INDIA'S TRADE NEWS AND VIEWS

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Exports fall sixth month in a row in October; trade deficit at 12 month high
Economic Times

13 November 2012, New Delhi: India's exports fell for the sixth straight month in October while imports rose marginally, pushing the trade deficit to a 12-month high and prodding the government to say fresh incentives for the industry could be announced soon.

October exports fell 1.63% from a year ago to $23.24 billion, while imports rose 7.37% to $44.20 billion, data released by the commerce department on Monday showed.

India's trade gap widened to $20.96 billion from $18.1 billion in September as overall imports rose on the back of higher crude oil purchases. Oil imports accelerated to 31.6% year-on-year in October to $14.78 billion.

"The Directorate General of Foreign Trade will conclude its analysis of various export sectors in the next two days, after which a report will be submitted to the commerce minister," commerce secretary S R Rao told reporters, adding, "The department will then decide whether there is a need to fine-tune this year's trade policy and if specific steps need to be taken to improve export performance."

The dismal performance on the exports front was largely due to shrinking demand from the West, a major market for Indian goods.

According to industry executives, the commerce ministry is likely to announce sops for the gems and jewellery, pharmaceuticals, auto components and leather sectors. The textile and engineering goods sectors, which have been hit the hardest by the downturn, could also qualify for additional doles, they said.

In June, Commerce Minister Anand Sharma had announced a Rs 1,600-crore package for exporters of labour-intensive products.

For the April-October period, exports dropped 6.18% to $166.92 billion and imports shrank 2.66% to $277.13 billion, increasing the trade deficit to $110.2 billion. "World trade is continuously contracting. Our integration with world trade has increased, so any ripple worldwide will impact India's trade," Rao said.

Some exporters, however, feel that the decline will bottom out soon, as the fall in October exports is marginal as compared with that over the past months.

"We are hopeful that sectors such as leather, garments, tea, sugar and coir, which have shown an increase in the industrial data for September, will also translate into higher imports, and the country would start experiencing export growth from next month," said M Rafeeque Ahmed, president of the Federation of Indian Export Organisations.

But experts rule out a turnaround until global conditions improve.

"Exports are driven by external demand. If growth is slowing down everywhere, including the EU, the US and China, as a country India can do very little about it," said Sunil Sinha, senior economist at Crisil. "The slight improvement is largely due to the festive season and is likely to be temporary." The government's efforts to diversify exports beyond the traditional Western markets would not change the situation immediately, he added.

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Services exports shrink 7.6% on declining demand
Asit Ranjan Mishra, Livemint

15 November 2012, New Delhi: India's services exports have started to shrink, on top of declining demand in the overseas markets for its merchandise in the face of recession in Europe and faltering economic recovery in the US, reinforcing concerns about the government's ability to bridge the widening current account deficit.

Net services exports shrank 7.6% to $28 billion in the first half of the fiscal (April-September), data released by the Reserve Bank of India (RBI) on Thursday show. The merchandise trade deficit widened to $48 billion during the same period, from $40.4 billion in the year-ago period, as exports fell and imports rose.

India runs up a deficit with the rest of the world in merchandise trade in most fiscal years, with the gap being partially met by a surplus in services trade. The declining net services exports and a widening merchandise trade deficit pose a new challenge for the government, which is struggling to boost slowing economic growth.

In the year ended 31 March, the trade deficit, mostly the outcome of an increase in gold imports, led to a current account deficit equal to 4.2% of the country's gross domestic product (GDP).
RBI, in a note published on 12 November, said the falling merchandise exports, coupled with the declining surplus in services trade over the medium term, is likely to leave the current account deficit too wide for comfort.

The current account deficit "financing pressures can re-emerge in the face of event risks, although the recent policy measures announced by the government have helped boost portfolio inflows for now," RBI said.

Finance minister P. Chidambaram said recently that the government hopes the current account deficit will fall to 3.7% of GDP this fiscal. He said a substantial part of the $70.3 billion required to finance the deficit will be met through foreign direct investments, foreign institutional investments and external commercial borrowings.

Services exports won't provide any help in narrowing the trade deficit at a time when merchandise exports are also contracting, said Madan Sabnavis, chief economist at CARE Ratings.
Sabnavis, however, expects the deficit to remain below 4% of GDP in 2012-13.

India's services exports range from information technology (IT) to services provided by Indian doctors and nurses abroad. RBI's classification of service exports includes transport, travel, construction, insurance and pensions, financial services, telecommunications, computer and information services, and personal, cultural and recreational services.

Services are critical to India's economic well-being as they constitute more than half the country's GDP. The share of services in the GDP has risen from 33.5% in 1950-51 to 56.3% in 2011-12.

In terms of size, software is a key category, accounting for 41.7% of the total services exports in 2010-11. The Economic Survey for 2011-12 said the outlook for the services sector in the domestic economy is linked to its prospects externally.

"While software services exports have continued to be steady, the unfolding events in the euro area could lead to some sluggishness in this sector," it said. "The fair-weather business services exports, which have already shown signs of deceleration, may not get better."

While the commerce ministry regularly updates its foreign trade policy and sets yearly targets for merchandise export growth, forecasts for the services sector or measures to boost its exports are a rarity.

According to the World Trade Organization, India ranked sixth in exports of commercial services in 2011 with a 3.6% global share. In services imports, it ranked seventh with a 3.4% global share.

In contrast, India ranked 19th for its share of merchandise exports, contributing 1.6%; it ranked 13th in its share of merchandise imports with 2.5%.

RBI, in its annual report released in August, cautioned that the falling comfort level from services exports means that current account deficit risks will persist this year.

“Software exports are likely to moderate as global IT spending is expected to be lower. Major software exporters have already made steep downward revisions in their guidance on expected revenue during the year,” the central bank said.

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India ranks seventh in global services trade by WTO
Economic Times

18 November 2012, New Delhi: India has been ranked by the World Trade Organisation (WTO) as the seventh largest player in the global services trade with value of exports and imports aggregating $ 261 billion in 2011.

With exports at $ 137 billion and imports at $ 124 billion, India is among the five countries among the top ten players which ended the year 2011 with a surplus of trade in commercial services, according to a WTO report.

The Indian economy is mainly driven by services with the sector contributing over 55 per cent of the country's Gross Domestic Product (GDP).

The US lived up to its reputation of a global powerhouse of commercial services with exports of $ 581 billion, far exceeding its imports of $ 395 billion, the report noted.

Though Germany was ranked as the second biggest player in the global services trade, it had more of imports than exports with a deficit of $ 36 billion. Its exports of services were $ 253 billion while imports aggregated to $ 289 billion in 2011, it said.

China which runs a big surplus in merchandise trade had a deficit in the services with imports exceeding exports by $ 54 billion.

"The value of world exports of commercial services rose by 11 per cent in 2011 to $ 4,170 billion, exceeding pre-crisis levels of $ 3,850 in 2008," the report said.

While Europe showed signs of recovery, with annual growth of 11 per cent in 2011, Asian economies saw their growth rate halved compared with 2010, mainly due to slower growth in transportation services and other commercial services, it added.

The report also noted that services supplied by US majority-owned foreign affiliates to China and India proved more resilient to the global crisis than exports of cross border services.

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FDI will put economy back on high growth trajectory: President
Madhur Tankha, Hindu

15 November 2012, New Delhi: President Pranab Mukherjee on Wednesday said the Union Government had gone in for Foreign Direct Investment in multi-brand retail and civil aviation sector to put the economy back on a high growth trajectory.

Speaking at the inauguration of the fortnight-long India International Trade Fair at Delhi's Pragati Maidan, the President said: "It was only yesterday (Tuesday) that our country celebrated the festival of lights, Diwali. The festival signifies not only the victory of good over evil but also the banishment of the forces of darkness and ignorance and welcoming of the light of enlightenment. I am happy to say that IITF, over the past three decades, has significantly contributed towards enlightening the world about the narration of India's growth."

The President asserted that IITF has acted as a vehicle for showcasing the country's economic and social development over the past three decades while itself gaining in popularity and moving from strength to strength.

Noting that economic changes have social ramifications, Mr. Mukherjee said in order to keep pace with the rapid global changes, we need to constantly fine-tune the skills of our work force. "There is an urgent need to bring skill development and vocational training to the centre-stage of our developmental processes. In order to reach the target of skilling 500 million persons by 2022, it is necessary that apart from government agencies, industry led fora address the issue of integrating skilled manpower into the mainstream of economic growth."

Pointing out that India has been a model of self-reliance and a source of inspiration to many developing countries, the President said: "Our relentless struggle to overcome poverty, illiteracy and ill-health has been watched with keen interest by the international community. The fact that a country with a primarily agro-based economy and a burgeoning population could make its presence felt in diverse fields such as Information Technology, heavy industries, communications, nuclear energy, space research and electronics has been acknowledged and admired the world over."

For the first in the history of IITF, a Prime Minister is heading a delegation of over 60 companies.
The Republic of Belarus PM Mikhail V. Myasnikovich announced that his country plans to organise joint production of tractors and vehicles in India.Covering a gamut of sectors like automobiles, beverages and food products at the ongoing IITF, Belarus has been accorded the status of partner country this year.

Acknowledging the need to upgrade facilities at the sprawling exhibition ground, Union Commerce Minister Anand Sharma said: "Pragati Maidan is short of facilities. We will soon have an integrated complex here. All issues are settled. On a global scale we will have a global convention centre at Dwarka."

South Africa Deputy Trade and Industry Minister Elizabeth Thabethe, whose country is the focus country, said over three dozen craft persons were displaying the historical traditional crafts. "Crafts are generating jobs and leading to women's empowerment."

Winding up her speech, the Minister said: "India gave us a lawyer and we gave back Mahatma."
Uttarakhand Chief Minister Vijay Bahuguna said when the partner State was first introduced at IITF then the hill State was granted this status. "This year, Uttarakhand has again been accorded the status of partner State. We want industrialists to invest in a big way in our State as we have ready availability of power and water."

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Roadmap to boost exports on the cards
Sharmistha Mukherjee & Santosh Tiwari, Business Standard

21 November 2012, New Delhi : With exports showing a declining trend for six months in a row and the current account deficit situation worsening, the finance ministry has agreed to consider the commerce ministry's proposals to help the country's exporters.

At a high level meeting on Thursday, the ministry will dwell on the commerce ministry's suggestions. The meeting will be attended by Revenue Secretary Sumit Bose, Economic Affairs Secretary Arvind Mayaram and other senior finance ministry officials, a finance ministry official said, requesting anonymity.

At the meeting, Commerce Secretary S R Rao will outline the commerce ministry's suggestions, which have been concretised through deliberations in the last few weeks. The Directorate General of Foreign Trade (DGFT) has recently concluded a detailed review of key exports sectors is necessary to mull sops to lift outbound shipments.

Contracting global demand hit exports for the sixth consecutive month in October, which declined 1.63% to $ 23.25 billion (around Rs 1.3 lakh crore). Imports, in the meantime, went up 7.37% to $44.21 billion, widening the trade deficit to a record high of $20.96 billion. Cumulatively, in the first seven months of this year, exports declined 6.18% to $ 166.92 billion from $177.92 billion in the corresponding period last year, making it difficult for the government to achieve its exports' target of $ 360 billion in 2012-13.

Commerce minister Anand Sharma, who has already given his green signal to the proposals to be presented before the finance ministry, had earlier pressed inclusion of additional exports sectors for availing interest subvention of two% and also loans at subsidised rates for exporters.

Earlier, the finance ministry was reluctant to accept any proposal with revenue implication due to the challenges faced on the fiscal deficit front. The government's fiscal deficit for the current financial year is expected to overshoot the revised estimate of 5.3%.

Finance ministry officials said the idea was to start the discussions now and prepare a roadmap for bringing in steps in phases including those in the budget for 2013-14.

Officials in the Ministry of Commerce and Industry confirmed that the commerce secretary is set to meet the revenue secretary this week to consider some added incentives for exporters. The meeting comes at a time when senior officials in the commerce ministry have been considering a downward revision of the exports target for the current financial year, given the current global economic scenario.

"The World Trade Organisation has revised growth projections for trade in manufactured goods to 2.5% from the earlier estimate of 3.7% for 2012. We, too, may have to revise our targets given the current macroeconomic scenario," said a senior official at the ministry.

The commerce ministry is looking at extending the incentives to certain key exports sectors like engineering products, leather, gems and jewellery, which have seen outbound shipment shrinking over the last six months.

The industry has made a slew of recommendations during consultations with DGFT over the last two weeks which range from the creation of an export development fund for small and medium enterprises to demands for capping interest rates on credit for exporters at 9%.

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Government hikes import tariff value of gold, silver
PTI, Economic Times

15 November 2012, New Delhi: In the wake of rising global prices of precious metals, the government today increased the import tariff value of gold and silver marginally to $ 561 per 10 grams and $ 1,058 per kg, respectively.

The tariff value, which is released every fortnight, is the base price on which the customs duty is determined to prevent under-invoicing. During October, tariff value of gold stood at $ 556 per 10 grams and of silver at $ 1,039 a kg.

The Central Board of Excise and Customs (CBEC) today issued a notification in this regard.
Besides, the government has reduced the import tariff value of RBD palmolein and brass scrap to $ 887 per tonne and $ 4029 per tonnes, respectively. In last month, tariff value of RBD palmolein stood at $ 889 per tonne, while brass scrap stood at $ 4,096 per tonne.

The government hiked import tariff value of precious metals following firm price trend in the global market. At present, gold prices are ruling at $ 1724.8 per ounce in London, while silver at $ 32.64 per ounce in London.

In the 2011 calendar year, about 1037 tonnes of gold was available in India, the world's biggest consumer, of which 967 tonnes was imported and the rest was from other sources like recycled, according to the World Gold Council.

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Slump in exports widens trade deficit with China
Ananth Krishnan, Hindu

11 November 2012: A steep decline in Indian exports to China in October has widened the trade imbalance between both countries to $23 billion according to trade figures released on Saturday, with bilateral trade in 2012 set to fall below last year's record figure.

October's trade figures have underscored the recent troubles in the trade relationship, which has, in recent years, emerged as the biggest positive in bilateral ties.

While officials say Indian demand for sourcing in China is still strong, a sharp fall in iron ore exports and continuing uncertainties in the power and telecom sectors — where the imports of Chinese equipment have emerged as a key driver of trade — have left an uncertain future for the trade relationship, and cast doubt on whether a $100 billion target set for 2015 will be met.

Iron ore

Officials attributed the decline to a close to 50 per cent fall in Chinese purchases of iron ore, the biggest Indian export to China. Saturday's trade figures, officials said, underscored the need for both countries to find a replacement for ores as a new driver of trade. One reason for the fall in exports is an oversupply of stock in China and a slowdown in the steel sector here. But with mining bans in India and increasing domestic demand, exports are unlikely to recover fully.

India's exports to China after ten months of this year amounted to $16.34 billion, a 13.3 per cent decline from the same period last year, according to figures released on Saturday by the Chinese General

Administration of Customs (GAC). Overall bilateral trade reached $55.68 billion as of October, down 8.1 per cent from last year.

While trade figures usually record an increase in the last two months of the year, overall trade is set to fall below the record $73.9 billion figure of last year, when China became India's biggest trading partner. Chinese exports to India have also fallen this year, down 5.7 per cent after 10 months this year. Indian purchases of power and telecom equipment have been the biggest component of Chinese exports, but troubles in both sectors have seen a slump in trade. Officials said the falling rupee, which discouraged Indian companies from entering into debt arrangements to fund purchases, was another reason behind the slump.

According to country-wise trade data released by the GAC, the 8.1 per cent decline in trade with India was the second-lowest figure recorded between China and all of its major trading partners. Only trade with Italy fared worse, falling 19.9 per cent.

China's export data to other countries indicated a strong recovery in the domestic export sector, with overall exports rising 11.6 per cent in October, up from 9.9 per cent in the previous month.

Trade surplus

China's trade surplus in October grew to the highest in almost four years, in another indication — following this week's positive factory data — of signs of the start of a turnaround in the Chinese economy, officials said.

"Signs of stabilisation in the economy were getting more obvious in October," Zhang Ping, the head of the National Development and Reform Commission (NDRC), the top planning body, told reporters in a briefing."We are fully confident that we can achieve the economic growth target for this year," he said.

Commerce Minister Chen Deming struck a more cautious note, telling reporters China was unlikely to meet its annual target of 10 per cent growth in foreign trade. Foreign trade volume had grown 6.3 per cent in the first 10 months. "The trade situation will be relatively grim in the next few months," Mr. Chen said, "and there will be many difficulties next year".

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India set to join talks for largest trade bloc
Sidhartha, Times of India

9 November 2012, New Delhi: India is set to join talks for creating the world's largest trade bloc, the Regional Comprehensive Economic Partnership or RCEP, comprising Asean members and three manufacturing giants - China, Japan and South Korea - after a committee headed by Prime Minister Manmohan Singh endorsed the move.

The 16 members who will launch talks in Phnom Penh later this month account for over a quarter of the world economy. Last Friday's decision by the Trade & Economic Relations Committee (TERC) signals the government's intent to drive down import duties further in the coming years, a proposal that may not get too much support from the domestic industry, although it is being sold as an attempt to increase competitiveness of local players.

In return, the government is hoping to get a sweeter deal for Indian nurses, teachers and auditors who want to work in any of the 16 initial members of the proposed RCEP, which will also have Australia and New Zealand. Of course, this will come with the promise of allowing overseas companies easier access by giving them more flexibility in FDI rules.

The biggest concern, however, is the China factor as the Indian government has so far hesitated in entering into any sort of a trade arrangement with Beijing, fearing that the market would be flooded with cheap imports and make the trade deficit look even grimmer.

But TERC is learnt to have taken the view that it would be imprudent to ignore RCEP as India was taking a 'Look East' view of the world. Besides, it is seen as the trading region of the future, with trade expanding rapidly. The fear in government circles is that entering the bloc late would entail higher commitments, including a steeper reduction in import tariffs.

The industry, however, believes that the government needs to set its house in order before engaging in a negotiation like RCEP. "If we are looking to join these talks, it is very important that we accelerate our reform process and improve competitiveness and seriously look at seamless movement of goods and services within the country," Ficci president R V Kanoria said.

RCEP is seen as a counter to the Trans-Pacific Partnership, which had Asean members such as Singapore and Malaysia apart from New Zealand as a founding member, but the agenda is now largely driven by the US, backed by Canada and Mexico. "It is important that we have our own proactive agenda so that we become a meaningful player," said Biswajit Dhar, director general of Research and Information Systems, a Delhi-based think tank.

Although India is keen on entering the RCEP talks, it is likely to pursue a defensive agenda in order to buy time for the local industry to become more competitive, sources familiar with the thinking in the government said.

Similarly, New Delhi is not in favour of including intellectual property rights as one of the issues given that it wants TRIPS, a multilateral agreement under WTO, as the guiding principle to ensure that access to cheap medicines are not stopped.

Industry, however, believes that it may be tough to slow down the talks, as the government intends to do, given the presence of at least 15 other countries. In any case, a deadline of 2015 is being proposed to clinch a deal.

But the government decision to join the talks, for which the "guiding principles and objectives" will be discussed by the leaders at the East Asia Summit this month, signals a significant shift from multilateralism to bilateralism, a strategy that India has been pursuing since the collapse of the WTO talks in Cancun in 2003.

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India ready to sign FTA in Services, Investment with ASEAN: PM
Sandeep Dikshit, Hindu

19 November 2012, Phnom Penh: Prime Minister Manmohan Singh responded to the urging of Association of South East Asian Nations (ASEAN) by promising to finalise the Free Trade Agreement (FTA) in services and investment before leaders from this 10-nation bloc arrive in Delhi next month for a summit with India.
On Sunday, Prime Minister of Singapore Lee Hsien Loong and President of Philippines Benigno Aquino during meetings with Dr. Singh were the most recent to press for an early conclusion of a comprehensive FTA. India had signed the FTA in goods in 2009 and has since been negotiating its extension into the services and investment sectors.

Although Commerce and Industry Minister Anand Sharma rolled out figures to assert that trade with ASEAN was growing in leaps and bounds, the fact remains that the dollars 75 billions in bilateral trade clocked last year was only 2.9 per cent of this block's total trade. Even the FTA in goods covers only 80 per cent of tariff lines compared with 90 per cent in ASEAN's FTAs with other countries.

"India is prepared to conclude the agreement on trade in services and investment promotion before the commemorative summit in Delhi in December. This will be a strong signal of our deepening economic engagement, and will allow for rapid expansion in trade and investment flows in both directions," Dr. Singh said in his opening remarks at the one-hour India-ASEAN summit here on Monday. During his response statement later, he felt a comprehensive FTA would be the "springboard" for rapid expansion in economic relations with ASEAN.

With the US backing the initiative, Dr. Singh said the India-Myanmar-Thailand highway would be operational by 2016 thus opening North East India to South East Asia. He also spoke about another alternative route through central or north Myanmar to connect Guwahati to Hanoi. US and Japan at their recently held second trilateral meeting with India had supported this initiative and the issue would be discussed at their next meeting in depth to be held in Washington. "The route will be through virgin territory. With the big boys [Japan and the US] backing it, we would like to give the proposal a try," said Government sources.

"These are welcome steps in implementing the vision of India-ASEAN connectivity. We await route alignments on the extension of the Trilateral Highway and the proposed new highway to Vietnam so that these can be examined in an integrated manner. I look forward to early completion of the feasibility studies," Dr. Singh said in this respect.

The Prime Minister pointed out that the importance of surface and sea connectivity with the east was being highlighted by the India-ASEAN car rally that will cover eight ASEAN countries over a route length of 8,000 kms and the sailing expedition by the naval ship Sudarshini which set off from Kochi. Dr. Singh also mentioned other India-ASEAN initiatives that tend to get eclipsed by more attractive initiatives. These include the upcoming business fair in Delhi, a past meeting between the heads of space agencies in Bengaluru and a meeting of ASEAN economic ministers in Guwahati next month. He appreciated Cambodia's constructive and supportive role for the last three years as the coordinator for ASEAN and welcomed Brunei which has taken over this function.

The Prime Minister's assurance of across-the-board FTA with ASEAN by mid-December was welcomed by the Confederation of Indian Industries (CII) which pointed out that the two were among the biggest beneficiaries of the shift in global economic equations and should jointly leverage their large markets and development endeavors.

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Custom duty cut for EU may hit local players
Sidhartha, Times Of India

12 November 2012, New Delhi: Slashing customs duty on high-end wine and spirits as part of the Broad-based Trade & Investment Agreement (BTIA) with the European Union will make life difficult for local players, especially at a time when homegrown barons such as Vijay Mallya too have been forced to sell stakes to global giants.

On the automobile front, it is feared that if the import duty on cars is lowered, several European carmakers which do not have manufacturing facilities in India may opt for the import route and would refrain from setting up plants here.

The twin moves may not be palatable to the domestic industry as the tariff protection that they have long enjoyed will go soon after a deal is signed, but are critical elements of the trade pact that is under negotiation for over five years. Protection cannot be available endlessly. In any case, there is a long transition period of at least four-five years or so for the auto industry and there is hardly any local wine that competes with what is made in Europe, said an official privy to the discussions.

In case of automobiles, the deal will ensure that European carmakers will take pole position in the race for domestic sales as the government has ignored demands for a level-playing field for their Japanese and Korean rivals despite India having existing trade agreements with the two Asian manufacturing giants.
In fact, the two proposals go far beyond what was originally offered. Initially, the government had only offered to lower import duty on a specified number of vehicles. But subsequently, it seems to have agreed to an across-the-board reduction along with a cut in customs duty on around 65 auto parts and machinery. In return, it has got EU to agree to phase out import duty on cars by 2020 and allow Indian textiles to enter the member countries on payment of concessional rate duty. Officials said a deal to boost export of Indian farm products such as banana, rice and sugar has also been clinched.

But when it comes to services, New Delhi cannot show significant gains. For instance, despite agreeing to send its team to certify that India is a data secure country, a precursor to a better deal for local giants such as Infosys and Wipro, the assessment is yet to be done.

Similarly, when it comes to visa issues, there have been no gains as yet as the European authorities are arguing that it is a sovereign issue dealt by individual states.

Officials said that a deal could take a while before being signed as there are several issues on which India and EU are yet to agree from patents to social development and investment regime.
They, however, ruled out delinking the agreement on goods from those on services and investment, an approach that had been adopted for the agreement with Asean. The fear is that splitting the agreements would not benefit India, and EU would walk away with gains on goods trade.

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India’s agricultural exports see 121% jump on guargum, rice
Sandip Das, Financial Express

9 November 2012, New Delhi: The country's agricultural and processed food exports saw a huge jump — of 121% — during first two quarters of the current fiscal to Rs63,000 crore in comparison to Rs 28,500 crore during same period last year. The jump is mainly attributed to the surge in shipment of Guargum (488%) and non-Basmati rice (993%) in the first half of 2012-13.

According to the latest data released by the Agricultural and Processed Food Products Export Development Authority (APEDA), Guargum exports stood at Rs 21,536 crore, which is around 45% of the total agricultural exports.

The rise in Guargum exports this fiscal was more than 488% in comparison to the same period last year. The global demand for Guargum — an extract from Guar seed used as sealant in oil and natural gas drilling — had been on the surge during last one and half years due to soaring crude prices.
“If the growth in export trend continues, we will cross the Rs1-lakh crore export mark by the end of the current fiscal,” Asit Tripathy, Chairman, APEDA told FE.

Another key commodity that pushed up agricultural exports was non-Basmati rice. The total exports of non-Basmati rice during the April – September period this year was around Rs6285 crore, a jump of more than 993% from the previous year. India lifted a ban on non-Basmati in September last year after a three-year restriction.

The exports of India's flagship agri-product basmati rice grew marginally by 4.5% to Rs9,054 crore during first two quarters of current fiscal. The exports jump is mainly because of rising demand for aromatic long grain rice in Gulf countries, European Union and United States. Iran and Saudi Arabia constitute more than half of basmati exports.

Cumulative rice exports were at Rs15,339 crore during the April-September period. Another key commodity that saw a significant jump in export growth was wheat. India exported Rs3619 crore worth of wheat in this fiscal till now, which is a huge jump from last year's marginal exports worth of Rs33 crore. Other key commodities that saw growth in shipments include meat products (Rs7595 crore), dairy products (Rs523 crore), groundnut (Rs2,475 crore) and fruits and vegetables (Rs2,700 crore).

For giving a further boost to exports, APEDA has identified 20 odd clusters located across the country for maintaining healthy growth in the country's food products exports during current fiscal as well. These clusters include basmati rice (Haryana & Punjab), buffalo meat (western Uttar Pradesh), grape and grape wine (Nasik region, Maharastra), pomegranate (Satara and Pune regions of Maharashtra), dehydrated onions and garlic (Gujarat), poultry or egg (Namakkal) and mango pulp (Uttar Pradesh and Maharashtra)

Although the country exports products from the APEDA basket to 80 countries, India's share in the global trade of agri processed products is only 2 %. Only 15 countries including Saudi Arabia, UAE, UK, Bangladesh and South Africa account for more than 65% of the country's export of fruits, vegetables and other agricultural products.

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Wheat exports may exceed 5.5 mt
Dilip Kumar Jha, Business Standard

11 November 2012, Mumbai: Wheat exports are likely to exceed 5.5 million tonnes (mt) this financial year. This would make India the seventh-largest exporter of the commodity. In 2011-12, it was the sixteenth-largest wheat exporter.

In the first half of the current financial year, wheat exports stood at 2.43 mt, with average realisation of $270 a tonne, or about Rs 14 a kg, according to a senior official at Agricultural & Processed Food Products Export Development Authority (APEDA).

In September 2011, the government lifted a ban on wheat exports, after it was convinced the stocks were enough to meet requirements under the proposed Food Security Bill. Wheat exports till March this year stood at 0.85 mt, primarily owing to exports to Bangladesh, Myanmar, Iran, South Korea, Thailand, Nepal, etc. As on October 1, wheat stocks with state-run agencies stood at 43.15 mt.

The US Department of Agriculture (USDA) has estimated global wheat production this financial year to decline about five per cent to 665.33 mt, compared with 694.69 mt in 2011-12, owing to poor weather. Lower production globally has increased the demand for wheat. Therefore, despite the poor quality of wheat produced in India, wheat exports from the country are estimated to rise.

Traditional wheat export destinations like Bangladesh, Myanmar, Indonesia and Nepal are, however, finding it difficult to purchase the commodity from India. Frequent changes in government policies are proving to be hurdle to the sustained purchase of wheat from India, said the APEDA official.

Meanwhile, Malaysia has sought regular supply of wheat from India. Recently, India agreed to export 6,40,000 tonnes of wheat to countries such as South Korea, Indonesia, Bangladesh and Thailand.

Traders believe the demand for Indian wheat would rise after Ukraine ban exports later this month. A couple of weeks earlier, the government had floated two tenders for wheat exports, at about $310 a tonne. US soft wheat is quoted at about $380 a tonne in Asian markets, while Australian prime wheat is quoted at $385 a tonne. Prasoon Mathur of Religare Commodities said the low prices for Indian wheat resulted from the unmatched quality of the commodity from competing countries.

USDA estimates India's wheat output this financial year at 91 mt, compared with 86.87 mt in 2011-12. Falling prices due to frequent additional releases by the government is set to increase consumption to 85.45 mt this financial year, compared with 81.56 mt in 2011-12.

Leading multinational companies engaged in importing wheat from India include Glencore Intern-ational, Australian Wheat Board, Adani, Bunge, Cargill and Louis Dreyfus. A senior official from a multinational company said wheat exports were set to rise in the second half of 2012-13, adding these would surpass the estimated 5.5 mt. For better realisation, exporters should focus on quality and the quarantine issue, the official added.

The festive season has seen a gradual improvement in wheat prices in the spot and futures markets. Typically, market demand is firm during this period and wheat products such as maida and suji also see good demand. Along with domestic demand, export enquiries have also increased. This may raise sugar prices to about Rs 16 a kg by December, compared with the current Rs 15 a kg, said Mathur.

India is in talks with Iran for exporting about 2,00,000 tonnes. Discussions on the issue were earlier stuck due to quality issues. However, with the issue being resolved, exports to Iran would resume soon, said Haresh Maru, a Vashi-based wheat exporter.

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Tea export to Iran picks up, Egypt emerges as new mkt
Rohit Khanna, Financial Express

16 November 2012, Kolkata: Good news awaits tea growers in India. After resolving the payment-route issue, tea exports to Iran have picked up in past few months. On other hand, tea exports to Egypt is also growing at a faster pace.

Iran — the largest importer of tea after Russia, the UAE, UK and US — imports around 75,000 tonne tea each year. India's exports to Iran fell after the US imposed sanctions on exports to the oil-rich country. There is a good demand for Indian tea in Iran, but India started losing out on it with restrictions on payments to the oil producing country.

Mohammad Feissal, the managing director of Shahsavand Zarin co, one of the largest tea growing company in Iran said, “Indian exports to Iran have improved in last few months. We are receiving 100 tonne every month from India. It has grown significantly from 50 tonne in 2010.” Almost 40% of Iran’s tea import comes from Kenya, 10% from Sri Lanka and rest from India.

“Payment is not a problem now. We are hopeful of an increase in Indian export by around 30%,” Feissal said. Meanwhile, Egypt is also looking at stepping up imports from India. The 80 million kg tea market is mainly catered to by Kenya. In 2010, Egypt was identified by the Tea Board as one of the emerging markets for Indian tea export by Tea Board.

Mahmoud El Nahas, head (sector import) of Misr Import & Export Co, said, “We are trying to increase imports from India to 15,000 tonne last year to 17,000 tonne in 2012. Kenya is the largest exporter to Egypt. India can increase its exports to Egypt if it is little proactive,” he said.

While Sri Lanka sells CTC tea at an average rate of $4 per kg, Indian tea is priced between $1.8 and $3.5. “That makes Indian tea a natural favourite of the Egyptian importers,” Nahas said.

Export of Indian tea is likely to decline from 193 million kg to 180 million kg in 2012. Tea production in 2012 may also decline according to a recent study conducted by IMaCS (Icra Management Consulting Services).

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Spices, Seafood Log Low Exports This Fiscal Year
P K Krishnakumar Kochi, Economic Times

15 November 2012, Kochi: Exports of plantation crops and seafood have plunged in the first few months of the financial year due to dull overseas markets, tight supply and high prices. Pepper, cardamom, cashew, coffee, rubber, tea and seafood exports have seen a downturn during the year after a good performance last year.

Although demand for some commodities is tepid despite the onset of Christmas and New Year orders, exporters hope it could pick up in the last few months. Pepper, cardamom, cashew and rubber have had a bad run this year. Indian pepper lost out to the spice from other origins due to high prices triggered by limited supply. Pepper exports till the end of August are said to be down by nearly 40% at about 6,000 tonne.

Indian pepper is valued at $8,000 per tonne, nearly $1,500 to $2,000 costlier compared to the commodity from other major producing countries. But the coming months bring hope as the forecast of a higher crop in India will soften the price enabling more exports. Akin to the previous year, Vietnam (the largest producer) has predicted a conservative figure of 1 lakh tonne for 2013 to keep the prices high. The industry feels it will be much higher than that, said Geemon Korah, the chairman of All India Spice Exporters Forum.

Cardamom exports suffered due to a month-long disruption to auctions. Exports have slid by about 50% till the end of August to 700 tonne. Exporters say there is high demand despite reports of a good crop in Guatemala, the biggest producer of the spice.In the case of cashew, sluggish market conditions due to a slowdown in Europe and a glut have hit the purchases. As a result, prices have dropped. Even at lower rate, there are few buyers, said P Somarajan, proprietor of Kailas Cashew Exports.

Cashew exports fell by 16% to 45,572 tonne till the end of September 2012.The drop in value was almost 12% at Rs 1,892 crore.

Seafood exporters were pinning their hopes on the three months to November when Christmas and New Year shipments take place. All major markets have cut short imports. Buying from the US, Europe, China and Japan is down this year, said Anwar Hashim, managing director of Abad Fisheries. Southeast Asia, the largest buyer of Indian seafood last year, has reported a better production this time and cut down purchases. Exports are said to be 20%-30 % down in value. After a record performance last year, coffee exports are down by 10% at 1.86 lakh tonne in this fiscal till November 13.Falling global prices have led to a decline in rubber exports, which fell by 60% to 8,573 tonne till the end of September.

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India's pepper exports dip: IPC
George Joseph, Business Standard

15 November 2012, Kochi: India has slipped to the fifth position in the global pepper exports market, behind Vietnam, Indonesia, Brazil and Malaysia, according to the International Pepper Community's (IPC) estimates for this year. Last year, India was fourth on the list, according to IPC data.

For this year, estimated exports from India, the top exporter in the world two decades earlier, are only 17,500 tonnes, against 1,08,000 tonnes from Vietnam, 53,000 tonnes from Indonesia, 27,500 tonnes from Brazil and 20,000 tonnes from Malaysia. Three years earlier, pepper exports from Indonesia and Brazil lagged India's.

In the last two-three years, prices in India were often $1000/tonne higher than in other producing countries. Also, the quality of products from nations such as Sri Lanka is better than Indian pepper. Vietnam offers the ASTA grade pepper, comparable to India's Malabar Garbled grade, at low prices. Therefore, India fell behind in the traditional markets of the European Union and the US.

India's pepper exports in the January-October period were just 16 per cent of the exports from Vietnam, the world's largest producer and exporter. Vietnam exported 1,02,759 tonnes of pepper, while India's exports stood at only 16,000 tonnes. In the year-ago period, exports from India stood at 20,000 tonnes. Exports from Vietnam include 88,435 tonnes of black pepper and 14,324 tonnes of white pepper. Though the exports were 7.4 per cent lower than in the year-ago period, their value rose 9.5 per cent to $697 million. Of this, black pepper accounted for $564.4 million, while white pepper's share was $132.2 million.

The average export price of black pepper during the January-October period was $6,382 a tonne. For white pepper, it stood at $9,229 a tonne. Compared to the year-ago period, the price of black pepper was higher by $1,016 a tonne, while the price of white pepper was higher by $1,427 a tonne.

For Vietnam, the US was the largest import market (14,226 tonnes, 13.8 per cent). The Gulf Cooperation Council, Germany, Holland, Singapore, India and Egypt also imported major quantities of pepper from Vietnam. For white pepper, Germany was the biggest importer (3,371 tonnes), followed by Holland (2,040 tonnes) and the US (1,517 tonnes).

Next season, global production of black pepper is likely to stand at 3,16,832 tonnes according to IPC estimates. This is slightly below last year's production of 3,27,090 tonnes. Exporters feel in the next season, production would stand at 3,59,832 tonnes.

According to IPC estimates, global exports of the commodity would stand at 2,14,541 tonnes next year. Vietnam is slated to top the table, with 85,000 tonnes of black pepper and 10,000 tonnes of the white variety. India is likely to export 25,000 tonnes. Of this, 23,200 tonnes would be black pepper. IPC says overall global exports, including 16,200 tonnes from the five non-IPC countries of China, Thailand, Madagascar, Cambodia and Ecuador, would stand at 2,30,741 tonnes.

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Avian flu impedes India's Rise to the top in egg export
P K Krishnakumar, Economic Times

21 November 2012, Kochi: A spate of avian flu outbreaks in the last few years has dashed India's hopes of becoming a major egg exporter. Oman, the largest buyer of Indian eggs, has now imposed a second ban on Indian shipments this year following the avian flu incidence in a research farm in Karnataka.

The earlier embargo on Indian eggs enforced by Oman in March was only lifted in September. Oman accounts for over 60 per cent of the 100-crore egg export turnover from India. West Africa and Afghanistan are the other major buyers of Indian eggs.

India has been in the egg export business for nearly two decades and the export turnover swelled to around 450 crore six years ago. Since the first outbreak of avian flu in India in 2006, egg exports have been showing a downward trend.

"We used to export ten containers a day, each container containing 4 to 4.5 lakh eggs. It has dropped to four or less containers now. In the last four years, we have been having nearly two avian flu outbreaks annually," said Dr P V Senthil, secretary of Livestock and Agri Farmers Trade Association.

Often the ban is imposed not knowing that the places where the avian flu occurred are far away from the exporting centre.

Namakkal in Tamil Nadu is the egg export hub of India.

Two incidents of avian flu outbreaks happened in Tripura and Karnataka. "We need to impress this upon the importing countries, who consider India as one region, about this and also there should be a national guideline on how to deal with such incidents," Dr Senthil said.

"Though export accounts for a small part of the egg production in India, a ban affects the sentiment. There is also an excess production in the country which has pushed the prices down," said K G Anand, general manager of Venkaiteswara Hatcheries, a major exporter of eggs.

Any setback to exports hits egg prices in the domestic market. "Egg prices have fallen from Rs3.30 to 3.10 apiece at a time when consumption is rising to a peak. Egg consumption increases during winter in India and abroad," said Dr P Selvaraj, chairman of Namakkal Egg Co-ordination Committee.

Farmers now get prices below the cost of production which is around 3.10 per egg. To stabilise the prices, the poultry industry in Namakkal is planning to cull birds for a longer period.

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Exports to drive Gujarat medical device biz
Sohini Das, Business Standard

20 November 2012, Ahmedabad: Gujarat-based SME medical device-makers are gearing up for growth, as a number of initiatives in the sector start taking shape. For starters, the SMEs are looking to increase their share in exports, as the West European markets offer opportunities for polymer-based medical devices.

Around 20 companies have already taken possession of land at the upcoming medical devices cluster at Sanand, jointly developed by the Gujarat Industrial Development Corporation and National Institute of Pharmaceutical Education & Research. Around 40 companies had signed MoUs with the government to set up units in the 100-acre park.

Even more significantly, some 20 small-scale manufacturers have come together to form a special purpose vehicle (SPV) to set up a common component manufacturing facility near Ahmedabad.
The upcoming Vibrant Gujarat Global Investors’ Summit in January 2013 will also host an event on medical device technology where state-based medical device-makers are expected to meet overseas buyers. The SPV, called Ahmedabad Medical Disposable Devices, is scouting for land near Ahmedabad,

said Mitesh Vyas, owner of Jimit Medico Surgicals, and a member of the group. The Rs 15-crore facility would supply components to all the member companies in the SPV, he added.

D L Pandya, advisor to the SPV and also programme coordinator of the National Biomedical Engineering Society, said, “The common component facility will certainly help to improve the quality of the products.”

A feasibility study for the project has been conducted by Gujarat Industrial and Technical Consultancy Organisation Limited (GITCO). The SPV has also applied for a subsidy from the Union ministry of commerce through the state industries commissioner.

“An in-principle nod from the Centre is expected soon. Under the Central scheme, 70 per cent of the total equipment cost is funded by the Centre in the form of a subsidy. This works out to roughly Rs 10 crore,” Vyas said.

State-based SMEs are working on improving product quality, as they gear up to tap the export market. There are around 200 medical device making companies in Gujarat with a turnover of roughly around Rs 250-300 crore, industry insiders estimated. Around 25-30 per cent of the net production is exported.

At present, countries in Africa and the Commonwealth of Independent States (CIS) region comprise the bulk of the medical device exports from the region, while the share of European countries is around 10-15 per cent at the moment. However, companies are gearing up for exports to European nations as well.
As Pandya points out, cluster development initiatives by government agencies as well as non-profit organisations in the last four to five years has resulted in Gujarat-based device-makers opting for both ISO and CE certifications. From just a couple of companies having CE certifications a couple of years back, the number has gone up to around 40 companies.

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Vegetable oil imports hit new record
Business Standard Reporter

16 November 2012, Mumbai: India’s vegetable oil imports set a new record in the recently ended oil year (November 2011–October 2012), due to a sustained increase in consumption and decrease in production from domestic sources.

Data compiled by the apex trade body, the Solvent Extractors’ Association (SEA), showed total veg oil imports jumped 17.5 per cent to 10.19 million tonnes in 2011-12 compared to 8.67 mt in the corresponding period last year. Import of edible oil (both crude and refined) shot up to 9.98 mt this year from 8.37 mt last year. As a consequence, India’s reliance on imported edible oil increased to 60 per cent, at an estimated domestic consumption of 16.5 mt this year, compared to 54 per cent on a consumption of 15.5 mt last year.

Non-edible oil imports for use in soaps, detergent making and other purposes, in contrast, declined by 30 per cent to 0.21 mt this year compared to 0.3 mt last year. The decline is largely due to a slowdown in the fast moving consumer goods sector.

Domestic oilseed production has been falling continuously, due to lower productivity. Shifting to other crops due to better returns has also affected output. A ministry of agriculture report said oilseed yield fell five per cent to 1,135 kg a hectare (ha) in 2011-12 from 1,193 kg a ha in 2010-11, mainly on account of a decline in yields of soyabean, groundnut and rapeseed/mustard. Consequently, oilseed output fell eight per cent to 30.01 mt from 32.47 mt a year before. Overall production of veg oils was down about 700,000 tonnes due to a reduced oilseed crop in 2011-12.

India’s edible oil consumption also increased substantially in the year gone by, on a subdued price trend. SEA analysis said an overall population growth of 1.7 per cent, coupled with a three per cent estimated rise in per capita consumption, created fresh demand of 1.25 mt accumulatively during the last oil year. Also, both Malaysia and Indonesia, the two global leaders in veg oil production, pushed palm oil exports to India during the year, to reduce their excessive stock burden.

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IT exports slow down
Business Standard

15 November 2012, New Delhi: In its mid-year review, the software association Nasscom has revised its forecast for software and services exports (IT & ITeS) for the current fiscal year of 2012-13 to 11 per cent, from the 11-14 per cent range indicated at the beginning of the year. While this is, strictly speaking, not a downward revision, the implication is clear: any hope at the start of the financial year that things may get better further down the line has been belied. At the lower end of the projected figure, $75 billion, exports will grow at nine per cent over last year’s $68.7 billion. In 2011-12, exports grew by 16.4 per cent. The compounded annual growth rate over the five-year period, from $31.3 billion in 2006-07 to $68.7 billion in 2011-12, works out to 17 per cent. So the software and services sector is clearly underperforming in relation to its recent record. The current year is a tough one for the global economy, but the five years encompass the entire period of global economic turmoil beginning with US housing prices collapsing in 2007. It will not be enough for Nasscom to derive satisfaction from the fact that this year the industry will achieve at least 10 per cent growth and the prospects for next year are “good”. Software exports are not doing as well as they used to and there should be a discussion on solutions.

Export growth rates have decelerated for several reasons. US economic recovery is neither confirmed nor robust; Europe remains in the doldrums; West Asia’s strength as a growth driver has been curbed by the turmoil in the region; and the domestic market, whose growth can spread out overheads for the entire sector, is not performing to expectations. The US banking and financial sector, the major customer of Indian IT, is still trying to find its feet, with investment banks not knowing what the future holds for them. Compliance-related IT spending is not taking off since the regulatory scenario is still unclear. The promising healthcare sector is also partly in limbo as the extent of US states’ adoption of President Obama’s healthcare plan is still open.

Customer acquisition is progressing, but IT firms are relying on getting more purchase out of existing clients than new ones. India can pray for US economic recovery to become thoroughgoing so that firms can resume their discretionary spending, which an increasingly maturing Indian industry is getting to rely on. But it needs to do more, like pay attention to the bottom end of the value ladder. Indian business process outsourcing, or BPO, is losing voice business to the Philippines. Such jobs are a boon to the educated unemployed. The future is likely to get tougher. Indian firms will have to recruit more onshore to get closer to their clients and this will affect margins. With the high margins enjoyed by the industry unlikely to endure, there is a great need to chase volumes.

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US presidential elections: America stays in Obamacare but unhealthy for Indian IT
Swaminathan S Anklesaria Aiyar, The Economic Times

9 November 2012: For India Inc, US President Barack Obama’s reelection means mostly boring continuity, but it will be tinged with worries. An Obama victory makes it less likely that the US will fall off a so-called ‘fiscal cliff ’ at the end of 2012.

Current legislation mandates huge spending cuts in January 2013 to reduce the fiscal deficit, and this could plunge the US into recession again. Obama is far happier with large fiscal deficits than Romney. The scale of his victory may also reduce Republican resistance in Congress to a continuation of high fiscal deficits till the economy grows more strongly. Stock markets in India and across the globe will draw comfort from this.

Democrat presidents are typically more protectionist than Republican ones. Obama has set a limit of 65,000 on H-1B visas for software engineers to enter the US, and India's share in this is just 7%. Moreover, Obama has cracked down on L-1 visas — Infosys complains that half its applications for such visas have been rejected. Obama's victory means India will face four more years of anti-visa pressure. A President Mitt Romney would have been more relaxed on this.

To be fair, Obama has resisted pressures to be more protectionist in four years of recession and high unemployment. Trade has remained mostly open, though there have been many anti-dumping measures (like sky-high duties on Indian exports of steel pipes and tubes).

But Obama wants to crack down as never before on US investments abroad that take advantage of lower taxes overseas. He also wants to discourage US investment abroad of the sort that exports jobs. India has been the recipient of precisely such investments — IBM and Accenture now have more employees in India than in the US. Stiffer tax rules on such companies could impact future investments.

A President Romney would have immediately denounced China as a currency manipulator, and sought appreciation of the Chinese renminbi. Obama will also press for this, but less stridently. India will certainly gain from a stronger Chinese currency, since Indian exporters will become more competitive.

Obama prides himself on being a green enthusiast. There is growing green pressure in the US to oblige India and China to slash carbon emissions, which are growing because of rapid increase in coal-powered electricity.

US greens want new trade barriers against countries whose imports are competitive because they have lighter environmental standards (especially on carbon) than the US — the greens call this environmental dumping. Obama will seek stronger action from India and China, but it remains to be seen how discomforting that is. Environmental dumping is not recognised by WTO rules, so it will not be easy for Obama to set up green trade barriers.

On foreign policy issues, Obama will continue to target Islamic militants in Pakistan and the Middle East through drone attacks. This will suit India. He is less likely than Romney to collude with Israel in bombing Iran's nuclear facilities, yet that possibility exists. If it happens, it will be bad for India — oil prices will skyrocket and violence will escalate in the region.

Obama has promised to back India's membership of the UN Security Council, but that remains a very distant goal. Reform of the UN looks unlikely for decades. The same holds true of reform of institutions such as the IMF and World Bank — Obama in theory wants higher representation for developing countries like India, but in practice has done absolutely nothing. We would be naïve to expect anything better in Obama's next four years.

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India says no to inclusion of more items in WTO list by US, EU
Amiti Sen, Economic Times

10 November 2012, New Delhi: India has opposed a move by the US and the European Union to expand the list of electronic items under the World Trade Organisation's IT Agreement, which will result in elimination of import duties on mobile handsets, printers, fax machines and consumer electronic goods. The government is of the view that inclusion of more items in the list would have an adverse impact on the "fledgling" domestic industry.

"India placed on record its serious reservations on this matter at ITA committee's meeting in Geneva late last week," a WTO official said. "It said that in consultations with stakeholders, it sees problems regarding relevance of the proposed products, their multiple uses and possible difficulties in processing at customs."

South Korea along with the US and EU are pushing for inclusion of these items in the ITA's product list. They have sought negotiations on the issue when talks begin on the second instalment of ITA from January.

The existing ITA was signed between 29 WTO members, including India, in 1996. The membership has since increased to 70. The original agreement sought to eliminate import duties on 217 items like parts of microscope, semi-conductor equipment, spraying appliances and other laboratory instruments. India claims that its industry was hit by the decision to eliminate duties on these products.

"As per government's estimates, India's share in world trade of these items came down from 0.3% to 0.2% after signing the agreement," an Indian government official said. The commerce department had extensive discussions with the department of IT as well as the Planning Commission on whether it should be a signatory to the proposed second tranche of the ITA. The common wisdom was that India would not gain from it, the official said.

"Since the ITA-2 talks about adding 357 items like mobile sets, printers, fax machines, flat screen TVs and consumer electronics, there is an apprehension that it may affect our fledgling domestic industry. The broad message that emerged from our internal consultation is that we should be very careful before taking on additional commitments," the official said.

Nicaragua and El Salvador are other ITA members that expressed their reservation on expansion of the agreement and said the matter was still under consideration in their countries.

South Korea, however, reported some progress on technical discussions it hosted early last week on expanding the product coverage of the ITA. It said that as many as 17 participating members are moving towards more discussions and that a revised consolidated list of products proposed for inclusion in ITA expansion would be circulated in mid-December.

The US asked delegations to examine the next version of the product list and be prepared to negotiate in January. Japan, the EU and Costa Rica were other members that expressed support.

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How IT became competitive
T S Vishwanath, Business Standard

22 November 2012: A working paper on the Information Technology Agreement-I, or ITA-I by Murali Kallummal at the Indian Institute of Foreign Trade’s (IIFT ’s) Centre for WTO studies provides some

interesting insights on the impact of the plurilateral agreement on India's export of information technology-related services.

ITA-I includes 74 member countries of the World Trade Organisation (WTO) and covers nearly 97 per cent of world trade in products that have been liberalised under the agreement. According to the agreement, India has completely liberalised trade in these products – in phases – starting in 1997 and ending in 2005. India had to an extent backloaded its commitment and, therefore, carried out maximum liberalisation in 2005.

ITA-I covers a variety of areas, including computer software, information systems, computer hardware and programming languages. The agreement, which covers over $4 trillion of global trade, is touted as an important instrument in increasing global trade, and is viewed by many as the main reason for the increasing growth of India's software industry.

Interestingly, the IIFT paper, "ITA – The Indian Experience", suggests that the viewpoint that India's software exports emerged competitive owing to the ITA agreement does not hold water. The paper specifically states that this notion "has been proved completely misplaced and has no basis".

The paper goes on to state that the "two major objectives of ITA was to increase trade and competition through trade liberalisation for information technology products, and, second, to improve global diffusion of information technology. These have only been partially achieved, as there has been concentration of trade in [the hands] of few players after the formation of the agreement. Another critical aspect that emerges from this study is the impact on overall employment in the context of a decrease seen in indigenous contents, in a growing export market of information technology products; this only substantiates that there has been a reduction in local value addition, subsequently leading to an adverse impact on employment-generation capacity by this sector."

The study then proceeds to make a case that the software industry in India primarily owes its growth to the policies adopted by the Indian government since the late 1980s.

The study's views are based on the fact that the first Computer Policy of 1984 and the Software Policy of 1986 emphasised the concept of software development and export through data communication links. "The objective of this policy was to develop software in India using Indian expertise on sophisticated computers, which were being imported duty-free. This way, one could make use of the low-cost expertise available in India and avoid the expense of time and cost in travelling abroad."

Following the economic liberalisation of 1991, the government established the software technology parks of India (STPI) scheme, and opened several software parks around the country. These parks have played a critical role in the growth of India's software sector, the study states.

The study conclusive states that the emergence of a strong Indian software industry occurred owing to the concerted efforts on the part of the government, particularly since the 1980s, and host of other factors like government-diaspora relationships, private initiatives, emergence of software technology parks, clustering and public-private partnerships.

The IIFT study is of the view that the role of the government from a facilitator to a regulator continues to remain vital for the development of the software sector in India. Several analysts, however, hold a contrarian view that India's software sector has primarily been driven by the private sector, and the government actually needs to step up its effort to help the industry move up the value chain.

While the government does pay a lot of attention to the software industry during any negotiations for a free trade agreement, there seems to be a lack of strategy for moving up the software industry to the next level of innovation and product development. While the industry has to keep up the momentum, it will be important for the government to look at providing a vision to ensure that India uses the various free trade agreements to move up the value chain in the software sector.

Given the fact that the only service where India has been able to draw the world's attention has been information technology and information technology-enabled services, it is pertinent to develop a strong vision to stay ahead of other competitors globally.

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Hidden Strength: Farm Trade
Ashok Gulati and Surbhi Jain, Economic Times

22 November 2012: It has never happened since Independence. May be not even in the last 1,000 years what happened during October 2011-September 2012. India exported 10 million tonnes of rice, valued at around $6 billion, becoming the largest exporter of rice, replacing Thailand and Vietnam, generally the two largest exporters of rice.

This is now known to many in rice circles.

But what is little known is that in 2011-12, India also emerged as the largest exporter of beef (buffalo) meat, exporting 1.7 million tonnes worth almost $3 billion, beating Brazil, Australia and US, which are traditionally the largest exporters of beef.

Marine exports added another $3.4 billion and raw cotton $4.3 billion. But the biggest surprise came from guargum meal exports worth $3.3 billion, which even surpassed oilmeal exports of $2.4 billion. Sugar exports worth $1.8 billion (almost 3.3 million tonnes) also added to the buoyant agri-exports.

In all, agri-exports during 2011-12 were more than $37 billion against an import of agri-commodities worth around $17 billion, making India a large net exporter of agri-produce. The temporal behaviour of India's exports and imports shows that India has consistently remained a net exporter of agri-products during the last two decades.

This has remained true as Indian agriculture got more and more globalised, as measured by agri-trade as percentage of agri-GDP.

The agri-trade (exports plus imports) as a percentage of agri-GDP, which was about 5 per cent in early 1990s when economic reforms started is today more than three times of that, touching 18 per cent in 2011-12. This is a remarkable success story of Indian agriculture, which has not been given as much attention and credit as it deserves.

The year 2011-12 may be a little upswing year for agriculture, but the long-term trends do suggest strongly that Indian agriculture is very much globally competitive, and one can tap this potential even more to benefit our farmers, provided we have a stable, predictable, and rational agri-trade policy.

A case in point is that of rice exports policy. As is well known, India had banned exports of wheat and common rice way back in 2007, and these were opened only in September 2011. A four years exports ban resulted in massive accumulation of cereal stocks at home that crossed 80 million tonnes on July 1, 2012, way above the buffer stock norms of maximum 32 million tonnes.

And when the exports were opened, rice exports zoomed as flood waters gush through the sluice gates!

Two things need to be noted: (a) when India exports 10 million tonnes of rice in a global market that hovers around 35 million tonnes, world price of rice is likely to collapse to Indian prices (large country effect) reducing the marginal returns to exports dramatically.

Therefore, there is need to impose an optimal export duty, say, 5-7.5 per cent, which could ensure good returns to Indian exports of rice. (b) This export duty is also justified on the need to save water (and power).

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Cautious Welcome for Farm Trade Proposals at WTO
Bridges Weekly Trade News Digest, Volume 16, Number 40

21 November 2012: Trade officials gave a cautious welcome to new proposals on farm trade at an informal WTO negotiating meeting last Friday, sources say.

Officials told Bridges that the proposals could help countries carve a path towards a scaled-down package of measures to be agreed at the global trade body's ninth ministerial conference in Bali, slated for next December. However, deep-seated differences remain over how best to resolve the overall impasse in the WTO's Doha Round of trade talks, which were launched over a decade ago.

Making it easier to send agricultural goods overseas to countries that use import quotas could be one step forward, developing countries in the G-20 coalition at the WTO have argued. Such a move could also help "re-balance" a separate package of measures on trade facilitation, says the group, which includes major economies such as Brazil, China, and India.

The G-20 proposals are being widely seen as "doable," trade sources told Bridges, with negotiators from the G-10 group of countries with highly-protected farm sectors amongst those saying they were willing to engage in discussions.

A request from the G-20 for the WTO secretariat to conduct studies on export subsidies and related areas was not opposed by other members, despite initial misgivings by some that had feared the issue could be linked to the trade talks. G-10 countries asked that these studies also include updated information on export restrictions - measures which they fear can exacerbate price spikes on world markets, and harm food-importing countries.

Food stockholding: more discussion needed

A proposal from another developing country coalition, the G-33, was seen as more complex by trade officials. Members of the coalition - which includes China and India, alongside other countries with large smallholder farming populations - were among those privately saying that more discussion may still be needed on the proposal, which would exempt subsidised food purchases from current WTO ceilings under certain conditions.

Proponents of the initiative, which trade officials said had been led by India, had argued that subsidised food purchases for public stockholding or domestic food aid should not have to count towards countries' maximum-permitted levels of trade-distorting support, so long as the food has been bought from low-income or resource-poor producers.

However, both developed and developing countries privately cautioned that the move could counter reforms aimed at moving towards less trade-distorting forms of farm support, by allowing payments that could distort trade to be included without any limit under WTO rules.

The lack of any agreed definition of "low-income or resource-poor producers" could also make it harder to ensure support was being targeted towards the most vulnerable farmers, said others.

Some negotiators warned that the move could lead to over-production of certain products - possibly leading to the ‘dumping’ of farm goods in other markets, and harming small farmers elsewhere. Others said that many small developing countries lacked the resources to run food stockholding schemes or provide substantial amounts of domestic food aid.

However, proponents of the G-33 initiative said that the flexibility could be important in cases where public food stockholding schemes caused poorer countries to run up against their current ‘de minimis’ ceilings under WTO rules.

Currently, each developing country is allowed to provide trade-distorting support so long as this does not exceed ten percent of the value of the country’s agricultural production. Under a special arrangement made when China joined the global trade body, Beijing has to keep within a lower ceiling of 8.5 percent.
ICTSD reporting.

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'Re-energise, revitalise stalled WTO process'
Gireesh Chandra Prasad, Indian Express

21 November 2012: India on Tuesday urged US President Barack Obama and leaders of agencies like the WTO to urgently resume multilateral trade liberalisation talks in order to limit protectionism and prevent global trade and investment from sinking further.

The suggestion from Prime Minister Manmohan Singh was put across to world leaders at a global economic dialogue in Phnom Penh on the sidelines of the East Asia summit, which was also attended by WTO Director General Pascal Lamy, IMF MD Christine Lagarde among others.

Commerce and industry minister Anand Sharma told reporters that there is an urgent need for course correction in the global economy, which if not made, could lead to huge social costs. India wants an early completion of the Doha round of trade negotiations, the longest round of trade talks under WTO yet.

"We should reenergise and revitalise the stalled WTO process. India feels protectionism or not completing the WTO process will cause further damage to the world economy. It would deepen the recession and delay the recovery," he said.

New Delhi believes that with Obama re-elected for the second term and a new leadership in place in Beijing, it may be an opportune time to resume talks. "We hope that the US will now reengage," said Sharma.

India has also expressed its desire for a peaceful resolution of disputes China has in the South China sea as per international law to ensure freedom of navigation, sources said.

India also reiterated its demand for greater say in the affairs of global financial institutions like the World Bank and the IMF saying emerging economies that now account for two-fifth of world trade needs a greater representation.

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India stresses on completion of stalled Doha round

On Board Air India One, 21 November 2012 (IANS): India is for successful conclusion of the stalled Doha round of the global trade talks and is willing to work with all stakeholders to take it forward, said

Commerce and Industry Minister Anand Sharma.

Addressing the media on board the special aircraft returning home after Prime Minister Manmohan Singh's visit to the Cambodian capital of Phnom Penh, Sharma said that India at the East Asia summit had urged the need to "revitalize the Doha WTO negotiations to put in place a rule based multilateral trade regime in order to revive the global economy".

"India feels that protectionism and not completing the WTO negotiations will cause further damage to the world economy," he stressed.

The Doha round "is the longest negotiations in the history of global negotiations".

"It has never happened that any round has ever been aborted... and India has the conviction that this round has to be taken to an early and successful conclusion and we are committed to work with all the stakeholders and negotiating partners," he said.

He said the Doha round was held up by two processes involving two of the biggest world economies − the US presidential polls and the once−in−a decade leadership change in China.

"With the two major processes over hope the US will now re−engage in the process which got stalled in January, he added.

He said India is committed to complete it in a single undertaking.

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