Centre for WTO Studies
विश्व व्यापार संगठन अध्ययन केन्द्र

भारतीय विदेश व्यापार संस्थान
INDIAN INSTITUTE OF FOREIGN TRADE

INDIA'S TRADE NEWS AND VIEWS

28 February to 13 March 2014

Exports dip 3.67 per cent to $25.6 billion in February

India's merchandise exports fell for the first time in eight months in February, but a sharper decline in imports brought down the nation's trade deficit to its lowest since last March…

Experts doubtful of meeting FY14 exports target

In his 2014-15 interim Budget speech, Finance Minister P Chidambaram had pegged merchandise exports for 2013-14 at $326 billion…

Current account deficit will be under $40 b

The current account deficit (CAD) will be kept under $40 billion in fiscal 2013-14, Finance Minister P Chidambaram said…

India needs to restrategise its export policy to adapt to changing contours of economy

Not too long ago, India was grappling with taming its current account deficit (CAD). But over the last two quarters, a combination of policy clampdown on unproductive gold imports…

I don't think import duty for gold is high: C Rangarajan

C Rangarajan, Chairman, Economic Advisory Council to the Prime Minister, is known for his conservative views on gold, which he calls a 'non-productive asset'…

India Inc to get competitiveness shot from Govt

Concerned over the slowdown in the country's exports and the rising current account deficit, the Government is working on a long-term plan to spur India Inc's global competitiveness…

India asks Bangladesh to open direct sea routes to boost trade

India has asked Bangladesh to open direct sea routes to boost bilateral trade, hampered by congestion at the land customs stations…

Pakistan in a rush to seal deal for more market access before polls

Pakistan is keen to seal a deal within the tenure of the Manmohan Singh government in India to grant the country greater access to its market…

Salman Khurshid pushes for Asean connectivity

The foreign minister called for increased connectivity, liberalization of visa rules to permit free movement of people between the Asian countries…

No plans to curb farm exports: Centre

The government said it has no plans to curb farm exports despite fears of an impending El Nino that could affect the monsoons this year…

Govt abolishes onion MEP to arrest decline in domestic prices

To boost exports and arrest the fall in domestic prices, the government abolished the minimum export price (MEP) for onion late on Tuesday…

Cashew exports jump 20%

Cashew exports in the first three quarters are seen higher by 28% in value realisation, and 20% in volume compared with the performance in the same period last year…

Trade min urges finmin to scrap export duty on iron ore pellets

Commerce minister Anand Sharma said his ministry has urged the finance ministry to remove the 5% export duty on iron ore pellets…

Textile & garment exports may hit $40 bn this fiscal

India's overall textile and garment exports will likely rise 17.6% in the current fiscal from a year before but will still miss the target of $43 billion despite the depreciation …

India's gems and jewellery imports up by 8 per cent in January

India's gems and jewellery imports rose 8 per cent to Rs 15,161 crore in January mainly on increased shipments of rough diamonds as purchases of gold bars and jewellery…

India hardens stance, accuses US of protectionism

Commerce Minister Anand Sharma said that India's Intellectual Property Rights laws were not lax and were within the ambit of the WTO norms, even as he alleged that the US…

India-US trade stand-off: a tale of two reports

The television drama *The West Wing*, set in the White House, bears an uncanny resemblance to the trade tug-of-war seen at present between India and the US. Recent episodes of the programme…

Targeting India's IP laws undermines WTO's legitimacy

A Geneva-based intergovernmental organisation of developing countries has slammed America and developed world countries for pressurising India over its IP laws…

WTO to the rescue

Though ostensibly committed to the WTO process, over the years, India has been on a spree to sign bilateral free trade agreements—sometimes Comprehensive Economic Cooperation…

WTO becomes India's protector, not predator

When the World Trade Organisation (WTO) was created in 1995, critics protested that India must not join this vehicle of US imperialism, whose tough patent rules would ruin India's**…**

Centre for WTO Studies, 7th Floor, IIFT Bhawan, B-21, Qutab Institutional Area, New Delhi - 110016
Tel: 91-11-26965124, 26965300, 26966360 Ext-725,710 Fax: 91-11-26853956 Email: cws@iift.ac.in
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.

Exports dip 3.67 per cent to $25.6 billion in February
Economic Times

New Delhi,12 March 2014: India's merchandise exports fell for the first time in eight months in February, but a sharper decline in imports brought down the nation's trade deficit to its lowest since last March. The narrowing trade gap is contributing to a smaller current account deficit, helping the rupee to claw back its value lost to the dollar but, in turn, hurting exports - a cheaper local currency allows Indian companies to sell their products more competitively abroad.Latest data indicate that India is set to miss its export target for this fiscal year.

Goods shipments fell 3.67% from a year earlier to $25.69 billion in February, according to data released by the commerce and industry ministry on Tuesday. They had increased 3.8% in January.

In the April-February period, exports were up 4.8% at $282.8 billion. The government has an export target of $325 billion for the year ending March. "If exports follow the same trend as last March, the full fiscal year's exports should be close to $310 billion," commerce secretary Rajeev Kher said. "I won't be happy with 310 (billion dollars), and we need a better performance."

While the export numbers didn't look encouraging, the faster fall in imports ensured that the current account deficit is steadily improving.

Imports fell 17% in February and 8.65% in the April-February period. The trade deficit was $8.13 billion in February while for the first 11 months of the fiscal year it was $128 billion, compared with $180 billion a year earlier.

Current account deficit is expected to be $40 billion this fiscal year, less than half of last year's $88 billion. That is good news for the rupee, which has already strengthened to 60.94 against the dollar as of Tuesday from 63.11 at the end of January.

"We expect CAD to 2% of GDP in 2013-14, the lowest since 2007-08," Crisil said in a note. Dropping gold imports is the biggest contributor to the narrowing deficits. But lower imports also indicate the state of the economy which is generating less demand.

Exporters blame the finance ministry for part of their woes, saying that it has been holding back on refunds of duties on certain exported goods. The ministry later issued a statement saying it was not holding back any refunds.

The end of the European Union's Generalised System of Preferences benefits in terms of lower import duties from January 1 also contributed to the slowdown in shipments. The engineering sector, which was the top performer in January registering 37% growth, posted a contraction in February at 2.75%. Gems and jewellery exports fell 4.18%. Gold imports dropped 71%, choking the supply of a key raw material for jewellery makers.

According to FIEO president M Rafeeque Ahmed, a decline in global prices of commodities and metals also played a role as finished products fetched lower prices compared to a year before.

[Back to Top]

Experts doubtful of meeting FY14 exports target
Nayanima Basu, Business Standard

New Delhi,5 March 2014 :In his 2014-15 interim Budget speech, Finance Minister P Chidambaram had pegged merchandise exports for 2013-14 at $326 billion, 6.3 per cent more compared to 2012-13. In the April 2013-January 2014 period, overall exports stood at $257 billion, against $243 billion in the year-ago period. This means to meet Chidambaram's estimate for this financial year, India will have to export about $69 billion worth of goods in February and March.

During its previous review of the Foreign Trade Policy (FTP) 2009-2014, the commerce ministry had set the exports target for 2013-14 at $325 billion.

Experts say exports might be lower than this target set by the commerce ministry, as well as the finance minister's estimate. "While we will exceed last year's exports, it will be difficult to reach $326 billion. Undoubtedly, we will achieve growth over last year but might fall short of achieving the target set during the last review of the FTP," said Ajit Ranade, chief economist, Aditya Birla Group. He said at the beginning of this financial year, the target looked achievable, owing to a fall in the rupee and the fact that agricultural exports were high. "But now, growth rates have slowed, mainly due to a problematic situation in destination markets such as Japan, China and Europe."

Recently, Commerce Secretary Rajeev Kher said achieving the target of $325 billion would be a "tough call, but we will achieve it". On February 20, Kher had convened a meeting with all leading exporters and urged them to push exports so that at the least, the FTP target of $325 billion would be met.

Now, the Federation of Indian Export Organisations (FIEO), which had earlier said India might record $350 billion worth of exports this financial year, sounds apprehensive. It said overall exports in 2013-14 might stand at $318-320 billion. Ajay Sahai, chief executive and director-general of FIEO, said the government's recent move to subsidise sugar exports might add $3-4 billion to total exports. "With the latest move on sugar exports, we might go close to the target, though reaching the target seems slightly difficult now," Sahai said. To achieve their targets, exporting firms might push exports in March, he said, adding total exports during that month might stand at $30-32 billion.

"The target is too ambitious. Though March usually sees an uptick, the matter has worsened because of the fall in petroleum exports. Also, gems and jewellery exports have not done well. So, it is going to be difficult (to achieve the export target)," said Anis Chakravarty, senior director, Deloitte.
In January, exports of petroleum products and gems and jewellery fell 9.4 per cent and 13 per cent, respectively, on an annual basis.

While overall exports had increased 1.7 per cent in April 2013, it declined 1.1 per cent and 4.6 per cent in May and June, respectively. However, in the July-October period, exports registered double-digit growth, primarily due to the rupee's fall against the dollar. During April-December 2013, the rupee's monthly average exchange rate was 54-64/dollar.

Between July 2013 and October 2013, exports registered growth of 11-13 per cent. In October 2013, exports rose 13.5 per cent to $27.3 billion, compared to the corresponding period last year. November, December and January 2014, however, saw single-digit growth.

Despite the global financial crisis hitting India's external sector adversely, merchandise exports recorded compounded annual growth of 17.4 per cent between 2004-05 and 2012-13. In 2012-13, exports had fallen 1.8 per cent.

[Back to Top]

Current account deficit will be under $40 b
Business Line

New Delhi, 7 March 2014:The current account deficit (CAD) will be kept under $40 billion in fiscal 2013-14, Finance Minister P Chidambaram said on Tuesday. Chidambaram also exuded confidence that the revised fiscal deficit target of 4.6 per cent (of the Gross Domestic Product) would be achieved. Buoyed by the statements, the BSE Sensex rose 406 points to close at 21,919.79, while the NSE Nifty jumped 126 points to end at 6,526.65. The rupee strengthened to 61.07 against the dollar, against Thursday's closing of 61.12. "On the current account deficit, the Budget speech said that it will be contained at below $45 billion; today, 23 days before end of the (financial) year, we can say confidently that CAD will be below $40 billion," Chidambaram announced at a press conference after the customary post-budget RBI board meeting here. CAD is the difference between inflow and outflow of foreign currency.

The latest revision comes two days after the RBI announced that the CAD had narrowed sharply to $4.2 billion or 0.9 per cent of GDP in the third quarter of current fiscal, against $31.9 billion or 6.5 per cent of GDP during the corresponding period in 2012-13.

The lower CAD was primarily on account of a decline in the trade deficit, as merchandise exports picked up and imports moderated, particularly gold.

"We will achieve the fiscal target of 4.6 per cent, as mentioned in the revised estimate," Chidambaram said. The initial estimate was that the fiscal deficit would be 4.8 per cent of the GDP, and there were apprehensions that with lower revenue realisation and higher expenditure, the final deficit ratio could go beyond 5 per cent.

Incidentally, as per the Controller of Government Accounts data, the fiscal deficit has exceeded 101 per cent of the target. Chidambaram also said the the revised estimate of revenue collection would be achieved, and "if there is any small shortfall, I think that will be made up in actual savings that I have in mind."

[Back to Top]

India needs to restrategise its export policy to adapt to changing contours of economy
Rana Kapoor, Economic Times

6 March 2014: Not too long ago, India was grappling with taming its current account deficit (CAD). But over the last two quarters, a combination of policy clampdown on unproductive gold imports and a gradual, albeit sustained, improvement in export performance has helped rein in trade deficit. Reflecting this, CAD forecasts have been scaled down progressively from over $80 billion to less than $40 billion for 2013-14. This is a remarkable turnaround. Heading into 2014-15, the bigger challenge is to ensure improvement in CAD is sustained. An immediate unshackling of policy hurdles to resume production of coal and iron ore along with firming up a long-term vision to enhance export performance is necessitated. India's trade policy in recent times has amplified focus on diversification of export markets as well as products.

As such, share of Asean, Latam and Africa in India's export basket has increased to 24% in 2012-13 from 16% in 2002-03. Similarly, 71 items of textile made-ups under the Focus Product Scheme launched in 2009 have recorded a growth of 70% over the last five years.

Such measurable success of focused schemes reinforces the need for India to restrategise its export policy to adapt to changing contours of the domestic economy, along with global trade patterns. It is interesting to note that of the 25 export products flagged for special attention by the Indian Brand Equity Foundation (IBEF), 10 are agriculture or agriculture-dependent. Agriculture exports, registering a growth of 13.6% in 2012-13, provided a needed cushion to counter overall slowdown in India's export.

The government should formulate a consistent, reliable and long-term trade policy with lower tariffs to help India attain prominence in global agriculture exports. China's role as the "world's factory" is waning. Average annual wages in China's manufacturing sector have doubled since 2007 and the number of working-age people in China dropped for the first time in 2012.

Of the top five items in China's export basket, share of high-value-added items has risen to 45.7% in 2012 from 20.6% in 1996. But, of the top 10 labour-intensive export segments where China lost comparative advantage over the last 15 years, India has bettered its position in only two segments, namely mineral fuels and furniture and bedding.

Assocham estimates that even if India captures 20% of the low-end export market where China is losing advantage, Indian exports can rise by ~$64 billion annually. To achieve this, a two-pronged strategy can help.

First, trade policy must offer preferential treatment to key labour-intensive sectors instead of giving blanket concessions to all sectors. Second, identification of sectors must be on the basis of comparative advantage. Our study suggests sharpening policy focus on leather, made-up textile articles, crocheted apparel, toys and footwear.

The objective of improving global share in low-end export products must be strived for in conjunction with concentrated focus on high-value products. India's level of export sophistication for high-value segments, such as electrical machinery, boilers and mechanical equipment and plastic, remains lower compared to China. In the domestic plastic industry, ~70% of units operate in the unorganised sector, with outdated machinery and low precision levels.

The electrical equipment industry is reeling under intense competition from China whose share in Indian imports of electrical equipment rose to 43.6% in 2012, from 22.4% in 2005. Lack of a level playing field and enhanced eligibility on ECBs for financing of domestic power projects has crippled India's power and electrical equipment production.

Trade policy should have a balanced focus between strengthening exports to conventional trade partners (US and EU) and diversifying into new markets. National Manufacturing Policy that envisages greater harmony between manufacturing and trade policy must be implemented. We must develop a cluster-based SEZ approach, with government support in infrastructure and IT.

And we need to realign policy priorities to include both price and non-price measures (such as infrastructure and administrative reforms). To scale up exports, the government needs to address sector-specific issues and invest in R&D, innovation and skill development.

[Back to Top]

I don't think import duty for gold is high: C Rangarajan
Rajesh Bhayani ,Business Standard

New Delhi, 10 March 2014: C Rangarajan**,** chairman, Economic Advisory Council to the Prime Minister, is known for his conservative views on gold, which he calls a 'non-productive asset'. He was amongst the first to flag up the fast-rising import of the yellow metal putting pressure on the current account deficit (CAD). After recommending tightening of gold imports, the government gradually increased the import duty and the Reserve Bank of India tightened import norms. In an interview to *Rajesh Bhayani*,Rangarajan says CAD will be brought under control at around two per cent of the gross domestic product (GDP). He, however, doesn't see the need to relax duty or import rules. Edited excerpts:

The CAD now seems to be coming under control due to a fall in gold import. What is the accepted level of gold import?
It is expected to remain at around two per cent of the GDP in FY14, much lower than last year (FY13). This is partly due to a fall in gold imports. Gold imports prior to 2009-10 used to be $30-40 billion, which went up after that; last year, it was $54 billion. Gold demand was rising as it was imported for being a hedge against inflation, which was high and also as an asset. In my view, once investors start getting better returns from financial assets and inflation starts moderating, there would be sustained reduction in import of gold. Imports should stabilise at the pre-2009-10 level and $35-40 billion worth of gold import is still possible to absorb and may not cause any serious problem to CAD. If, eventually, Indians bring in fundamental change in the use of gold and reduce its demand, it will be good for the country but those changes don't happen in the short term.

With CAD under control and the gold import bill also much lower, do you think this is a time to relax gold import curbs?
I don't think the Customs duty on gold is so high. If you look at the import duty on many other luxury goods, others have much higher duties.

Isn't gold also a virtual currency?
But it is also a commodity and I don't think the import duty for gold is high. The other thing is the 80:20 rule (80 per cent of import for domestic use and 20 per cent for exports). This seems to be a reasonable rule, as it allows imports and is a self-correcting measure. Therefore, I think a sudden drop in gold import was not due to rules but it was the way they were implemented. Because of that, there was no import of gold for some time.

So, procedures can be simplified, even if basic rules are not changed?
It can be. In the overall current account, around $35 billion worth of gold can be absorbed. That will be consistent in our efforts to contain the CAD in the range of 2-2.5 per cent of GDP.

You may have seen unofficial import of gold estimates. The World Gold Council has estimated unofficial import in 2013 at 200 tonnes. That is due to the high duty and import curbs.
I doubt the estimate of unofficial import could be that high. There is no evidence of reduction in remittances, etc. If gold smuggling has to be financed, it can be either lower remittances or over-invoicing of imports and so on. The latest numbers don't show any decline in private remittances and, hence, I am not sure whether this number is correct.

[Back to Top]

India Inc to get competitiveness shot from Govt
Business Line

New Delhi, 6 March 2014: Concerned over the slowdown in the country's exports and the rising current account deficit, the Government is working on a long-term plan to spur India Inc's global competitiveness.

The Commerce Ministry is preparing a background note ways to boost exports and manufacturing. It is expected to hold an inter-Ministerial meeting to frame a specific roadmap for change, a Commerce Ministry official told *Business Line*.

Top officials from the Finance Ministry, Ministry of External Affairs, Department of Industrial Policy and Promotion, Planning Commission and Economic Advisory Council to the Prime Minister will be part of the core group that would frame the agenda, the official added.

"We will be looking at how to position India strategically in the global value chain so that exports grow fast. For that, we have to identify what our strengths are and how these can be nurtured. We also have to address our problem areas, including lack of adequate infrastructure, reliable power supply and high transaction time and costs," the official said.

The manner in which India gives incentives to its exporters also needs to change as many of the existing sops may not be compatible with World Trade Organisation norms.

In fact, subsidies given to the textiles industry will soon have to go, as exports have overshot the threshold of 3.25 per cent share of world trade beyond which the global trade body does not permit subsidisation.

Fall in exports

“We will have to re-engineer the schemes so that these conform to international laws to which we are party,” Commerce Secretary Rajeev Kher said at a recent export summit organised by industry association CII.

India’s exports fell 1.8 per cent to $300.4 billion last year due to a slowdown in global demand. In the on-going fiscal, exports posted a low growth of 5.7 per cent, to $257 billion in the April-January period.

Although India’s current account deficit (CAD) narrowed to $4.2 billion (0.9 per cent of GDP) in the third quarter of 2013-14 from $31.9 billion (6.5 per cent of GDP) in the comparable period of the previous fiscal, the decline has been mainly due to curbs on gold imports.

“CAD can be checked on a sustainable basis only if we manage to increase our exports substantially,” the official said.

It is important to keep the CAD within limits to maintain a healthy balance of payments which, in turn, is required to avoid a payments crisis.

[Back to Top]

India has asked Bangladesh to open direct sea routes to boost trade

Nayanima Basu, Business Standard

New Delhi, 8 March 2014:India has asked Bangladesh to open direct sea routes to boost bilateral trade, hampered by congestion at the land customs stations.

Sources said the department of commerce had asked the Directorate General (DG) of Shipping to work out a mechanism. “To initiate the process, ships have to be certified by both sides so these can operate in each other's waters,” an official said.

"We have asked the DG to work out a protocol with Bangladesh on our regulatory requirements. The dependency on Petrapole international check post (land route) is costing us a lot."

After several rounds of talks, it was proposed both would begin the initiative with smaller vessels. This would prove more cost-effective for Bangladeshi traders.

At present, goods shipped from the two are sent through the ports of Singapore or Colombo, very expensive. As a result, the cargoes turn to Petrapole-Benapole land customs stations. Because of this, both the border posts face massive congestion. The logjam at the Petrapole and Benapole (Bangladesh side) has emerged to be one of the biggest trade barriers. These handle half the bilateral trade.

"There is not enough cargo moving between Chittagong (Bangladesh) and Kolkata, so it is not profitable for a big vessel to ply. The charges for Paradip port are very high so it is much better to run it through the Colombo port. Rather, the government should focus on improving the land customs station," said Nisha Taneja, professor, ICRIER.

Since January, Petrapole and Benapole land customs stations have been made operational seven days a week. Both suffer massive traffic congestion, poor road conditions and lack of authorised parking facilities.

The government has also taken measures to facilitate trade at Petrapole including extended working hours for the functioning of customs and aligning the weekly holiday with Bangladesh. The movement of trucks carrying export cargo is allowed up to the customs station of the importing country for discharge of cargo.

Exports from Bangladesh to India have risen significantly since 2010 when New Delhi took products from Dhaka off of its negative list. India imported goods worth $639.33 million in 2012-2013, compared to $254.66 million in 2009-2010. According to commerce and industry ministry data, total bilateral trade swelled to $5.78 billion in 2012-13 from $2.68 billion in 2009-2010.

[Back to Top]

Pakistan in a rush to seal deal for more market access before polls
Dilasha Seth, Economic Times

New Delhi, 10 March, 2014: Pakistan is keen to seal a deal within the tenure of the Manmohan Singh government in India to grant the country greater access to its market in return for lower duties on its exports. The move is aimed at ensuring that the talks on trade normalisation between the two sides over the past few years do not go back to the drawing board with the change of government in India, people familiar with the matter said.

A formal proposal on non-discriminatory market access (NDMA) - a nomenclature chosen by the Pakistan government to avoid political ramifications at home of giving India the most-favoured nation (MFN) status - is expected within the next few weeks, a senior commerce department official said.

The NDMA will allow India to export 1,209 items that are currently on Pakistan's negative list. In return, Pakistan wants India to prune its sensitive list under South Asia Free Trade Area (Safta) goods agreement to 100 items from 614.

Once the formal proposal comes from Pakistan, the commerce department will seek a no-objection certificate from the Election Commission in view of the model code of conduct that is in place ahead of the upcoming general elections, the official said.
"Pakistan has communicated to us that they would like to grant us the non-discriminatory access in the present government's tenure itself," the official said. "Now they want to think of doing a comprehensive package, which will include both NDMA and preferential trade arrangement."
Pakistan's commerce minister Khurram Dastgir Khan reportedly told local media in Islamabad last week

that the government was considering granting the NDMA to India if India made prominent reduction in duties imposed on Pakistani imports, especially textiles.

India and Pakistan had, in September 2012, agreed to a road map, according to which India will bring down its sensitive list under Safta to 100 tariff lines by April 2013, after Pakistan granted India MFN status by December 2012. "Now they want to do it all together," the official said.

Pakistan will also reduce its sensitive list to 100 tariff lines from 840 in a phased manner over five years, according to the road map.

"Whatever we have been talking to them for the past three years is as per the current Cabinet's authorisation, which expires with the present government. If they want to do it with the next government, it will be like starting the process all over again," the official said.

Nisha Taneja of Icrier said, "There is a very strong likelihood of Pakistan sending a proposal on NDMA in the next few weeks. They are holding a round of consultations before announcing it. It is a whole process of building credibility once again."

According to a study by Taneja, India and Pakistan can boost their bilateral trade from the current $2.60 billion a year to an estimated $19.8 billion.

[Back to Top]

Salman Khurshid pushes for Asean connectivity
LiveMint

New Delhi, 7 March 2014 : Foreign minister Salman Khurshid on Thursday called for increased connectivity and liberalisation of visa rules to permit freer movement of people to cement closer ties between Asia’s third-largest economy and the 10-member economically vibrant Association of South East Asian Nations (ASEAN).

On strategic ties with ASEAN, Khurshid said India was looking to extend its naval footprint in the region, long considered China’s backyard.

Addressing the sixth Delhi Dialogue that brings together diplomats and academicians from India and the SouthEast Asian bloc Khurshid said India was meeting its commitments on building the India-Myanmar-Thailand Trilateral Highway and was “in the process of dialogue with ASEAN countries to pursue an intermodal approach to integrate road and rail corridors to sea routes, and to bring together economic synergies to transform the corridors of geographic connectivity into corridors of economic cooperation.”

ASEAN groups Brunei, Malaysia, Phillipines, Laos, Cambodia, Thailand, Vietnam, Singapore, Indonesia and Myanmar. The grouping plans to evolve into an ASEAN Economic Community by 2015. India and ASEAN have set a trade target of $100 billion by 2015 and $200 billion by 2022. Both expect trade to surge thanks to the successful completion of negotiations on the Free Trade Agreement (FTA) on services and investment. The signing of an India-ASEAN FTA on goods in 2010 has seen trade reach $80 billion in 2011-12.

Khurshid proposed the introduction of long-term visas and the creation of economic hubs to ensure greater interaction between the business communities of India and the ASEAN. “Do we not need to make it easier for our businessmen, professionals and experts to travel more easily between our countries? This will help India build capacities in ASEAN and also incentivize investments from the private sectors. Do we not need to conceptualize and encourage economic hubs to compel connectivity?” the minister said at the conference organized by the ministry of external Affairs in collaboration with the Federation of Indian Chambers of Commerce and Industry.

Khurshid noted that the “economic underpinnings” of the ASEAN India strategic partnership were being strengthened with the completion of the process for signing of a free-trade agreement on services and investment. “The envisaged Trade and Investment Centre, the strengthening of the ASEAN-India Business Council and its Secretariat, the decision to task a Working Group on Soft Infrastructure, and the agreement between our Leaders at the last 11th ASEAN India Summit in Brunei Darussalam that we need an ASEAN India Transit Transport Agreement by 2015 are all envisaged under the Vision Statement as part of the way forward,” Khurshid said.

On the strategic partnership between India and the ASEAN, Khurshid said an “important dimension” was its increasing relevance to the political-security space in East Asia. “With power equations being re-drawn, the ASEAN India relationship provides an egalitarian balance for the maintenance of peace and stability,” Khurshid said in a possible reference to the increasing assertiveness of China in the region.

[Back to Top]

No plans to curb farm exports: Centre
Financial Express

New Delhi, 6 March 2014: The government on Wednesday said it has no plans to curb farm exports despite fears of an impending El Nino that could affect the monsoons this year. “Our granaries are still brimming with stocks,” said a senior official.

"We don't intend to curb farm exports. In fact, the government on Tuesday scrapped the minimum export price of onion to help farmers get better realisation," said the official. "It's too early to say whether El Nino will actually affect the monsoon, and, if yes, to what extent. So we will wait for the forecast by the IMD (Indian Meterological Office)."

The weather office is expected to firm up its first long-range forecast of the monsoon in April.
India is the world's largest exporter of rice and guar gum and second-largest supplier of cotton and also ships wheat in large volumes. The country's farm exports are projected to rise 9.8% to $45 billion in 2013-14, accounting for 13.8% of the total exports of $325 billion targetted for the current fiscal.
The government is fully prepared to tackle any fluctuation in weather this year and states have been asked to keep contingency plans ready, another official said.

Grain stocks with state-run agencies hit 41.1 million tonnes as of February 1, compared to a requirement of 25 million tonnes for various welfare programmes. The projected record harvest of wheat in 2013-14 is likely to boost the stock levels further, giving relief to policymakers in case of a monsoon failure.

El Nino is warming of sea-surface temperature levels in the central and east Pacific and cooling of the West that occurs every four to 12 years. It caused the worst drought in 37 years in the country in 2009, dragging down grain production to 218.11 million tonnes from 234.47 million tonnes the year before. Fears of widespread dry spells in many parts of Asia, including India, intensified this year after Australia's Bureau of Meteorology last month said that climate models surveyed by it showed Pacific Ocean temperatures approaching or crossing El Nino thresholds in the austral winter. A report in the PNAS, the official journal of the US National Academy of Sciences, also said there was a 75% chance that El Nino could occur in late 2014.

Agriculture minister Sharad Pawar played down El Nino fears, saying the government was keeping a tight vigil. The June-September monsoon season brings about 70% of annual rains and is crucial to the summer-sown crops as more than 60% of the country's farmland is rain-fed. The showers also boost ground water reserves for winter planting.

[Back to Top]

Govt abolishes onion MEP to arrest decline in domestic prices
Financial Express

New Delhi, 06 March 2014: To boost exports and arrest the fall in domestic prices, the government abolished the minimum export price (MEP) for onion late on Tuesday.
"The requirement of an MEP for onion stands removed," the Directorate General of Foreign Trade (DGFT) said in a notification.

In December 2013, the MEP was reduced to $150 per tonne. The government had imposed an MEP of $900 per tonne in September 2013 and it was hiked to $1,100 per tonne later.

Onion prices have fallen sharply in the last one month, with the retail price currently in the range of R15-20 per kg. Wholesale prices are R500-600 per quintal. Concerned about this fall in wholesale prices, Maharashtra farmers had been demanding removal of export restrictions.

Onion production has risen from under 5.5 million tonne in 2002-03 to over 15 million tonne in the last three years. Production is expected to exceed 18 mt in 2013-14. So far in the current fiscal, the country has exported 1.82 mt.

India has witnessed an annual growth rate of 13.36% in onion production during the last 13 years. No other food crop has shown this kind of spectacular growth in recent years.

[Back to Top]

Cashew exports jump 20%
Rajesh Ravi Financial Express

Kochi, 11 March,2014: Cashew exports in the first three quarters are seen higher by 28% in value realisation, and 20% in volume compared with the performance in the same period last year.

Value realisation for the first nine months of the fiscal has already touched R3,888.8 crore and likely to exceed last years performance by a handsome margin. In the last fiscal, cashew exports totalled 1,03,645 tonne with a value realisation of R4,046 crore. India is the world's largest consumer of cashew nuts with trade estimates of consumption ranging from 1,70,000 to 1,90,000 tonne. It is also one of the largest processor and exporter of kernels.

“Following a reasonable growth in usage in all markets in 2013, there are signs that usage will be good in 2014 as well due to the high prices of other nuts and relative stability of cashew prices at the lower end of range of last few years,” Pankaj Sampat of Mumbai-based Samsons Trading said.

“We believe the market may see some volatility between till May 2014 depending on news about the crop progress. After that, it should stabilise and move in a narrow range for rest of the year. If there is any strong kernel demand from the US and EU in March-April, the raw nut prices will not come down and will remain firm,” he added.

Cashew is probably the only nut for which prices have remained steady for two years in a row.
Pratap Nair of Vijayalakshmi Cashews, who is also the ambassador of the International Nut & Dried Fruit Council (INC) feels the consumption of cashew nuts is likely to increase due to a rise in the awareness level of health benefits.

[Back to Top]

Trade min urges finmin to scrap export duty on iron ore pellets
Financial Express

New Delhi, 7 March 2014:Commerce minister Anand Sharma said Thursday his ministry has urged the finance ministry to remove the 5% export duty on iron ore pellets.

"We have reservations (against 5% export duty) because it (pellet) is a value-added product and the duty, per se, is a disincentive," Sharma told reporters in North Block. He had come to attend a group of ministers meeting on the Amritsar-Kolkata Industrial Corridor.

"We have raised this issue with the finance ministry. The domestic industries were encouraged to increase capacity, and what actually is getting exported is not even 1.5% of the total capacity. Therefore, we should be encouraging and not be disincentivising them," the minister added.

The export of raw iron ore, or fines and lumps, already attracts a duty of 30%. Substantial investmets have happened in pelletisation plants.

Sharma also said Thursday there will be no change in the government's ongoing decision-making process on relaxing norms in foreign direct investment (FDI) in railways and construction due to model code of conduct.

On Wednesday, Chidambaram had said that normal government functions will carry on, and the cabinet and committees will go ahead as usual to clear any decisions pending from before the code of conduct.

[Back to Top]

Textile & garment exports may hit $40 bn this fiscal
Financial Express

New Delhi, 7 March 2014:India's overall textile and garment exports will likely rise 17.6% in the current fiscal from a year before but will still miss the target of $43 billion despite the depreciation in rupee, sources said on Thursday. The exports are expected to hit $40 billion in 2013-14 from $34 billion a year before, mainly on higher shipments of garments, cotton yarn, fabrics and man-made fibre, said the sources. However, textile minister KS Rao said late last month that overall textile and garment exports, which also include shipments of products such as raw cotton, handicrafts, jute, coir and handlooms, would at best miss the target by just $1 billion.

According to the provisional data, textile and garment exports hit $20.43 billion in April-December, up 13.4% from a year before. This is because the rupee depreciated 11.6% between April and December this fiscal than a year before to an average of 60.79, making the shipments remunerative. Industry executives said after factoring in exports of raw cotton, handicrafts, jute, coir, handlooms, the overall textile and garment exports won't exceed $40 billion. "While rupee depreciation has helped, the rise in demand in the US despite a slow or fragile recovery in their economies resulted in the surge in exports," said DK Nair, secretary-general of Confederation of Indian Textile Industry. Moreover, demand from new markets has helped and "it seems after a long time we are back on track on garment exports", he added.
Having slid by nearly 6% in the last fiscal and seeing a drop in 10 months of 2012-13, garment exports started picking up since March as the domestic currency continued to fall. Soaring costs in China and problems in compliance of global safety norms at Bangladeshi mills helped India's export growth, industry executives said.

[Back to Top]

India's gems and jewellery imports up by 8 per cent in January(ET)
PTI

New Delhi, 6 March 2014: India's gems and jewellery imports rose 8 per cent to Rs 15,161 crore in January mainly on increased shipments of rough diamonds as purchases of gold bars and jewellery continued to fall due to government curbs, according to the industry body GJEPC.

The country had imported Rs 14,026 crore worth of gems and jewellery in the same month in 2013, it said.According to data released by the Gems and Jewellery Export Promotion Council (GJEPC), gems and jewellery imports improved due to increased shipments of rough diamonds.

Rough diamond shipments rose 46 per cent to Rs 7,803.63 crore in January from Rs 5,358 crore in the year-ago period. Import of pearls jumped to Rs 469.28 crore from Rs 2.02 crore.

Import of gold bars fell 30 per cent to Rs 2,824.56 crore from Rs 4,037 crore in January 2013.

Inward shipments of gold jewellery declined 24 per cent to Rs 461.20 crore and import of colour gemstones fell over 79 per cent to Rs 113.33 crore.

Import of cut and polished diamonds declined 2.23 per cent to Rs 3,179.63 crore.

India meets its entire gold demand through purchases overseas. Gold is the second-largest imported item after crude oil. The government had imposed measures to curb gold imports to contain the current account deficit, which widened to a record in 2012-13.

The government hiked import duty on gold thrice to 10 per cent, banned inward shipments of gold coins and medallions and made it mandatory for importers to export 20 per cent of their shipments before purchasing more of the metal from overseas.

The curbs resulted in the jewellery industry facing a shortage of gold and traders have started quoting high premiums.

[Back to Top]

India hardens stance, accuses US of protectionism
Business line

New Delhi, 4 March 2014: Commerce Minister Anand Sharma said that India's Intellectual Property Rights laws were not lax and were within the ambit of the WTO norms, even as he alleged that the US indulged in trade protectionism. He also indicated that it is only the multinational pharmaceutical lobby which is opposed to India's patent regime.

"India has raised issues regarding high and unacceptable protectionism, also the visa issues, objecting to temporary movement of skilled professionals, visa fee enhancement," said Sharma addressing media persons here.

He added that India's patent regime is "fully compliant with the intellectual property rights norms of Trade Related Aspects of Intellectual Property Rights (TRIPS) agreement of WTO and has never deviated from nor diluted these norms."

"The patent related issues are being raised by some lobbyists in a particular sector, which is crucial not just for India but for every country of the world to ensure availability of life saving medicines at affordable prices," said Sharma.

"What is being asked of India is TRIPS plus, which India will never agree to. India will adhere in letter and spirit the multilateral agreement as negotiated and signed. Issue they refer to is a part of India patents act, which is aimed to prevent the ever-greening of patents," he said.

India has never invoked compulsory executive authority (which India can) for compulsory licensing.

The US Federal Drug Authority has invoked executive authority for three anti-cancer drugs for putting them under compulsory licensing.

Sharma added that Novartis's patent for Glivec was denied by the examiner of patents, not the Indian Government. The rejection of that patent was upheld by appellate authority and the Supreme Court as well.

Sharma trained his guns on Gujarat Chief Minister and BJP's Prime Ministerial candidate, Narendra Modi, saying he should explain why he opposed the GST. GST alone could have added two per cent to the GDP growth, he said.

[Back to Top]

India-US trade stand-off: a tale of two reports
Pt Jyothi Datta, Business Line

Mumbai, 5 March 2014: The television drama *The West Wing*, set in the White House, bears an uncanny resemblance to the trade tug-of-war seen at present between India and the US. Recent episodes of the programme show US officials getting involved in heated back-room activity on intellectual property (IP) and protests from US knowledge-worker unions as jobs get "vacuumed" out to India.
The political drama may not be too far from the truth, as India finds itself in the eye of a trade-related storm in the US, with much of the fury directed at India's track-record of protecting IP, after the country amended its Patents Act in 2005.

In fact, two US reports are expected, in April and November, assessing India's performance on IP protection and trade policies, respectively.

And while US trade and Government representatives voice their anxiety over India's "deteriorating" IP environment, India has stood its ground, insisting that its laws were in line with commitments to World Trade Organization-led agreements.

At the heart of these highly-charged discussions are concerns over market access for businesses in both countries. After all, trade negotiations involve a give and take. That's why there is no ignoring the two US reports and their possible impact on contentious issues, including IP protection (of data generated during research) and clinical trials (testing drugs on humans).

Hectic parleys
In fact, the new Government that will take over after the elections could well be walking into a trade minefield, if both reports paint India as a difficult terrain to do business in. It would leave India less head-room to negotiate, forcing policymakers to concede on some issues, say industry watchers.

With stakes being high, discussions leading up to these reports are no less dramatic, punctuated with late-night conference calls by US trade representatives to explain to Indian media why they felt they were getting the short-end of the stick from Indian trade policies.

The US Chamber of Commerce's Global Intellectual Property Center (GIPC) pegged India at the bottom of 25 countries, in its International IP Index report.

By highlighting countries leading or lagging in fostering a strong IP framework, the GIPC Index provides a tool for policymakers to strengthen innovative potential and for business leaders to assess risk and investment, the GIPC note explained.

Two reports
To counter such views, Indian industry representatives flew to Washington last month to explain India's trade policies to the US International Trade Commission (USITC).

Triggered by trade and Government complaints against India, the USITC was investigating the impact of India's trade policies on American companies and jobs. Its report is expected in November.

On a parallel track, discussions are also under way leading to the US' Special 301 report, slated this April. The annual exercise evaluates US trading partners on their IP protection record.

In its 301 submission, GIPC suggested that India be designated a "Priority Foreign Country, given the rapid deterioration of the nation's IP environment".

A key grouse for US trade involves implementation of the Patents Act (amended to honour product patents) – particularly after a couple of key judgements went against pharmaceutical multinationals – Novartis and Bayer.

But as both countries play to their respective political and business constituencies, the coming month will unravel if the road ahead for Indo-US trade will continue to be rocky, or not.

[Back to Top]

Targeting India's IP laws undermines WTO's legitimacy
Lalit K Jha,PTI

Washington, 6 March 2014: A Geneva-based intergovernmental organisation of developing countries has slammed America and developed world countries for pressurising India over its IP (intellectual property) laws, which it alleged undermines the legitimacy of WTO.

"The Indian IP laws include balanced provisions to ensure that IP rights do not hinder the ability of the government to adopt measures for promoting development priorities, particularly in the area of public health," South Center said in a statement Tuesday vehemently opposing any US move to take any action against India.

"These are fully in line with the TRIPS Agreement and reaffirmed by the Doha Declaration on TRIPS and Public Health," it said.

The statement comes after the US International Trade Commission (USITC), a federal American agency, has initiated a probe against India's domestic trade and investment policies particularly intellectual property laws.

Several US-based organisations have urged the US Trade Representative (USTR) to include India as a priority foreign country in the Special 301 review for 2014, alleging that India lacks adequate and effective protection of intellectual property rights (IPRs).

"The South Centre views these recent developments as most inappropriate, as it is against the spirit of the landmark Ministerial Declaration on TRIPS Agreement and Public Health," it said in a statement.

"India and other developing and least developed countries have the right to use the flexibilities in the TRIPS Agreement to the fullest extent for advancing public health needs and other development priorities," South Centre said.

The legal and regulatory measures that India has used for protecting public health are fully consistent with the WTO TRIPS Agreement.The continued threat of unilateral trade sanctions by the US to developing countries through USITC investigations and the Special 301 review undermines the legitimacy of the WTO, particularly the TRIPS Agreement and the WTO's dispute settlement system.

"It is regrettable that India or any other developing countries may be designated as a "priority foreign country" under the "Special 301" provisions of the US Trade Act of 1974," the South Center said adding that the mere threat of sanctions by placing a country in any specific category in the US watch list would appear to violate the WTO Dispute Settlement Understanding.

A WTO panel noted, in a dispute brought in 1999 by the EU against Section 301 of the US law, that "the threat alone of conduct prohibited by the WTO would enable the Member concerned to exert undue leverage on other Members.

"It would disrupt the very stability and equilibrium which multilateral dispute resolution was meant to foster and consequently establish, namely equal protection of both large and small, powerful and less powerful Members through the consistent application of a set of rules and procedures," the statement said.

[Back to Top]

WTO to the rescue
Financial Express

New Delhi, 8 March 2014: Though ostensibly committed to the WTO process, over the years, India has been on a spree to sign bilateral free trade agreements—sometimes Comprehensive Economic Cooperation Agreements—with a host of countries. Over the past decade, India has signed such pacts with 10 countries, including Singapore and Mauritius, and is currently negotiating a pact with the European Union. Everyone knows the multilateral process is better for developing countries like India, in the sense that it gives them more time to, say, open up their agriculture markets to imports. But, given how the WTO process has been so badly stuck for years—it has been 12 years since Doha Development Round of negotiations were launched—India has probably felt that it is better to go ahead with not-so-favourable bilateral deals than it is to wait forever for a good multilateral deal. And while developed countries have upheld their end of the bargain—on agriculture subsidies for instance—it has been more in form than in substance. So, for instance, in response to the stipulation that farm subsidies be restricted to 10% of the value of the crop, developed countries simply switched to a per acre subsidy instead of a crop-linked one. Not surprising, therefore, that at times India has been willing to not have a deal at the WTO—India's position on the Food Security Act, for instance, almost derailed the Bali ministerial.

So it has to come as a pleasant surprise that when confronted with US pressure on India's intellectual property laws—visiting US assistant secretary of state for south and central Asia Nisha Biswal repeated this on Thursday—and the threat of levying trade sanctions, India has chosen to invoke the WTO process. Section 3(d) of the Indian Patents Act, which deals with what is, and therefore what is not, patentable, is what US pharma firms are objecting to. The government, however, points out that India's IPR law is fully compliant with the WTO's requirements—indeed, in the recent Novartis Glivec case, India's Supreme Court upheld the view that Article 1(1) of the TRIPS agreement allowed member countries to decide how they would protect IP. In which case, if US pharma firms have a problem with India's IP protection, India is arguing, the US has to take India to the WTO's dispute resolution board. That said, it remains true that neither the government nor industry has done a particularly good job of pointing to how India's record in granting new patents has not been niggardly—1,500 patents since 2005 to the top nine global pharma firms. Perhaps the fact that large parts of Indian industry also feel aggrieved—with price controls or laws pertaining to clinical trials—has ensured that Indian industry is divided in its opposition to the US stance.

[Back to Top]

WTO becomes India's protector, not predator
SA Aiyar, Times of India

New Delhi, 2 March 2014: When the World Trade Organisation (WTO) was created in 1995, critics protested that India must not join this vehicle of US imperialism, whose tough patent rules would ruin India's agriculture and pharmaceutical industry. They could not have been more wrong. Both Indian agriculture and pharma have flourished under WTO rules. And today, the WTO is India's greatest ally against US pressure on patents.

US drug companies complain that India has rejected patents for some blockbuster drugs (like Novartis' Gleevec), while issuing a compulsory licence (which ignores patent rights) for Bayer's anti-cancer drug. They say India is flouting established norms on intellectual property rights (IPR), cheating patent owners of billions, and conferring a bonanza on Indian producers of cheap substitutes (generic drugs). US companies want the US International Trade Commission to investigate India's treatment of IPR, and recommend sanctions (under Section 301 of US trade laws) if required.

Few countries stand up to the threat of US sanctions : the costs typically exceed the benefits. But India has refused to co-operate even in a USITC visit to New Delhi, saying its bureaucrats are too busy with other things. India has told the US that WTO rules provide for all members to settle patent disputes through that body, not through unilateral action. India is confident that its IPR rules are WTO compliant. For that very reason, the US has avoided WTO, and is attempting bilateral pressure instead.

Indian patent laws are far more restrictive than those of the US or Europe, but WTO rules allow this. Critics claimed falsely in 1995 that WTO rules would condemn India to servitude. In fact they allowed India considerable freedom to be strict on patents, allowed price control, and allowed the forced issue of compulsory licences for drugs critical to public health.

Foreign companies complain that India rejects patents given widely across the globe (as with Gleevec). India says it has since 2005 granted over 4,000 drug patents (mainly to US companies) and issued just one compulsory licence. This conforms fully to WTO rules.

If the issue goes to the WTO, India will point out that even the US courts have rejected hundreds of drug patent applications. The US government itself has used compulsory licensing and price control for drugs regarded as critical for public health (as in the anthrax scare after 9/11). So, India looks on a good wicket.

Still, the dispute will not disappear. The US says that although thousands of patents may have been given, only 45 are for innovative drugs, of which nine are being contested. It accuses the government of trying to favour Indian companies making cheap generics. This is not untrue.

Some Indian NGOs want wholesale rejection of patents to keep medicines cheap. That would be cheating on India’s pledges to WTO. It would also be counterproductive, inviting retaliatory sanctions. India is full of adulterated, sub-standard and bogus drugs, so let nobody pretend our conditions are ideal, or that all Indian drug producers are noble promoters of cheap medicine.

In a recent study, India ranks at the bottom of 25 countries in IPR protection. Arguably this classification is unfair (strictness in issuing patents is interpreted as weakness). But certainly IPR protection in India leaves a lot to be desired. Bollywood will tell you how piracy plays havoc with copyright, echoing complaints from Hollywood. Software piracy is rampant, hurting Indian IT companies as well as foreign ones.

Finding the WTO inadequate, the US now aims to forge one free trade deal with Europe (Transatlantic Trade and Investment Partnership), and another with Japan and the Pacific Coast (Trans Pacific Partnership), apart from dozens of bilateral deals. All these will have far stricter IPR rules than the WTO, and indeed aim to make WTO irrelevant. India needs to guard against this by being more pro-active in WTO, and not revel (as in the past) in the role of a spoiler.

India’s future lies in high-tech areas. Let’s be clear: these need IPR protection. By rejecting labour flexibility, India has forsaken the labour-intensive export route to prosperity taken by the Asian tigers and China. Its key export successes are in brain-intensive areas — software, BPO, pharmaceuticals, engineering goods. India will keep rising up the brainpower ladder.

Its comparative advantage lies in skills, and need a climate encouraging such skills. India should be strict on drug patents. But it must reject the NGO attempt to sabotage all IPRs, claiming these are western impositions on the poor. Brainpower should be paid for no less than manual labour. We need a proper balance between the needs of consumers and brainpower producers. The US goes too far, but so do our NGOs.

[Back to Top]