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WTO Members Wrap Up Personal Review Of Candidates; Selection to Begin in May

Members of the World Trade Organization were given the opportunity Jan. 31 to quiz the last of nine candidates in the race to succeed Pascal Lamy as director-general of the WTO…

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The Centre for WTO Studies was set up by the Department of Commerce, Government of India in 1999. The intent was to create an independent think tank with interest in trade in general and the WTO in particular. The Centre has been a part of the Indian Institute of Foreign Trade since November 2002. The Centre provides research and analytical support, and allied inputs to the Government for WTO and other trade negotiations. The Centre also has its own body of publications, and conducts outreach and capacity building programmes by organizing seminars, workshops, and subject specific meetings to disseminate its work, create awareness on recent trade topics and build consensus between stakeholders and policy makers.

After 8 months of fall, exports up in Jan
Business Standard

New Delhi**,** 14 February 2013**:** After declining for eight consecutive months, merchandise exports rose 0.8 per cent to $25.6 billion in January, compared with $25.4 billion a year ago, official data showed today. The data provided hope to policymakers that exports would improve in February and March, too.

Imports rose 6.1 per cent to $45.6 billion in January, against $43 billion in the corresponding month last year, widening the country's trade deficit to $20 billion. After narrowing to $17.7 billion in December 2012, the deficit rose 13.8 per cent year-on-year, as imports of petroleum, as well as other products, rose.

For the April-January period, exports declined 4.9 per cent to $239.7 billion, while imports rose 0.01 per cent to $406.9 billion; the trade deficit stood at $167.2 billion, against $154.9 billion in the year-ago period. It remains to be seen whether the trade deficit for the entire financial year exceeds the record $185 billion in 2011-12. That financial year, the high trade deficit had led to a record current account deficit (CAD) of 4.2 per cent of gross domestic product (GDP).

The rise in exports was despite the International Monetary Fund (IMF) cutting growth projections for India's two largest trading partners, the Euro zone and the US, for 2013. While the forecast for Euro zone was cut by 0.3 percentage points to (-) 0.2 per cent, that for the US was lowered by 0.1 percentage points to two per cent.

"I hope with exports growing marginally in January, we can narrow the trade gap at the close of the financial year," Commerce Minister Anand Sharma said, after launching the national summit of the National Association of Software and Services Companies in Mumbai today.

However, Federation of Indian Export Organisations President M Rafeeque Ahmed said the trade deficit for this financial year would exceed $200 billion.

In January, the rise in exports was aided by the basic chemicals, engineering goods, textiles and gems and jewellery segments. Exports of basic chemicals rose 8.1 per cent, petroleum products 6.6 per cent, engineering goods 0.7 per cent and gems and jewellery 0.6 per cent, Commerce Secretary C S Rao told reporters.

The engineering goods and gems & jewellery segments had seen exports fall in the previous months.

Rice, tobacco and oil mill exports rose in January. Among bulk sectors, drugs and pharmaceuticals registered high growth in exports.

Rao said he hoped the incentive package for exporters, effected in January, would help the country's exports "improve significantly" in the coming months.

In January, oil imports rose 6.91 per cent to $15.90 billion. In December, these had contracted to $14.42 billion. Non-oil imports increased 5.71 per cent to $29.68 billion, providing hope the economy might be recovering. As the government didn't disclose the break-up of imports, it was difficult to gauge whether gold was exerting pressure on imports. To curb gold imports, the government has already raised customs duty on branded gold from four per cent to six per cent.

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Ministry streamlines system to avoid errors in export data
Press Trust of India

New Delhi, 10 February 2013: Errors in reporting of export data could be a thing of past, with the Commerce Ministry streamlining the system to ensure smooth and correct flow of shipment figures from different ports in the country.

"The ministry has fixed all the problems and has also reduced the time lag in releasing export numbers. For example, time lag for principal commodity exports has been reduced by a month since October 2012 from 3-4 months earlier," an official told PTI.

This follows a series of steps taken by the Department of Commerce to ensure timely reporting and collating of export data by different agencies, including Directorate General of Commercial Intelligence and Statistics (DGCI&S) and the RBI.

The review exercise was started by the then Commerce Secretary Rahul Khullar after an error of USD 9 billion was noticed in 2011 in the country's exports for April-November period of 2011-12.
The exercise was completed by current Commerce Secretary S R Rao.

The error happened due to several reasons, including mis-classifications, double counting and problems in the computer software.

The Prime Minister's Office had also asked the commerce department to explain the errors.
The issue was discussed in detail on January 29 during the meeting between Cabinet Secretary Ajit Kumar Seth, Commerce Secretary S R Rao and Revenue Secretary Sumit Bose.

The Commerce Ministry gave a detailed presentation to the Cabinet Secretary and has apprised him of the work. The ministry has also started issuing press statements in advance by almost three weeks since November 2012, the official said.

"Prompt and error free data from customs to DGCI&S is a pre-requisite for expeditious dispersal of trade data," Director General of Foreign Trade (DGFT) Anup Pujari said.

Lax data reporting has also created problems for officials during the visit of Commerce and Industry Minister Anand Sharma to Mauritius last month where bilateral trade figures were found not matching.

According to a source, one of the main reasons for discrepancy in the bilateral trade figures was lack of computerisation at minor ports. Out of about 300 ports, 180 ports are still non-EDI (electronic data interchange).

"Collation of manual figures takes time and in that chances of error is also there but soon things will be fixed," the source said.

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New portal to give exporters information on trade pacts
Business Line (The Hindu)

New Delhi, 1 February 2013: The Commerce Department has launched a trade portal enabling exporters to access information related to various trade deals struck with countries and regions that could help them target potential markets.

The portal has an online database of preferential tariff of top 25 destinations with which India has entered into regional or bilateral agreements or variants of them. It also provides the normal tariffs existing in these countries so that the exporters know the margin of preference and the advantage they would enjoy in each market.

There is special focus on information related to the South Asian and South East Asian countries, an official release said.

"One big criticism of the trade pacts the country has signed over the last decade is that most exporters do not have enough information to take advantage of these," a Commerce Department official told *Business Line*.

With the launch of the portal, we hope to address the concern to a large extent, the official added. The portal was launched by Commerce Secretary S.R. Rao.

Information on various technical details including the Rules Of Origin that define the minimum value addition required for a product to qualify as one originating in the exporting country, quality norms prescribed under Sanitary and Phytosanitary Measures and Technical Barriers to Trade or technical requirements of various products in different countries is also provided in the portal.

It provides a search criteria based on HS Code and/or product names, the release added.

Rao said the Government will try to expand the contents of the portal by including other trading partners and the task of maintenance will be on the Indian Institute of Foreign Trade and the Department of Commerce.

India has signed trade agreements with a host of countries and regions that includes the Asean, Singapore, Malaysia, Japan, South Korea, Sri Lanka, a number of Latin American countries and the SAARC region.

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Trade contracts: With who is the question
Asit Ranjan Mishra, Livemint

New Delhi, 5 February 2013: A steep fall in shipments to countries left unnamed by the commerce ministry contributed to the contraction of India's merchandise exports, which declined for the eighth month in a row in December, according to official trade data.

Exports to the European Union, which has been battling a sovereign debt crisis, and Asia also fell but, surprisingly enough, sales to the US rose modestly in the April-December period, although the world's largest economy is still struggling for recovery from the financial crisis that felled it in 2008.

Disaggregated data available for April-November shows a 93.4% decline to $900 million from $14.3 billion in the same period the previous year in India's exports to miscellaneous trade destinations classified by the commerce ministry as unspecified.

In fact, unspecified was India's fifth largest export destination, accounting for exports of $16.4 billion, and the country's 14th largest trade partner with $17.5 billion of bilateral trade in the fiscal year ended 31 March 2012.

"Sometimes the country name and country code written on merchandise items do not match. In such cases, we categorise them under the 'unspecified' head," a commerce ministry official said on condition of anonymity.

Another government official with knowledge on the matter said it was basically a data collection problem and no mischief was involved.

K.T. Chacko, former director of the Indian Institute of Foreign Trade, said usually exporters make mistakes in entering the product codes and entering the country code correctly isn't very difficult. "I cannot find any reason why this is happening. At present there is ambiguity. Commerce ministry need to clarify the matter," he said.

Disaggregated trade data for April-November also show that while India's efforts for trade diversification towards African and Latin American countries is slowly paying off, its free trade agreement with the Association of South-East Asian Nations (Asean), which came into effect on 1 January, 2010, has so far benefited only the latter.

Exports to the Africa grew 13.9% to $17.8 billion during April-November, while shipments to Latin America rose 10.4% to $8 billion. India is offering incentives to exporters to boost sales to such regions through various schemes.

The commerce ministry targeted a 20% increase in exports in the current fiscal, but is staring at an overall contraction of exports in the year. During 2011-12, India's exports grew 21.8% to $306 billion, while imports jumped 32.3% to $489 billion .

The commerce ministry has also revised provisional trade data down, leading to a larger contraction of merchandise exports than earlier envisaged.

While provisional data released by the ministry showed exports shrank 5.95% to $189.2 billion in April-November, revised data reviewed by *Mint* shows exports contracted 7.1% to $186.9 billion during the period.

Exports to the European Union contracted 11.1% to $31.3 billion, while exports to China shrank by 25.3% to $8.4 billion during the same period. Exports to Asean member-states fell 18.62% to $19.2 billion.

India exports mostly raw materials and minerals to China and restrictions on the production of such materials because of environmental and regulatory issues had caused the decline in exports to China, said Chacko. India's trade deficit with China stood at $28.7 billion during April-November, the largest with any country.

Disaggregated trade data show that exports to the US actually rose 11.6% to $25.2 billion during April-November, belying concerns that the grim economic situation in the US may lead to a decline in shipments.

The US was India's top export destination, overtaking the United Arab Emirates, which topped the list in the last financial year.

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Expect tariff-related measures in Budget to tackle duty inversion
Nayanima Basu, Business Standard

New Delhi, 11 February 2013**:** Finance Minister P Chidambaram is likely to announce several tariff-related measures in the forthcoming Budget to address duty inversion problems in an effort to boost the domestic manufacturing sector as well as exports from the country.

Duty inversion basically means that raw materials and intermediates are taxed higher than the finished products and the Budget may tackle the issue by altering customs duty rates. “Several tariff measures will be taken in this year’s Budget which will promote domestic manufacturing. Various export promotion councils have brought to our notice that there are several duty inversions. So, the government intends to now set this thing right, especially for the chemicals and engineering sectors,” a senior commerce department official told Business Standard. The move, officials said, will promote domestic production and manufacturing, which will give a fillip to Indian exports as well.

This will also give an impetus to the National Manufacturing Policy (NMP), which has been unveiled more than a year back but has failed to take off due to absence of investors and despite tax concessions. Under NMP, the government has proposed to set up large National Investment and Manufacturing Zones (NIMZs) with an aim to increase the share of the sector to at least 25 per cent of GDP by 2020 from the present 16 per cent, and create 100 million jobs during this period.

Under the policy, the government has authorised the National Manufacturing Competitiveness Council (NMCC) to look into duty structures and their impact on domestic manufacturing.

The official added that these measures would also augur well from a revenue realisation point of view since the finished products would be taxed more than the intermediates that go into domestic value addition.

According to a recent study done by Ficci, imported raw material users in a range of manufacturing industry segments are in a spot due to inverted Customs duty structure that makes them incompetitive against cheaper finished product imports and discourages domestic value addition.

The study noted that sectors that are adversely affected due to inverted duty structure are tyres, electronic hardware, electrical equipment, medical instruments and technical textiles among others.

For example, inverted duty structure is there in tyres. Basic customs duty on tyres is 10 per cent as compared with 20 per cent or Rs 20/kg (whichever is lower) on natural rubber, the study said. Tackling the issue of duty inversion also assumes importance in the backdrop of several bilateral trade agreements that India is now signing with its strategic partners such as Japan, Malaysia, South Korea and the Association of Southeast Asian Nations (Asean) in the form of free-trade agreements (FTA), the comprehensive economic partnership agreements (Cepa) and the comprehensive economic cooperation agreements (Ceca).

These trade agreements provide India greater market access to the partner countries. However, higher import duties on raw materials makes Indian finished goods costlier as well as uncompetitive in the international markets.

Last year, the steering committee on manufacturing for the 12th Five-Year Plan under the Planning Commission had also recommended that local manufacturers be given a level-playing field along with cheaper imports under the trade agreements and other duty concession schemes.

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US Lodges WTO Challenge Over India Renewable Energy Incentives
Bridges Weekly Trade News Digest

13 February 2013: The US has filed a formal challenge at the WTO regarding India’s support policies for solar energy, Washington officials announced last week. At issue in the complaint is a local content requirement in the Asian country’s national solar programme, which Washington claims discriminates against foreign solar equipment manufacturers in favour of their domestic counterparts.

The challenge comes amid growing questions over the degree to which countries can help support their burgeoning renewable energy sectors, particularly given the global trade arbiter's recent panel ruling regarding a similar programme in the Canadian province of Ontario. The Canada dispute, which had been tabled at the WTO by the EU and Japan and also involved a local content requirement, is currently facing appeals from all parties.

US officials have stressed that the India-focused complaint targets only the Asian nation's local content requirement, and not the overall objective of developing renewable energy sources.

"Let me be clear: the United States strongly supports the rapid deployment of solar energy around the world, including with India," US Trade Representative Ron Kirk said in announcing the US challenge. "Unfortunately, India's discriminatory policies in its national solar programme detract from that successful cooperation, raise the cost of clean energy, and undermine progress toward our shared objective."

The benefits of local content requirements (LCRs) have long been a controversial topic. While countries often pursue multiple policy objectives through LCRs in the renewable energy sector, primarily to green their economy and to foster the sector's domestic development, while in parallel stimulating employment and investment, some analysts have noted that domestic content requirements might instead increase costs of energy, reduce competition, and therefore potentially slow down innovation.

India's programme - known formally as the Jawaharlal Nehru National Solar Mission (NSM) - was launched in 2010, with the goal of deploying 20,000 MW of solar panels through an interconnected grid by 2022. According to the country's Ministry of New and Renewable Energy, the scheme aims to reduce the cost of solar power generation in India, specifically via long-term policy, large-scale deployment targets, intensive research and development, and domestic production of the necessary raw materials and components.

"The objective of the National Solar Mission is to establish India as a global leader in solar energy, by creating the policy conditions for its diffusion across the country as quickly as possible," according to the programme's mission statement.

One of the mission's goals, the statement says, is to undertake an international leadership role in the area of solar manufacturing across different stages of the value chain, in "leading edge solar technologies." In doing so, it is hoping to achieve a 4-5 GW equivalent of installed capacity by 2020, which would include developing manufacturing capacities for polysilicon material that would allow for the production of approximately 2 GW capacity of solar cells annually.

Washington: Policy gives domestic producers unfair advantage

Under the current phase of India's programme, the US says, New Delhi has required developers of photovoltaic projects using crystalline silicon technology to use solar cells and modules made domestically.

"As a result, solar power developers, or their successors in contract, receive certain benefits and advantages, including subsidies through guaranteed, long-term tariffs for electricity, contingent on their purchase and use of solar cells and solar modules of domestic origin," Washington says in its complaint, arguing that this violates the WTO's rules on national treatment.

Washington also argues that the measure constitutes an illegal subsidy, due to it allegedly providing a subsidy that depends on the use of domestic goods over their imported counterparts.

Among other concerns, the US claims that the Indian measures at issue have not been appropriately notified, thus violating the Subsidies and Countervailing Measures (SCM) Agreement. In its consultations request, Washington also argues that the policies “appear to nullify or impair” the benefits due to the US directly or indirectly under this agreement, as well as the WTO’s General Agreement on Tariffs and Trade (GATT) and Trade-Related Investment Measures (TRIMS) Agreement.

The upcoming phase of the programme would extend the local content requirement to cover more types of equipment imports, which the Office of the USTR says is also cause for concern.

The planned changes to the scheme would involve expanding the NSM local content requirement to include solar thin film technologies, which make up most of the US’ solar exports to the Asian country. Over half of the projects under NSM have relied on imported thin films, which has been credited for prompting New Delhi to propose bringing these into the local content requirement.

Given that the majority of US solar exports involve solar film technologies, US companies are “not actually bothered by domestic sourcing of solar modules” under the current phase of the programme, one Indian trade official commented to The Hindu. The official speculated that the planned changes could have influenced the timing of the US complaint.

India responds

New Delhi officials quickly responded to Washington’s challenge, arguing that the requirement has not substantially reduced imports of equipment and that its policy is in line with WTO rules.

The domestic content provision has been applied to only “a few projects totaling 350 megawatts (MW),” Tarun Kapoor, joint secretary at the Ministry of New and Renewable Energy, told Reuters. India’s total capacity for solar generation is 1200 MW, compared to 18 MW three years ago when NSM was in its infancy. India is currently building 1000 MW of solar power plants and will soon be building an additional 2000 MW, the official added, noting that this new capacity will not be subject to a local content requirement.

In the past, India has also argued that the scheme qualifies as government procurement and is thus exempt from national treatment requirements, according to Reuters - an argument that New Delhi could potentially try to use if this case reaches the panel stage, some trade observers have speculated.

A similar argument was also made in Canada’s WTO row with the US and EU, only for a dispute panel to find that - while the Ontarian measures at issue were government procurement - it was done with a view for commercial resale. The Ontario scheme was therefore not exempt from the national treatment requirements referred to in the GATT, TRIMS, and SCM Agreements. That finding is currently under appeal by Ottawa.

Dispute panel proceedings do not have precedential effect, however, meaning that the results in the Canada dispute would not necessarily apply in India’s case, should the latter dispute reach the panel stage.

Next steps

The request for consultations is the first step in the WTO dispute settlement process. Should the parties to a dispute be unable to reach a resolution after 60 days of talks, the complainant may request the establishment of a panel to hear the complaint.

ICTSD reporting; “The Solar War Heats Up,” THE HINDU, 11 February 2013; “Widening Domestic Sourcing Net May Hurt India’s Case,” THE HINDU, 11 February 2013; “India to consult its solar sector on domestic content issue,” SEE NEWS, 11 February 2013; “India Denies Violating WTO Rules on Solar-Product Import,” BLOOMBERG NEWS, 07 February 2013; “US Challenges India’s Solar Program Restrictions at WTO,” REUTERS, 06 February 2013.

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Widening domestic sourcing net may hurt India's case
Amiti Sen, Business Line (The Hindu)

New Delhi, 11 February 2013: The US could have a stronger case against India at the World Trade Organisation (WTO) if the country goes ahead with its plans of covering more products under domestic sourcing norms in the second phase of the National Solar Mission.

In a response being framed on the draft rules for the second phase circulated by the Ministry of Non-renewable Energy recently, the Commerce Department has taken a view that inclusion of a larger number of items like thin films and solar cells under sourcing norms could spell trouble at the WTO, an official told *Business Line*.

The US filed a complaint with the Dispute Settlement Body of the WTO last week against domestic content requirement in the Jawaharlal Nehru National Solar Mission (JNSSM) which mandates that solar photovoltaic modules based on crystalline technology has to be sourced locally.

"The US is not actually bothered about domestic sourcing of solar modules as mandated under the first phase as most producers under the solar mission prefer to use thin films, which are cheaper and not covered under domestic sourcing. In fact, US companies are exporting a large amount of thin films for the solar mission," the official said.

The dispute raised by the US at the WTO against India is largely to prevent widening of the domestic sourcing net to include thin films that are much cheaper than crystalline modules but have shorter life-span. More than 60 per cent of projects under the solar mission have opted for importing thin films prompting the MNRE to close the loop-hole in policy and include thin films under domestic content requirement as well.

India's main argument in its defence is that domestic content requirement is applicable to grid solar power projects where procurement of solar power will be essentially done by the Government through public sector entity NTPC and thus would fall under the government procurement category. Since India is not part of the Government Procurement Agreement, it could impose any condition on Government procurement.

The argument, however, is not fool-proof as Government procurement is taking place only after solar power has been produced while the initial sourcing is being done by private companies. The greater the number of products that get covered under the procurement net, the weaker could be India's case, fear officials at the Commerce Department.

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US ban on LNG exports would violate WTO rules - experts
Doug Palmer, Reuters

Washington, 31 January 2013: A U.S. government decision to subsidize steel, chemical and other manufacturers by restricting exports of liquefied natural gas would violate global trade rules and damage U.S. credibility after years of pressing other countries like China to drop restrictions on natural resource exports, experts said.

"It would be hypocritical and contrary to WTO rules for the United States to impose restraints on the export of LNG while permitting unfettered domestic consumption of natural gas," said Gary Hufbauer, a senior fellow at the Peterson Institute for International Economics, who recently wrote about the issue for the think tank.

The U.S. Department of Energy is considering more than a dozen applications to export LNG as a result of breakthroughs in drilling technology that have dramatically increased U.S. oil and gas production.

That has triggered a fierce debate within the business community, with industrial users like Dow Chemical and Nucor that have benefited from lower natural gas prices arguing against more exports.

Other business groups like the National Foreign Trade Council and the Emergency Committee for American Trade are pushing for a liberal export policy, fearing U.S. restrictions could come back to haunt American firms.

Environmental groups also worry that the new drilling techniques could contaminate water supplies and lead to more greenhouse gas emissions that are blamed for climate change.

Hufbauer said he expected the Energy Department to decide in favor of more LNG exports but proceed slowly with approval of individual projects to monitor the environmental impact.

Price concerns raised by domestic natural gas users are unlikely to carry the day because "it is so contrary to what the United States has been arguing against other countries. I think there would be strong forces in the U.S. government pushing back against that," Hufbauer said.

Free Trade Exception

The United States generally does not restrict exports to give domestic companies a price advantage, or subsidy, and typically objects when other countries impose export bans.

In the case of LNG, the issue is before the Energy Department because a 1938 law requires it to decide whether natural gas exports are in the U.S. public interest.

Congress amended the law in 1992 to allow natural gas exports to countries that have a free trade agreement with the United States. That list has grown to 20 including Canada, South Korea and Australia.

As recently as 2007, the United States was making plans to expand imports of natural gas, so the issue of U.S. export restrictions was not a serious concern.

But Jim Bacchus, a former WTO appellate judge now in private practice at Greenberg Traurig, an international law firm, said he felt certain U.S. export curbs would be found in violation of the WTO if challenged by another country.

"One of the biggest recent WTO cases was one that the U.S. brought against China's quantitative restrictions on exports of raw materials. The United States won that case on the basis of Article XI of the GATT," Bacchus said.

'Blunt Trade Measures'

In that dispute, the United States argued that China's restrictions on exports of raw materials used to make steel and other industrial products gave Chinese producers an unfair advantage by depressing domestic prices for those goods.

"These export restraints are blunt trade measures that are, by China's own admission ... inconsistent with WTO rules," U.S. trade lawyers said in oral arguments in that case.

The United States is making the same point in a case that it has brought with the European Union and Japan against Chinese restrictions on exports of rare earth minerals used in a variety of high-technology products.

"The export restrictions can increase supplies in China's domestic market, driving down the prices that Chinese producers would otherwise pay for these same inputs," USTR said in an October 2012 legal brief.

"Not only does this dynamic create tremendous advantages for Chinese producers vis-à-vis non-Chinese producers, but it also places strong pressure on non-Chinese producers to move their operations, technologies and jobs to China," USTR said.

Still, the U.S. Trade Representative's office on Wednesday declined to say whether a Department of Energy decision to curb additional LNG exports would violate WTO rules.

"Generally, the office would not comment on whether a U.S. export measure that has yet to be decided might or might not raise concerns under trade rules," a USTR spokeswoman said.

But in international venues like the Group of 20 leading economies and the Asia-Pacific Economic Cooperation (APEC) forum, the United States has been a driving force in crafting language urging countries not to curb exports.

Reflecting concern that a new round of protectionism could damage the fragile global economy, APEC leaders in October again pledged to refrain "from raising new barriers to investment or to trade in goods and services, imposing new export restrictions, or implementing WTO-inconsistent measures in all areas, including those that stimulate exports."

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US objects to India sourcing IT products locally
Amiti Sen, Business Line (The Hindu)

New Delhi, 3 February 2013: The US Government has objected to India’s plans of making it compulsory for Government agencies to source electronic products, including personal computers, printers and tablets, from domestic manufacturers.

It has also expressed “grave concerns” about private companies being mandated to domestically source IT products in some instances due to security reasons.

“The US may give a non-paper to India listing out its concerns and how those might be addressed,” an Indian Government official told *Business Line*.

The US Under Secretary of State for Economic Growth, Environment and Energy Robert Hormats, in his recent interaction with Commerce and Industry Minister Anand Sharma, argued that the domestic sourcing regulations would be a huge setback for US IT companies that want to set up shop in India, the official, who also attended the meeting, said.

Since the domestic sourcing regulations would force some companies to let go of their global supply chains that they have developed over the years, steps needed to be taken to address this area of grave concern, the US official stressed.

Notification

The Ministry of Communications and IT, last Thursday, put out a notification making it mandatory to give preference to domestically manufactured laptop PCs and tablet PCs in Government procurement. Notifications were issued in December for providing preference to domestically manufactured desktop PCs and dot-matrix printers in Government procurement. The time-line prescribed for adhering to the notifications, in most cases, is March 2014.

The proposed rules are meant to help develop a robust Indian technology manufacturing sector, the Indian Government said in a recent statement.

Wherever domestic sourcing restrictions have been placed on private companies, the Government has cited security concerns as the deciding factor.

"The Commerce Minister, too, explained to the US Under Secretary that the move is required to boost domestic manufacturers that were still struggling to grow," the official said.

Technology hardware exporters based in the US and the EU have already written to the Government deploring the move, especially because it would not just apply to Government agencies but also private companies in some instances. Some have indicated that it could violate World Trade Organisation norms.

'No norms breached'

Indian Government officials, however, are confident that no international norms are being breached. "India is not part of the Government Procurement Agreement of the WTO and thus is free to impose any procurement conditions on government agencies. The WTO also allows countries to impose sourcing restrictions for security reasons," another official, who deals with WTO issues, said.

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U.S. to continue shrimp trade probes against seven countries
Xinhua

Washington, 7 February 2013: The U.S. International Trade Commission (USITC) on Thursday cleared the way for the government to continue anti-dumping investigations on imports of frozen warmwater shrimp from seven countries.

The USITC voted 5 to 1 in determining that there is a reasonable indication that a U.S. industry is materially hurt by imports of frozen warmwater shrimp from China, Ecuador, India, Indonesia, Malaysia, Thailand and Vietnam. It also alleged these shrimp were subsidized.

As a result, the U.S. Commerce Department will continue its countervailing probe that began on Jan. 18 and is expected to make its preliminary decision in late March.

In 2011, the United States imported frozen warmwater shrimp from China at an estimated 153.7 million U.S. dollars, 8.4 percent less than in 2010, according to the U.S. government's data.

In addition, the U.S. government has already slapped antidumping duty orders on frozen warmwater shrimp from Brazil, China, India, Thailand and Vietnam.

As the U.S. economy is undergoing a slow recovery, Washington has increasingly resorted to protectionist practices. As of Nov. 6, 2012, it has imposed anti-dumping or anti-subsidy duties on more than 120 products from 36 countries on the excuse that the imports had materially harmed related U.S. industries.

Chinese products including consumer goods, chemical, iron and steel products, farm produce and sea food are heavily targeted by such punitive duties.

The Chinese Ministry of Commerce has repeatedly urged Washington to abide by its commitment against protectionism and help maintain a free, open and just international trade environment.

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Govt may impose anti-dumping duty on Chinese chemical
PTI

New Delhi, 8 February 2013: India may impose anti-dumping duty of up to USD 0.78 per kg on a Chinese chemical that is used for photography and medical applications so as to protect domestic players.

In its preliminary findings, the Directorate General of Anti-dumping and Allied Duties (DGAD) has recommended imposition of the duty on imports of 'Meta Phenylene Diamine' from China, the Commerce Ministry 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.

Aarti Industry had filed a petition for imposing anti - dumping duty on behalf of the domestic industry. The company in the application had claimed that it is the sole producer of the chemical in India.

The directorate has recommended two set of duties - USD 0.57 per kg and USD O.78 per kg on different Chinese firms, 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 China.

"...the Authority is of the view that imposition of provisional duty is required to offset dumping and injury," 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 below-cost imports.

As a counter-measure, they impose duties under the multilateral WTO regime.

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Govt may allow export of 5 million tonnes more wheat
Vishwanath Kulkarni, Business Line (The Hindu)

New Delhi, 7 February 2013: Private trade may soon get access to the wheat stored in Food Corporation of India (FCI) godowns for exports, as the Government plans to allow an additional shipment of 5 million tonnes (mt) soon.

The Government, the biggest wheat stockholder with an estimated 30.8 mt as on February 1, is under pressure to create storage space for fresh produce as the country looks forward to a bumper harvest for the third year in a row. As on January 1, the current central pool stocks were close to thrice the prescribed buffer and strategic reserves of 11.2 mt.

Exports

Sources said the Food Ministry had circulated a note for inter-ministerial discussions on allowing exports of an additional 5 mt for which the Union Cabinet is expected to set the price.

The Government has, so far, allowed exports of 4.5 mt from the Central pool stocks mainly by State-run trading corporations.

The State entities, such as PEC, STC and MMTC, have tendered about 2.5 mt so far and have actually shipped out 1.6 mt.

Private trade, which largely sources from the open market, has exported about 2 million tonnes. Total wheat exports from India since October 2011 till date stand at around 3.6 mt.

Bumper crop likely

India has emerged as one of the largest exporters of wheat this year and the bulk of it has been shipped to Korea and Taiwan, as also to neighbouring countries such as Bangladesh, Sri Lanka and Yemen.

The country, which produced close to 94 mt last year, aided by a conducive climate, expects to harvest a similar crop in the current year as acreage is almost similar to that of last year.

However, the temperature during February and March would decide the crop size.

The Government, which hiked the minimum support price for wheat by Rs 65 a quintal to Rs 1,350, expects to buy about 42 mt in the rabi marketing season 2013-14.

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To shield groundnut exports, govt to make certification mandatory
Sandip Das, The Financial Express

New Delhi, 5 February 2013: With reports of Indian groundnuts (peanuts) consignments being detained at countries in the European Union (EU) and Southeast Asia getting frequent, due to presence of a high level of aflatoxins, the government has decided to make certification of exporting units mandatory under the globally approved Hazard Analysis Critical Control Point (HACCP).

Along with the HACCP certification, the government would try to see to it that farmers follow norms under good agricultural practices (GAP), which will improve the quality of groundnuts shipped from the country. To start with, Agricultural and Processed Food Products Export Development Authority (APEDA), the commerce ministry’s arm, has asked the Indian Oilseeds and Produce Export Promotion

Council to compile a list of potential units having high export turnovers so that the HACCP certification process can be initiated.

“By June 2013, we expect the exporting units to have the HACCP certification, which will boost the export potential for groundnut products,” Asit Tripathy, chairperson, APEDA told FE.

India mostly exports groundnuts to Southeast Asian countriesm such as Malaysia, Japan, Indonesia, Korea, China, Philippines and Thailand. Besides, a small quantity is exported to countries in the EU and Russia.

India exported more than 3.7 lakh tonne of groundnut worth more than R2,808 crore during April-November 2012. Commerce ministry officials say that during the last five years, out of approximately 750 official rejections of groundnut products, over 365 were reported due to excess levels of aflatoxins in peanuts, which is about 50% of all the rejections.

The official admit that most rejected consignments also do not meet the domestic aflatoxins levels. There have been inspection visits to India by food regulators from the EU, Japan and Russia.

The main purpose of launching a mandatory certification process was to ensure that groundnuts products exported from India do not test for aflatoxin in excess of the prescribed levels. Besides, APEDA wants to facilitate web-based traceability through PeanutNet with the objective of tracing and tracking the product for better compliance.

HACCP is a management system wherein food safety is addressed through the analysis and control of biological, chemical, and physical hazards from raw material production, procurement and handling, to manufacturing, distribution and consumption of the finished product.

India is one of the major exporters of groundnuts after China. Andhra Pradesh, Bihar, Gujarat, Haryana, UP, Maharashtra, Tamil Nadu and MP are the key producers.

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Coffee exports up 7% in Jan, but fetch less per unit
Press Trust Of India

New Delhi, 6 February 2013: India’s coffee exports rose 7% to 21,557 tonne in January, but value-realisation per unit remained low due to weak global prices and higher demand for cheaper coffee on account of the worldwide economic slowdown, according to the Coffee Board.

In the coming months as well, exporters said, coffee shipments from India are expected to be “normal” but export value realisation would be down by 10-15%. According to the Coffee Board data, India exported 21,557 tonne coffee in January.

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IT exports to grow 12-14 %: Nasscom
The Hindu

Mumbai, 12 February 2013: An increase in global technology spending and opportunities created through adoption of disruptive technologies are expected to propel growth of Indian IT exports in 2013-14 and National Association of Software and Services Companies (Nasscom), the premier trade body for the Indian IT-BPM (Information Technology-Business Process Management) industry, expects the industry to clock export revenues of $84-87 billion, maintaining growth at 12-14 per cent.

In its strategic review 2013, Nasscom said domestic revenues would grow at 13-15 per cent, and to reach Rs.118,000-120,000 crore in 2013-14.

In spite of the challenges in the global market, Indian IT-BPM industry sustained its growth trajectory and was expected to clock export revenues of $75.8 billion with a growth of 10.2 per cent in 2012-13, Nasscom said in a statement. The domestic market also witnessed a year-on-year growth of 14.1 per cent, taking domestic revenues to Rs.104,700 crore in 2012-13.

The Indian IT-BPM sector continues to be one of the largest employers in the country directly employing nearly three million professionals, adding over 180,000 employees in 2012-13.

“The year 2012-13 can be characterised as the year of rapid transition and transformation leading the industry into expanding into newer verticals and geographies, attracting new customer segments, and transforming from technology partners to strategic business partners,” it said.

“The Indian IT-BPM industry has demonstrated resilience and agility in the past year. Technology has today become an integral enabler for growth across all sectors and the industry is continuously evolving and innovating to emerge as a strategic partner to its customers,” N. Chandrasekaran, Chairman, Nasscom, said in a statement adding, “the thrust is IP-led solutions served over multiple platforms that has the customer at the centre of every module, and is transformative in nature.”

According to Nasscom, some of the key growth drivers expected to open new opportunities for the industry are smart computing, ‘anything’-as-a-service, technology enablement in emerging verticals and the SMB market.

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Exclude steel products from free trade agreements with Japan, Korea: Assocham
Udit Prasanna Mukherji, Times of India

Kolkata, 7 February 2013: Amid growing concerns of steel companies arising out of free trade agreements (FTAs) with Japan and Korea, apex industry body Assocham has sought immediate exclusion of steel products under Chapter 72 of the International Trade Centre (ITC) code from the Indo-Korea and Indo-Japan Comprehensive Economic Partnership Agreement (CEPA).

"Reinstate import duty rates for exports of all steel products from Republic of Korea and Japan to India under Chapter 72 of the ITC code as per the normal prevailing import duty rates," appealed the industry body in a communication to the union steel minister Beni Prasad Verma.

"On behalf of the Indian steel industry, we at Assocham have time and again registered the growing concerns of the domestic steelmakers towards the unabated rise of steel imports from Japan and South Korea thereby taking undue advantage of concessional duty rates under the CEPA Free Trade Agreements (FTAs)," said DS Rawat, secretary general of Assocham.

"The FTAs should be evolved on the spirit of complementing the need and necessities of partner economies rather than exploitation for self-centric objectives," said Rawat.

"Unfortunately, with large surplus floating steel capacity together with rising steel production and declining demand for steel both Japan and South Korea have amply utilised the concessional duty rates under the CEPA FTA for salvaging part of their surplus steel thereby flooding steel exports into India," he said.

In its submission, Assocham has also stated that CEPA FTAs are extensively committed to the trade aspects which majorly favour the needs and necessities for exports of surplus manufactured and engineering goods by these countries and have no specific commitment to investment which is the major requirement by India.

"It is imperative that FTAs should focus on investment into manufacturing sector along with infrastructure development in India instead of encouraging import of manufactured goods from partner economies to salvage their surplus into India," Rawat said.

Further, Assocham has strongly recommended for exclusion of steel products under Chapter 72 from negotiations of the ensuing Indo-Australian FTA.

For all ensuing and "under discussion" FTA proposals, India should not negotiate any duty concessions for steel products under Chapter 72 with all the partner economies having surplus steel and/or the country is reeling under economic slowdown, it has said.

The apex chamber has also specifically requested to the minister of commerce and industry to review the representations from Assocham sent last year on May 5 and August 6 along with the oral submissions to joint secretary-commerce (Foreign Trade).

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Post-Khurshid's visit, India and Chile look to boost ties with Cepa
Humasiddiqui, The Financial Express

New Delhi, 11 February 2013: Eyeing stronger economic ties, India and Chile are looking at a Comprehensive Economic Partnership Agreement (Cepa) even as Santiago has agreed to liberalise the business visa regime for Indians.

Economic relations was one of the focal points of external affairs minister Salman Khurshid's Latin America visit, which also took him to Argentina. Both India and Chile agreed to further strengthen cooperation in diverse sectors and to expand existing institutional frameworks. This is the first ever visit of an Indian foreign minister to Santiago.

India and Chile have a preferential trade agreement (PTA) that has about 400 items. "Discussions are underway to expand the list to include about 3,500 items. Both sides felt that the expansion of the PTA should be concluded soon," a senior ministry of external affairs (MEA) officer told FE.

Chile is the only country in Latin America that has a PTA with India. The Chilean side expressed their keenness to elevate the PTA into a Cepa and the discussions are expected to commence soon. Chile also agreed to liberalise their business visa regime for Indian businessmen. A law for enacting changes in the consular policies in Chile is expected to be considered in the Chilean parliament.

The ministry of commerce has negotiated an amplification of a preferential tariff agreement with Chile and is preparing to negotiate similar agreements with other Latin American and Caribbean (LAC) countries.

Ahead of the Chilean president's visit later this year, both countries have agreed to setting up of a bilateral India-Chile Scientific Forum to foster joint research in select areas, including tele-medicine, e-governance, tele-education, agriculture, astronomy, glaciology, oceanography, climate change, IT and renewable energy.

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US sanctions to redefine India-Iran trade
Tejinder Narang, Businessline (The Hindu)

4 February 2013: From February 6 onwards, Indo-Iran trade will undergo substantive changes in view of the recently reported US' modified sanctions on Iran, which mandate 100 per cent payment in the currency of the importing country for Iranian products.

Banks and other financial institutions have to carry out stricter due diligence on corporates, their counterparties and trades before processing any payments.

This will affect even traders whose activities are unrelated to Iran. In short, the risk of doing business with Iran will be high. However, the 'challenge' that US' recent action provides is, in fact, an "opportunity" for greater bilateral commercial cooperation between India and Iran.

The immediate implications for India are — all imports, most of it being in crude oil, of about $15 billion (Rs 79,500 crore) — will be paid in "rupees only", instead of the rupee/euro ratio of 45:55 finalised under the 2012 agreement with Iran.

Likewise, Iranian urea will also be accessed under 100 per cent rupee payment, instead of UAE's dirhams, as was the past practice. Massive rupee payments will be credited in India's UCO Bank account held in the name of Central Bank of Iran, from which Indian exports will continue to be financed.
This is subject to Iran's acceptance of 100 per cent payment of their crude, fertiliser or other items in Indian rupees.

Enlarging export basket

However, annual Indian export is around $2.5 billion to Iran, which may be stretched to a maximum $4 billion (Rs 21,200 crore) in a year's time. This will mean surplus credit balance of $11 billion (Rs 58,300 crore) for Iran.

This excess may be mitigated by additional Indian exports, for which both India and Iran have to promptly fix existing snags — proactively increasing commodities in the export basket.

Iran has reportedly sought permission of the Government to invest its surplus funds (arising out of India's rupee imports) in government securities and for financing its imports from third countries. India is reported to be examining this request.

Present projections are that "Iranian rupees" will multiply to Rs 175,000 crore in three years and may have to be auctioned finally at a huge discount, like the disposal of the "Soviet Rupees escrow account" left over under Indo-Soviet "Special Trading Arrangements".

The only way by which this can be prevented is if Indian exports rise exponentially, or investment in Government securities and funding third country exports is agreed upon — all of which might attract US ire.

Fix snags

India's current export composition includes rice, corn, soyameal, sugar, tea, pharmaceuticals, and iron steel products worth $2.5 billion. Rice exporters with an annual business of around $1 billion have suffered on account of large outstandings and unpaid bills in 2011 and 2012 — both through the Dubai route and UCO Bank channel.

Soyabean meal shippers are jittery for the same reason. Wheat export of 3-4 million tonnes has been in a limbo for one year, due to inflexibility on the part of Iran's phyto sanitary authorities.

However, under the modified dispensation, Iran can buy and India can sell everything from pin to cotton, textiles, garments, automobiles, trucks and construction equipment in rupees. Uncertainty of payment is extremely critical for restoring confidence in dealing with Iran. Disbursal arrangements of export payments by UCO Bank are risky, dilatory and financially painful.

Traders have to wait for up to two-three months for a message from Iranian bank for a "debit advice" in rupee account managed by UCO Bank, under Iranian letter of credits (LCs), resulting in disappearance of their margins. UCO Bank seems wary of certifying compliance of the shipping documents with terms of LCs for transmitting payments to the exporters, in spite of a "debit authority" ingrained in LC.

If UCO Bank is so wary, then it could engage the services of three or four Iranian officials on deputation who can be posted in New Delhi, Kolkata or Mumbai and who are conversant with Iranian system of verification of documents.

The Reserve Bank of India or the Government may also step in to allay the Bank's fears. It could involve other banks to ensure competitive services. (Iran has nominated four banks to deal with Indian side.) Under the earlier Asian Clearing Union, or under the Indo–Soviet rupee trade till the 1990s, payments through Indian banking systems were processed promptly.

Routing exports

Iran may also source goods or commodities which India can import in hard currency as "*quid pro quo*". For example, it may be willing to take refined edible oil (palm or soy) in 5 kg consumer packs (whose exports has been cleared on January 31 by Cabinet Committee on Economic Affairs without any quantity limit subject to a minimum export price of $1,500/tonne f.o.b). Ten million tonnes of edible oil is annually imported by India from Indonesia, Malaysia, Brazil and Argentina.

Export of refined sugar in rupees from the raw sugar imported from Brazil may also be feasible at competitive prices, when Indian prices lack export parity. Exports through "Special Economic Zones" in rupees can also be considered for containing trade imbalance.

A new breed of local Indian companies may be formed as facilitation agencies at the behest of Iranian corporates.

These "shell" companies might scout for Indian products and sellers of repute. They will act as intermediation agencies with Indian exporters on behalf of Iranian principals for assuring swift payments. These entities may receive advance payments or large-valued LCs through UCO Bank for swift transmission of sums to Indian shippers.

(The author is a freelance commodity analyst.)

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General elections may stall India-EU trade pact talks: Cravinho
Nayanima Basu, Business Standard

New Delhi, 7 February 2013**:** João Cravinho, the Ambassador of the European Union (EU) to India, today expressed serious concerns over the ongoing talks to establish a trade agreement between India and EU that has missed several deadlines.

Cravinho said with the impending general elections, which is slated for around May 2014 as of now, it will be difficult for the government to negotiate such an ambitious and broad-based deal like this. The negotiations to have the deal - Broad-Based Trade and Investment Agreement (BTIA) – with EU started in 2007.

“We are now coming to the crunch. There is nothing left to be negotiated now. In India elections are on the horizon now and we do not know how far or how near is that horizon. In such a scenario, the circumstances are not conducive for negotiating international agreements. We are not there yet, we cannot guarantee if we can be there. But we should be there,” he told reporters here today.

The ambassador also added that the deal will be beneficial for both sides with unprecedented gains on both sides across all sectors. He, however, also said that the talks have gone on a much slower pace than expected.

“A lot hinges whether we can manage to do the FTA (free trade agreement). It has been a fairly slow progress largely because we are planning to have an ambitious deal. From Indian perspective it is much more an ambitious deal because it covers all sectors mainly services and procurement. But for EU this is less ambitious than what we are negotiating with US or Korea,” he added.

EU had been unrelenting on their demands for more tariff concessions in India’s auto sector, which has resulted in severe opposition from the auto manufacturers in India who protest that cheaper imports would into their industry resulting in massive job losses. Similar problems have also risen with the wines and spirits sector. EU has also demanded for stronger implementation of the Intellectual Property Protection norms that might affect the country’s the generic drugs industry which exports almost 67 per cent of its produce to other developing and poorer countries.

Referring to the tariff concessions that the EU had been demanding, the ambassador admitted that “there are gaps but they are not large enough that those cannot be closed.”

The proposed trade pact with EU would result in removal of import duties on more than 90 per cent of total tariff lines. However, Cravinho also hinted at the fact that had the talks gone on as decided, the EU was also game to go in for total elimination of tariffs.

“We had hoped for a zero-zero proposal ultimately eliminating tariffs. But that does not seem achievable anymore.”

Cravinho also clearly said that if talks with India fail to arrive at a successful conclusion soon, then the EU would be forced to give more attention on the negotiations it is having with US and Japan for having trade pacts with them.

“If the focus shifts to US and Japan, then I am afraid the talks to have a deal with India might go on for years.”

During a recent meeting between external affairs minister Salman Khurshid and Baroness Catherine Ashton, EU's High Representative for Foreign Affairs and Security Policy and the Vice President of the EC, both sides agreed to conclude the talks before the EU-India Summit, which is scheduled to take place later this year in Brussels.

Last week, commerce and industry minister Anand Sharma had also assured that India and EU is “on the verge” of signing the deal.

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Delhi urges new push in trade talks with Brussels
Shawn Donnan in London, Joshua Chaffin in Brussels and Victor Mallet in New Delhi, Financial Times

12 February 2013: India has called for an urgent meeting of Indian and EU negotiators to give new life to stalled negotiations towards a trade agreement between the two.

Anand Sharma, India's commerce minister, is seeking an "urgent meeting of the chief negotiators in less than two weeks" to help finalise an agreement, which would bring together 1.7bn people, more than a quarter of the world's population. EU officials have said the talks have stalled after more than five years and could be called off if not completed by June.

"We are advising the EU-India ministerial in the hope that we will be able to bring this to a meaningful closure," Mr Sharma told the Financial Times. "That ministerial should take place in March."

Mr Sharma's comments caught EU trade officials in Brussels by surprise. They had recently told the Indians that they believed talks were stuck and that a ministerial meeting would not be worthwhile until India passed new legislation opening its investment and services sector, something that is not expected before next month.

"If they want to get back in the game, they need to show serious progress on these legislative issues," one EU official said.

EU-India negotiations have become a case study for the risks of launching free trade talks that consume administrative resources and political capital but then become bogged down.

EU representatives say a deal needs to be concluded by the middle of the year. After that, the EU plans to focus on trade talks with the much larger markets of the US and Japan, while the Indian government may become less likely to make concessions ahead of a general election in 2014.

European negotiators want India to liberalise its banking and insurance sectors and give greater access to the Indian markets for vehicles and for wines and spirits, which are protected by tariffs of as much as 100 per cent.

On the India side, officials are demanding easier European work visas for skilled professionals in fields such as accountancy and information technology, as well as better access to the protected European market for agricultural produce.

Mr Sharma said India had made "very ambitious" offers on the opening of its markets. "We have made substantial progress. There are some issues which need closure," he said. "India is committed to sign a broad-based trade and investment agreement with the EU. We feel that in the present global economic climate it will be a positive message."

Many economists argue that such bilateral trade deals are in any case an inadequate and unnecessarily complicated substitute for global trade liberalisation via the so-called Doha Round of negotiations.

"Yes, there is a stalemate and there shouldn't have been a stalemate," Mr Sharma said of the Doha talks, promising rapid reengagement with new ministers from the US and China.

He said developing countries needed to be reassured "that the multilateral trade regime will correct the historical imbalances". Mr Sharma added: "We also need access to the developed countries' market. It's a two-way process. We hope that will happen."

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Pak may hike duties to cut MFN benefit
Kirtika Suneja, Financial Express

New Delhi, 11 February 2013: Islamabad is not only delaying grant of the promised most-favoured nation (MFN) status to India in trade, but may also reduce the favour by hiking tariff on items of export interest to India under the new regime.

An MFN status doesn't mean any special favour being accorded, but merely lack of discriminatory treatment in giving access to the goods and services from the country concrened. New Delhi is unhappy with Pakistan for not honouring its commitment of granting it the MFN status by December 31, 2012, and mounting tensions at the border have added to woes.

According to senior government officials, Pakistan might impose standards on imports or raise duties on items in cases where India can be a major supplier.

In products like automobile components, machinery and other electronic and electrical equipment, India's neighbour is likely to protect its domestic industry with these measures. Products like motorcycle parts, flat enrolled products, machinery products, diesel generating sets and plastics are of India's export interest, which may also see tariff barriers.

"Even if they do open up, they will put restrictions on products whose export is beneficial to India. They can raise tariff barriers on these products though the applied rates will not go beyond the bound rates as prescribed by WTO. These are the most sought after products in Pakistan and their industry is thinking on these lines," said M Rafeeque Ahmed, president, Federation of Indian Exports Organisations.

As per the WTO, bound rates are the ceiling rates beyond which tariffs can't be increased while applied rates refer to the rates at which import taxes are levied, which can be lower than the bound rates.

During April-December 2012, Pakistan's exports to India rose more than 50% from the year-ago period while those from India to Pakistan declined by 10%. The number of cargo trucks from Pakistan to India increased by 101%.

It was agreed that after Pakistan notified its removal of all restrictions on trade by Wagah-Attari land route, the Indian side would bring down its Safta sensitive list by 30% before December, 2012. Once the MFN status is given to it, India is bound to bring down its Safta Sensitive List to 100 tariff lines.

Experts say this kind of protectionism by Pakistan may benefit China as it has an FTA with China, which offers tariff concessions to the latter. However, the commerce ministry is unfazed with this development. "By opening the MFN, you accept certain bound duties and those are mandatory. Besides, importing from India will save them transhipment costs so, they will get a better deal," said a commerce ministry official.

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India not to suspend trade liberalisation process with Pak
Amiti Sen, Business Line (The Hindu)

New Delhi, 6 February 2013: India has decided not to "suspend'' trade talks with Pakistan in reaction to the violence at the Line of Control last month, but further movement in the liberalisation process has to be initiated by Islamabad, an Indian Government official has said.

"The Ministry of External Affairs has informed the Commerce Department that it has no problems with the on-going two-way trade dialogue and the process should continue," the official told *Business Line*.

Pakistan is yet to accord the most favoured nation (MFN) status to India by lifting ban on all Indian products despite the deadline for it lapsing on December 31, 2012.

It has also not allowed trade of all goods through the land route as promised.

Although Pakistan more than trebled the number of goods it allows from India to 6,800 items earlier this year from 2,000 items, it still bans 1,209 items.

Most of the banned items, which are from sectors such as pharmaceuticals, agriculture, automobiles and textiles, are of great export interest to India, according to a recent research paper by Nisha Taneja from research body ICRIER.

India, which gave MFN status to Pakistan in 1995, has agreed to phased reduction of tariffs for 264 items from the neighbouring country, under the South Asia Free Trade Agreement (SAFTA).

Pakistan officials, however, claim that Prime Minister Mammohan Singh's statement following the LoC violence asserting that it cannot be business as usual between the two countries gave a negative signal to the talks.

"What the Indian PM said was very discouraging and gives the impression that India is not interested in carrying the talks forward," a Pakistani Trade Ministry official told *Business Line*.

An official in India's negotiating team rubbished the apprehensions and said that Pakistan had to first keep its part of the bargain before raising further concerns.

"We have done whatever we had promised to do including giving preferential access to more products from Pakistan under the South Asia Free Trade Agreement. The onus is now on Pakistan to give us MFN status and allow all products to be traded through the land route," the official said.

India has also agreed to allow investments to and from the country by removing Pakistan from the negative list maintained under the Foreign Exchange Management Act (FEMA).

"The ball is certainly now in Pakistan's court and we have to see how soon they deliver," the official added.

India's exports to Pakistan increased 16.7 per cent in the April-December 2012 period to $1.31 billion while its imports from the neighbouring country rose 66 per cent to $460 million.

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India, China on same page on food security
Kirtika Suneja, The Financial Express

New Delhi, 4 February 2013: India and Brazil, the chief coordinators of the G20 formation in agriculture connected with the World Trade Organisation's (WTO) Doha Round negotiations, have secured China's allegiance to a proposal to include "all" budgetary expenses on food security and rural livelihood & development in the list of "green box" subsidies, which are "non-trade distorting" and meant to be freely allowed.

The G20 move is in early preparations for the year-end's WTO ministerial meeting at Bali in Indonesia and amid reports that the US and the EU are drifting towards reinforcing their trans-Atlantic trade relations under a new formal framework, at the expense of the moves to ease world trade further under a rules-based multilateral framework.

In WTO terminology, subsidies are identified by “boxes” that are given the colours of traffic lights: green (permitted), amber (slow down or to be reduced) and red (forbidden).

According to official sources, New Delhi making common cause with China on the green box items is a significant breakthrough, especially since an ambitious national food security law is in the offing. The new, strong consensus among the emerging economies would serve as a balance-tilting counterweight to the US-EU bloc, while cherry-picking the doable things on the WTO front.

The US and EU had proposed some definitional curbs on food security spending for their green box inclusion, accepting which would mean constraints on India in implementing its proposed food security law. For instance, the advanced economies have long said that (state) expenses on food security schemes — like the public distribution systems — can’t be treated as a green box item if food procured at market prices are not sold at market prices.

WTO chief Pascal Lamy recently urged the world to harvest “low-hanging fruit” (in terms of trade liberalisation) while it is clear during his tenure that the decade-old Doha Round talks are unlikely to be concluded. While developing countries insist that “any change on the Doha mandate should be a negotiated outcome,” The 9th ministerial in Bali from December 3-6 is a glimmer of hope.

As far as WTO talks on agriculture is concerned, there is a demand on emerging economies like India to reduce tariffs. Currently, the bound tariffs (the extent to which it can be raised) maintained by India is the highest in the case of oilseeds at 300% and the highest applied (real) tariff is 80% in case of wheat. Reduction of these tariffs is linked to subsidy reduction by the developed world.

In order to qualify, green box subsidies must not distort trade or at most cause minimal distortion. They have to be government-funded (not by charging consumers higher prices) and must not involve price support. Hence, green box subsidies are allowed without limits, provided they comply with the policy-specific criteria. The green box is defined in Annex 2 of the Agriculture Agreement.

At present, there is ambiguity on including India’s food subsidy programme in the green or amber box and the country is seeking legal certainty on the same.

“India is trying to draw the attention back to its core interest and this has been a part of the modalities on the negotiating table for almost five years. India's proposal is not out of the hat,” said Abhijit Das, head and professor, Centre for WTO Studies, Indian Institute of Foreign Trade.

The National Food Security Bill, 2011, which makes the right to food a legal right, is currently pending in Parliament. It seeks to deliver food security by providing specific entitlements through the targeted public distribution system.

“If this is accepted, then the WTO rules will not put fetters around India. Besides, it is an attempt to see if there a consensus can be built on some issues before the Bali ministerial,” said an analyst requesting anonymity.

Some WTO members are looking at carving out pacts in select areas during the Bali ministerial conference.

Developed countries including the US want India and other emerging economies to be part of the four major sectoral pacts — trade facilitation (TF), IT, environmental goods and international services agreement. On these four matters, developed nations want to go plurilateral, that is, the trade benefits arising out of such an agreement will be shared only by signatories.

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Cementing the BRICS symbolism
MK Venu, The Financial Express

6 February 2013: The BRICS countries' meeting in Durban early next month would further flesh out some ideas that had become part of their resolution at the New Delhi Summit in March 2012.
Some of the big ideas, such as setting up of a BRICS bank to create a long-term fund base to facilitate social and infrastructure development projects in emerging economies, will be discussed in greater detail.

Of course, sceptics in the West believe these five countries—Brazil, Russia, India, China and South Africa—suffer from too much ego associated with "rising powers", and will not be able to agree on how to structure the new development bank, its shareholding pattern, location of the headquarters and so on. For instance, western analysts are quite convinced of the intense rivalry between China and India, and cite this as one reason why BRICS will not be able to evolve robust institutions. Well, the answer to this could possibly be to study the unprecedented rivalries among the rising European powers such as Germany, the UK and France in the late 19th and early 20th centuries. That certainly did not prevent them from moving towards a common European institutional mechanism in the decades following after the War.

Anyway, the concept of BRICS is a nascent one and will take its time to mature, and it is indeed meaningless to prejudge its outcome so early. At the moment, it must be taken seriously as a reflection of the aspiration of emerging economies to evolve their own institutions of governance, which can even work as partners with the existing multilateral institutions dominated by the western powers.

In this regard, the BRICS bank is being envisaged as an institution that will supplement the efforts of existing multilateral funding agencies like the World Bank. While this will take some time, the BRICS economies can immediately explore some powerful, even if symbolic, ideas to tell the world about their long-term commitment to the project of imparting stability and security to a rapidly changing world order. The power of symbolism is often used very effectively in diplomacy and it can produce a disproportionately big impact if timed correctly. Perhaps the time has come for the big emerging economies to resort to such symbolism if only to reinforce their long-term commitment to the BRICS project.

As a symbolic beginning, the central banks of BRICS economies can agree to subscribe to safe, risk-free bonds issued by the other BRICS governments. For instance RBI, which keeps over 60% of its reserves in US treasury bills, can easily keep about 0.5% of its reserves in the bonds issued by China, Brazil, Russia and South Africa. Similarly, purely as a symbolic beginning, China too can keep 0.5% of its reserves in bonds issued by India, Brazil, Russia and South Africa.

Brazil, Russia and South Africa can do the same. The reserves of China ($3.2 trillion), India ($300 billion), Brazil ($380 billion), Russia ($540 billion) and South Africa ($50 billion) total about $4.4 trillion. Therefore, central banks of these five nations could hold bonds issued by the other BRICS nations valued at about $22 billion (0.5% of $4.4 trillion). This will send out a loud message that emerging economies are no longer keeping their reserves in the dollar, euro, pound and yen alone.

In reality, if one goes by the size of GDP on a PPP basis as well as the trade and investment volume among BRICS economies, a lot more than 0.5% weightage needs to be given by these central banks to bonds issued by other BRICS governments. Possibly the only reason why this is not happening today is because most of the BRICS economies do not follow a policy of capital convertibility. Their government bonds cannot be bought and sold freely in the international market.

Of course, this will take time as rising economic powers like China and India are quite aware that gradually they will have to build new financial architectures to enable them to become convertible on the capital account and internationalise their currencies. This may follow a non-linear trajectory once intra-emerging economies' trade and investment volumes grow so big as to put massive pressure for a change in the financial architecture in these economies. This is bound to happen in the next two decades.

However, in the current context, a small beginning can be made by BRICS central banks to diversify their reserves in the emerging market government bonds. The sheer symbolism of this will not be lost on those who preside over global institutions whose relevance is rapidly eroding as they fail to take cognisance of emerging realities. The greatest irony that hits one in the eye is the manner in which the IMF increased its fund corpus substantially from $500 billion to about $900 billion only to de facto mitigate the European financial crises. Any reform within the IMF to reflect the aspirations of emerging economies is mere tokenism so far. The World Bank too is fast losing its relevance as much of the emerging world can do without its funding. For instance, Africa already has multiple sources of bilateral development funding from China and other emerging economies which possibly far exceeds what the World Bank can ever imagine committing to them. Therefore, the emergence of the new bottom-up financial architecture is a reality that cannot be wished away, whatever the sceptics in the West may imagine.

Consequently, as a starting point, the Durban summit could propose that the central banks of BRICS economies subscribe to the bonds issued by other BRICS governments as a symbol of their long-term commitment to working with each other in the overall interest of global security, stability and prosperity.

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RCEP is huge for Indian businesses - which should scale up
Surojit Gupta, Times Of India

6 February 2013: With the budget approaching, discussions on India's economic future are growing. *Ganeshan Wignaraja*, director of research at the *Asian Development Bank* (ADB) Institute, Tokyo, spoke with Surojit Gupta about how India should look beyond and embrace the Regional Comprehensive Economic Partnership (RCEP). This could help Indian businesses gain access to big new markets including Chinese bazaars-but, for this to work, Indian industry will need to up its game significantly:

We've seen certain free trade agreements (FTAs) between Asian countries recently -what's been the response from Indian business?
Well, some initial apprehensions were that most of India's agreements until recently weren't with major markets. Business interests initially thought, OK, it's only with smaller regional countries, and while this is useful for geopolitical reasons, it may not be much economically speaking. From a company point of view, you really want agreements with major markets. In India's case, this would have been the European Union, the United States and some East Asian countries. That was missing in the early days, causing some apprehension - now you have Japan and Korea. That fits very nicely with the 'Look East' policy too.

What are Asian governments doing to encourage companies towards FTAs?
There are several good practices. In East Asia, particularly Korea and Japan, now in China, they're giving a lot of business support for firms to use these agreements, particularly to small and medium enterprises. Korea has set up an independent agency to help small businesses use FTAs - they send experts to companies to help re-engineer the business process and restructure the company, so they use the FTAs better. The second is designing simple rules of origin. The third is going for comprehensive or deep FTAs - India-Japan and India-Korea are good examples. The fourth point is one should emphasise region-wise consolidated agreements rather than use bilaterals. There is a proposal called the Regional Comprehensive Economic Partnership (RCEP). India should be very active in this because RCEP could eventually create access to a bigger regional market - it will help link dynamic India with dynamic East Asia.

What happens when RCEP comes into play?
At the moment, RCEP is based on three issues - goods, services and investment. If the political will exists, there'll be a common agreement. What RCEP will do is provide for India-China trade. So that's the huge advantage for India. I know that has domestic issues. People are a little worried about India-China.

In the short run, China appears to have price, quality and standards very few people can match but India has advantages in some sectors.

RCEP also provides inroads for Indian services - information and communication technology, professional services, lawyers, bankers, so India should push for that aspect in this.

RCEP is a huge opportunity for Indian businesses, small and large. But Indian businesses need to gear up for RCEP, invest in price, quality and delivery of international standards. They need to invest in technology and quality control - they need to scale up their game.

What has India's response to RCEP been?
Well, RCEP negotiations start this year. India appears to be very positive. Remember, Asean plus six was the one before and India was generally positive about that. The good thing about RCEP is it's a step-by-step process, so any country that meets the template can join. RCEP should be easy for India because it has got the India-Japan and India-Korea agreements. So, my expectation is Indian business should embrace RCEP - this has all the Asean countries in it and others as well.

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A poor trade-off
Devashish Mitra, The Indian Express

5 February 2013: India may lose more than it gains by staying out of WTO talks on tariff liberalization. Until the 1980s, India followed a virtually autarkic policy. Over the last two decades, it has liberalised its trade regime, with the average tariff rate on manufacturing imports falling from over 100 per cent in 1991 to between 5 and 10 per cent today. This reform has been unilateral and not based on reciprocity from its trading partners. The reform period has experienced high rates of growth, giving India economic heft and making it an important player in multilateral trade negotiations, fighting its own cause as well as exercising leadership on behalf of the developing world.

Recently, India announced that it was opting out of negotiations between key World Trade Organisation (WTO) members on the tariff liberalisation of 357 information technology (IT) products and 54 environmental goods, and on the reforms of foreign direct investment (FDI) and visa regimes. Senior government officials claimed the talks were not in India's interests. To judge this a priori is not easy. Note that these talks are being called "plurilateral". This means a subset of WTO members will discuss among themselves the extent of this liberalisation. At the same time, they may add to or subtract from the product list on their agenda. Once they reach an agreement, the concessions could be extended to all members of the WTO or restricted to the select group of members that takes part in these negotiations. There is precedence for both kinds of plurilaterals. The first kind is truly a WTO agreement, where all the concessions are extended to all WTO members on a most favoured nation (MFN) basis, as was the case with the Information Technology Agreement (ITA) in 1996. The second is no different from a free trade agreement (FTA).

Right now, there seems to be uncertainty about the kind of plurilateral these talks are going to result in. If it is of the first type, that is still multilateral liberalisation and might be a genuine alternative to the Doha round as a "single undertaking". If India wants to remain a major player in the world trading system, it does not make sense not to participate in these negotiations. After all, taking part in discussions to try to shape the final agreement does not mean signing the agreement. If the plurilateral is of the FTA variety, the WTO should not allow it or at least refuse to sponsor it. Such a plurilateral would go against the basic spirit of the WTO, which is multilateralism. An FTA is discriminatory as it gives preferential treatment to imports from member countries, leading to a switch from non-member country imports to member country imports. It is possible that India will lose markets for its products through such a plurilateral. And that is another reason why India should be participating in these talks: to shape the nature of the plurilateral away from the FTA type. A related reason is that with "global production networks", it is not possible to say where a product is manufactured. For example, the iPad was designed in the US, its various components are produced in Korea, Taiwan, China etc, assembled in China and marketed in the US. This makes it difficult to predict which industries get affected by a particular tariff reduction, unless international input-output relations are evaluated in detail. Even if the government is trying to protect producer interests, one producer's output is often another producer's input, which means the tariff reduction that hurts a producer benefits another producer. In the case of the plurilateral under discussion, the IT products being considered are an important input for services that form India's comparative advantage. Tariff reductions on IT products reduce costs in the services sector.

Another reason cited for opting out of the plurilateral is that India wants to preserve its policy space. For example, India's tariff bindings at the WTO are higher than its applied tariffs. This gives the government some flexibility to raise tariffs when needed. On the agenda for this plurilateral is the reduction of these bindings to the current applied levels. Similarly, the proposed agreement aims to put a floor on FDI in services to its current permissible level. While governments keep talking about the need for policy space, it is not always desirable. Government actions, including changes in policy, are often dictated by powerful lobbies. Policy space generates and encourages lobbying activity that can use up otherwise productive resources. Committing to certain policies through international agreements can eliminate incentives for such lobbying. In fact, policy space is quite undesirable in countries with high levels of corruption. Commitments through international agreements also eliminate, to a great extent, uncertainty in the economic environment, which in turn boosts production.

India should keep liberalising its trade regime through the multilateral mechanism of the WTO as well as unilaterally. When the government talks about benefits from trade protection in certain industries, it is referring to the benefits to producers of those goods, but this at the cost of producers in other industries using those products as inputs as well as consumers. Once you factor in the welfare impact on these groups, basic international trade theory shows that the arguments made about the losses from liberalisation are flawed. Finally, let me reiterate that trade reforms have been quite deep in India. Protection levels are now quite low. However, a lot of attention is still being paid to further trade reforms at the cost of domestic reforms (for example, labour law and land reforms), without which sustaining India's high growth rate in the future will be impossible.

The writer is professor of economics and Cramer Professor of global affairs at the Maxwell School of Citizenship and Public Affairs, Syracuse University, US

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Chanakya's message
Business Standard

New Delhi, 30 January 2013: The concept of trade facilitation is in the Arthashastra. Or so says Pascal Lamy, the World Trade Organisation's colourful director-general. Speaking at a session on global emerging nations at the Confederation of Indian Industry summit on Monday, Lamy was making the point that India and other emerging countries needed to play a greater role in promoting trade facilitation.

Taking a sidelong look at his fellow panelist, Commerce and Industries Minister Anand Sharma, he said, "I recently found out that India is the father of trade facilitation," referring to the Arthashastra. India and other countries should learn from this treatise that was written more than 2,000 years ago, he added. He appeared to have surprised Sharma as much as the rest of the audience.

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WTO Members Wrap Up Personal Review Of Candidates; Selection to Begin in May
By Daniel Pruzin, WTO Reporter

Geneva, 1 February 2013: Members of the World Trade Organization were given the opportunity January 31 to quiz the last of nine candidates in the race to succeed Pascal Lamy as director-general of the WTO.

South Korean trade minister Taeho Bark and Brazil's WTO Ambassador Roberto Azevedo each told members at a meeting of the WTO's General Council that they were uniquely positioned to bridge differences among the members and facilitate a deal on the stalled Doha Round of trade talks.

The next step in the WTO process will be the selection of the new chairs of the General Council, Dispute Settlement Body, and Trade Policy Review Body at the end of February; the three chairs will be the “facilitators” tasked with querying each WTO member delegation on their preferences for the next director-general.

WTO facilitators are not expected to begin consulting with members individually on their preferences until early April.In the meantime, the nine nominees will embark on a global lobbying campaign to round up support for their candidacies. The WTO facilitators are not expected to begin consulting with members individually on their preferences until early April, with the process of eliminating candidates possibly starting in early May.

WTO members are due to reach a consensus on Lamy's successor—or, if consensus cannot be reached, to vote on his successor—by the end of May, with the new director-general taking up his or her post on September 1.

Korea's Bark told members that a top priority for the next WTO chief is to “rebuild trust” in the organization. “We must seek to restore the original Geneva culture, whereby we discuss our differences frankly to explore possible solutions.”

“Once we have worked hard towards generating this critical level of trust…there will come the moment when we will be able to move together towards a final agreement of the [Doha] negotiations,” he declared.

Mesh of PTAs With WTO at Issue

Bark also said that preferential trade agreements “present both challenges and opportunities” to the multilateral trading system but said he “agreed to an extent that PTAs do not replace but rather complement the WTO.” South Korea has become more active in this field and has concluded two high-profile free trade agreements with the European Union and the United States, which entered into force in July 2011 and March 2012 respectively.

“The WTO can, and should do its part, to help PTAs become more compatible with each other and with the WTO framework,” he declared.

A number of WTO members, most notably Brazil and India, have argued that, after eight years with a Frenchman at the helm, the WTO leadership post should go to a candidate from the developing world, which accounts for three quarters of the WTO's membership.

“Technically speaking, we are a developing country.”

Taeho Bark, South Korea Despite South Korea's membership in the Organization for Economic Cooperation and Development, Bark noted that Korea still maintains its status as a developing country within the WTO. “So technically speaking, we are a developing country,” he told reporters, although Korea has voluntary agreed to accept WTO obligations as a developed country in most areas excluding agriculture.

South Korea's success in building a modern economy from the rubble of the Korean War has shown that trade can be used as a tool of economic development, “so maybe we can share this experience with many members of the WTO,” Bark said. However, Korea's “chaebol”-based model of development, with government policy favoring the development of large, globally competitive business conglomerates, was not the solution for every country, he said.

Brazil's Azevedo stressed the importance of concluding the stalled Doha Round of talks, deadlocked since 2008 and now in their 12th year. “We can't move forward without resuming the round,” he told reporters after the General Council meeting. “Unless we sit down and try to figure out a way to move the round forward…the system will remain paralyzed.”

Azevedo dismissed suggestions that his status as a WTO ambassador rather than a trade minister was a negative for his candidacy. Only one other of the nine director-general candidates has never held a ministerial post.

“I have been the chief negotiator for Brazil for a long time,” he noted. “As chief negotiator, I cannot possibly move negotiations or engage with others unless I talk to the highest level of the decision-making process, and the ministers are at the top. I feel absolutely comfortable in terms of reaching ministers.”

“Ministers are very important to close rounds, yes, but [experts] have to walk 90 percent of the way before ministers really finalize the deal.”

Roberto Azevedo, said that he also believed success in Doha would not be achieved through a top-down approach.

“What we need today, more than anything, is the expertise to find solutions,” he declared. “And that doesn't happen, frankly, at the ministerial level. Ministers are very important to close rounds, yes, but you have to walk 90 percent of the way before ministers really finalize the deal.”

“We're not 90 percent of the way, there's still a long way to go,” the Brazilian ambassador added. “If you want to work only at the political level, you're going to be stuck.”

Azevedo said negotiators “were doing the best they could to get an outcome,” in Doha at a July 2008 ministerial meeting and were close to a deal, “but they had political constraints at home, they had constituencies they had to answer to.” The talks eventually collapsed and have been in a stalemate ever since.

“If you do things the same way as before, the chances [of getting a Doha agreement] are zero in my view,” he said. “You have to do things differently. How differently, in what way, what has to change, the answer is, I don't know. But many times when I had to unlock stalemates, I didn't know either when we started the conversations.”

“I think this is doable,” he said in regards to an eventual Doha deal. “It's going to be a herculean task, but if you don't face it, it won't happen.”

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