the number of engineers it needed till 2003—an early indication that the country's top technology firms are earning more from high-end projects that require fewer people.

In 2003, when India's software exports was worth just $9.5 billion, firms such as Tata Consultancy Services Ltd (TCS) and Infosys Ltd needed 37,798 engineers to earn $1 billion. In the year ended March, the industry added 19,783 people for every additional $1 billion in revenue, according to industry lobby Nasscom.

An increasing share of high-paying services that need fewer staff, a shift away from low-end, voice-based back-office services, and an overall slower demand for software services are bringing about this change. For nearly one million students set to graduate from engineering schools next year, it means fewer opportunities.

"This is a very progressive fact for the Indian IT (information technology) industry. This shows that the industry is doing a lot of things right, and that increasing maturity of the industry has also brought in a significant amount of pragmatism in the mix," said Achyuta Ghosh, head of research at Nasscom. During 2008-12, software exports grew 14%, higher than the 9% growth in employees in the four years, the lobby group said.

Already, firms such as Wipro Ltd say staff needed to generate every $1 billion can be reduced further. Executives at some of the largest Indian software firms confirmed internal goals to bring down number of engineers required to earn a billion dollars to less than 15,000 in two-three years. "We have been selling offshore development centres all our life. Now it's time for innovations," said Saurabh Govil, senior vice-president, human resources, Wipro.

Offshore development centres were dedicated facilities that housed hundreds, sometimes thousands, of engineers writing and maintaining software codes for customers such as General Electric Co. till a few years ago. These customers paid for services based on the number of hours billed by each engineer. Now, some customers are asking for payments to be linked with business outcomes and not the amount of manual effort.

"For the past 10 years, our industry has built campuses and other facilities, all focused on the supply side," Govil said. "Now we are moving from managing demand to creating demand for our services." While Infosys has said it will earn one-third of its revenue from products and solutions that do not require additional staff in two-three years, TCS is already earning 10% of incremental business every financial quarter from services that are not dependent on the number of engineers.

"I am not saying that the current business model is bad. There's nothing wrong in becoming a 500,000 people organization, but our investments in non-linear initiatives are equally important," N. Chandrasekaran, chief executive of TCS, said in an interview in October.

TCS is betting on software platforms owned by its UK subsidiary Diligenta to win more business without adding fresh staff. Software platforms can be used over and over again for different customers, without adding any dedicated staff.

Phaneesh Murthy, chief executive of iGate Corp., said bringing down the number of people further for every $1 billion of revenue depends on the willingness of large customers to adopt these platforms. His company aims to achieve $3 billion in revenue by 2017, and Murthy hopes that at least 30% of that could come from iTops—iGate's software platform. "If that happens, we would be looking at revenue per employee of around $60,000, up from nearly $40,000 currently," said Murthy.

To be sure, Indian tech firms' efforts to reduce dependence on engineers are dwarfed by newer rivals such as IPsoft Inc. that are far ahead. For instance, IPsoft uses humanoids that automate and deliver IT projects at a cost that is less than one-fourth the billing rates of engineers. This year, IPsoft will cross $1 billion in revenue with less than 2,000 staff.

Experts tracking the sector said the proportion of fresh engineering graduates and those with less than three years of experience has been coming down for TCS and Infosys—two of the biggest software exporters.

The proportion of employees with less than three years experience has come down to 35% for Infosys and 40% for TCS, according to Kawaljeet Saluja, Rohit Chordia and Shyam M. of Kotak Institutional Equities Research. Both the companies had fresh engineers accounting for more than half their total workforce until 2006, the Kotak analysts said in their 16 November report.

For nearly three million employees in the sector, and for those aspiring to join these tech firms after they graduate, the changing profile of the industry raises some tough questions.

"Commoditized IT skills are taking us nowhere. Even arts and commerce graduates are now hired by Wipro, others. And they earn similar salaries," said Akhilesh, who works as a software programmer with the Indian unit of International Business Machines Corp. He did not want his surname taken as he is not authorized to speak to the media.

Aspiring software programmers, however are increasingly turning anxious. "We speak to our college seniors from two years ago, and some of them are still not placed despite offers from Infosys etc," said Shruti S., who is studying computer science at a Bangalore-based engineering college.

Nasscom said that despite increased focus on delinking revenue growth from fresh hiring, the industry needs in excess of 200,000 graduates every year. "This trend of non-linearity and higher value-add and productivity effects will ensure the industry does not stagnate," said Nasscom's Ghosh. "There will be career paths in place, skill sets will keep evolving, and the industry will always look for new challenges rather than just remaining a commodity business."

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Difficult choices in Asia's trade bloc alphabet soup
Jyoti Malhotra, Business Standard

26 November 2012, New Delhi: As India prepares to host a summit of leaders of all 10 members of the Association of South-East Asian Nations (Asean) next month, to commemorate 20 years of its partnership with the region, an alphabet soup of trade blocs threatens to shake up what till now was a relatively quiescent area.

Leading the charge is the 16-country Regional Comprehensive Economic Partnership (RCEP) unveiled in Phnom Penh, Cambodia, last week on the margins of the East Asian Summit, enthusiastically embraced by China and which includes India. When it comes into being in 2015, it will be the world's largest trade bloc.

Meanwhile, the Barack Obama administration plans to reinvigorate the Trans-Pacific Partnership (TPP), an 11-country initiative launched in the later months of the US president's first tenure, by launching free trade negotiations across the Asia-Pacific bloc. India and several other countries in the region are also part of the TPP.

With the West still ploughing through its four-year-old economic crisis, the centre of the recovery has decisively shifted to Asia. Clearly, China leads the way inside the continent. China has already signalled that it intends to assert itself in the region. Its spirited claims on the contested Spratly and Paracel islands, as well as the South China Sea, is expected to be invigorated by its new political leadership. This potential catfight between the world's greatest powers, the US and China, through the leadership of the TPP and the RCEP, is making the rest of Asia nervous. Asean is economically beholden to China but in spirit is largely supportive of US geo-strategic goals. It is also right in the middle of this argument.

India's decision to engage with Asean in the China-led RCEP has been taken after considerable thought, especially since Delhi has consistently refused Chinese overtures to build their own regional free-trade area. But when Asean decided to buy into RCEP, Delhi decided it must show solidarity with the former, with which it is commemorating 20 years of partnership next month.

In that sense, Delhi is hoping it will be able to gain from having a leg in both worlds, in the US and China, and perhaps even hopes to leverage its relatively weaker power status by postponing the moment when it will need to choose one over the other. Most importantly, India does not want to be left out of a trade bloc such as RCEP, which will cover more than half of the world's population when launched in 2015.

India and Asean are also far more comfortable with the “salad bowl” approach of RCEP, which allows both to keep their own partnerships with other countries. The US, on the other hand, wants TPP to adopt a “WTO-plus approach”, where issues like the environment, climate change and human rights are integral to the business of trade. Certainly, India is uncomfortable with the latter approach. Obama's national security adviser Tom Donilon, on the other hand, has signalled that the Americans are thinking differently. On the eve of Obama's departure for the East Asian Summit, he outlined the renewed administration's Asia policy, especially with the two big powers, India and China. While the US has "given a full embrace of India's rise", Donilon said, its ties with Beijing were far more complex with "elements of both cooperation and competition", he added.

Clearly, the Americans are keen to win India in this imminent competition with the Chinese. With India’s bitter memories of the way they fought with China 50 years ago still dominant and Beijing's refusal to still open its market to competitive Indian companies in the information technology and pharma sectors, Delhi believes it must lean in favour of the US. But it will hesitate to articulate this intention in so many words. Inside Asean, fractures over the US versus China issue are becoming public, as in disputes over the wording of communiques on the South China Sea dispute.

Surin Pitsuwan, head of the Asean summit, said all sides, including the US and China, understood they could not afford to let these disputes hold back “lucrative” trade agreements. "The effort is to try to isolate the two issues. Economic integration will have to go forward... because everybody is going to benefit from this new architecture," he said.

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More FTAs, less red tape
Business Standard

22 November 2012, New Delhi: The recent summit of the Association of Southeast Asian Nations, or Asean, in Phnom Penh was noteworthy for two reasons. First, because it became clear that a powerful bloc within Asean is not willing to allow Beijing to bully its way through maritime territorial disputes, even though the host nation, Cambodia, lobbied hard for China. And second, the strong commitments from all participating nations to move forward on what is being called the Regional Comprehensive Economic Partnership, or RCEP. The RCEP is, basically, an arrangement for a putative free-trade area that will cover Asean and six major trading partners — India, China, Japan, South Korea, Australia and

New Zealand. The reason this should be viewed as more than the usual freer-trade-is-good communiqué that emerges from regional talk shops is that, in this case, Asean already has free-trade agreements (FTAs) with all six of these nations. Enveloping them into one large agreement or partnership, therefore, is a step forward.

The big exception is, as usual, India. While the FTA in goods was signed in late 2009, no FTA in investment or in services has been worked out yet. And even the goods FTA, as is India's wont, was hedged about with more exceptions than Asean's other such agreements. Even the truncated version, with only about 80 per cent of tariff lines freed up, reportedly faced objections in the Union Cabinet from Congress ministers from Kerala, who were concerned about its impact on employment. Prime Minister Manmohan Singh has said, however, that an FTA on investment and in services is close; some indications are that it could be signed as early as December. If so, that is welcome, as the welfare gains are substantial from such an agreement, especially if it leads to a general RCEP-type trading zone in a world where multilateral trade talks have made little progress.

However, the great increase in goods trade with Asean countries in recent years has led some to worry about de-industrialisation of India. Competing with more efficient manufacturing units in East and Southeast Asia, it is argued, will further kill Indian manufacturing. This is a valid worry, as vibrant manufacturing is necessary to grow employment sufficiently. However, trade cannot and should not be held responsible for disasters and uncompetitiveness that are born of home-grown policy. Indian consumers cannot be expected to pay forever for Indian manufacturing's inability to modernise, or for the government's unwillingness to get out of industry's way. It isn't just about the vast disadvantages of inadequate infrastructure and restrictive labour laws. The operative problems are faulty administration and subsequent risk for producers.

Consider this newspaper's report on Wednesday that several major Indian steel producers are facing production bottlenecks due to problems with the availability of iron ore. Recent Supreme Court actions have cut the amount of iron ore mined in Karnataka to only one million tonne a month, which is less than half of what steel producers in the state require. Meanwhile, the National Mineral Development Corporation, or NMDC, isn't even mining that much — and it is, according to steel producers, altering price determination from auction-based to spot-based methods. This is far from the only place where government action is hurting producers. Attempts to introduce "pooling" of coal, for example, effectively penalise those producers who were expecting coal at a particular long-term price from Coal India to help those who were dependent on coal from overseas. It is the government's short-sightedness and capriciousness, not international trade, that continue to stifle manufacturing.

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