INDIA'S TRADE NEWS AND VIEWS

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Trade ministers meeting in Bali last week formally agreed on the WTO's first multilateral pact in nearly 20 years, in a feat that has been broadly welcomed as an "historic" achievement…

What 'victory' at Bali really means

In the first week of December 2013, the World Trade Organization (WTO) was resuscitated when 160 member-countries (which includes the latest entrant at Bali - Yemen) agreed on a package that addressed a few significant issues under the Doha Development Agenda…

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India's trade deficit narrows to $9.22 billion in November
Asit Ranjan Mishra, Mint

New Delhi, 11 December 2013: India's trade deficit narrowed to $9.2 billion in November, driven by a record contraction in imports even as exports growth slowed after growing in double digits for four consecutive months.

Slower domestic demand and curbs on gold imports brought down merchandise imports to its lowest level since March 2011, contracting 16.37% to $33.8 billion during the month, while exports grew 5.86% to $23.2 billion.

Exports of refinery petroleum products and gems and jewellery have both dropped in November, leading to the slowdown in exports growth, commerce secretary S.R. Rao said. "The cost of rough diamond has significantly gone up as a result of which traders did not purchase rough diamonds in November 2013," he said. "Since the beginning of this month, the rates have fallen and we are back in business."

Rao said both import and export of crude petroleum have fallen due to the softening in prices of crude petroleum due to improving ties between the US and Iran. "Number of refineries in India were on planned maintenance. So, the current month onwards, petroleum exports should be moving up again," he added. The government has taken a number of steps, including raising import duty on gold and platinum to 10% from 8% and on silver to 10% from 6% earlier to curb rising current account deficit. It also levied a 36% import duty on flat television panels.

Gold and silver imports during November fell for the fifth successive month by 80.5% to $1.05 billion, while during the eight months of the financial year (April-November), it contracted 23.8% to $25.5 billion.

India's current account deficit narrowed sharply in the quarter ended September to 1.2% of gross domestic product, the lowest level since the fourth quarter of 2010-11, signalling that pressure on the country's external sector is receding. It was 4.9% in the fiscal first quarter ended June and 5% a year ago for the three months ended 30 September.

While oil imports in November contracted 1.1% to $13 billion, non-oil imports contracted 23.7% to $20.9 billion during the same month.

The government also announced a number of steps, including liberalizing external commercial borrowing norms, quasi-sovereign bond issuances by public-sector financial institutions to finance long-term infrastructure, and allowing sovereign wealth funds to invest in tax-free bond issues of a few state-run institutions to ensure it does not draw on foreign exchange reserves to fund the deficit.

The World Trade Organization has projected global trade to grow at 2.5% in 2013 (down from the 3.3% forecast in April) and at 4.5% in 2014 (down from 5%), but maintained that conditions for improved trade are gradually falling into place.

Engineering Export Promotion Council of India chairman Anupam Shah said while the significant narrowing of trade deficit is a good development for the Indian economy, it is largely a result of a steep import compression rather than a smart rise in exports. "We must reverse this trend and focus more on export growth rather than import compression. The India story should be led by export drive, and not reduced consumption at home," he added.

Yes Bank Ltd in a research note said growth in Indian exports is outpacing regional peers. “At the same time, the much warranted contraction in imports continue to support the outlook for India’s current account deficit,” it said. “We have recently revised down our CAD estimate for the current year to $50 billion (2.7% of the estimated gross domestic product). Meanwhile, capital inflows of $34 billion through the FCNR(B) deposits and capital borrowing by banks should help ease funding concerns, with India’s BoP clocking in a record a surplus of $16 billion in FY14.”

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Rebound in FDI flows into India, says World Bank report
Business Line (The Hindu)

Mumbai, 9 December 2013: The foreign direct investment (FDI) flows received by India in the January-March 2013 period reflects a rebound in inflows, said a World Bank Group arm. This is a result of the new investment policies put in place for select sectors, such as telecoms and insurance.

In its World Investment and Political Risk Report, the Multilateral Investment Guarantee Agency, said India is by far the largest recipient of FDI in South Asia, comprising India, Pakistan, Sri Lanka and Bangladesh, and changes in its flows influence the picture for the entire region.

According to RBI data, India saw higher FDI inflows of $4.5 billion in the January-March 2013 period against $1.4 billion in the year ago period.

The growth of FDI flows into developing economies has been dominated by Brazil, China, and India, according to the Report, which examines the overall trends in political risk perceptions, foreign investment intentions, and longer-term demand for political risk insurance (PRI), especially in emerging economies.

In 2012, China received 10.5 times more FDI than India. While India received $24 billion, China received $253.5 billion.

Together the three countries have accounted for just over half of all FDI flows received by developing economies during 2000-2012.

According to the report, over the past decade a second layer of developing economies has experienced accelerated FDI growth. These include Ghana, Indonesia, Kazakhstan, and Nigeria, where the growth rate of FDI flows has exceeded that for all developing economies.

With outflows of $68 billion in 2012, the report observed that Brazil, China, and India continued to account for the bulk of outbound FDI from developing economies and their firms continued to extend their global reach.

China has emerged as one of the largest investors in Latin America in recent years.

Other developing economies are also emerging as sizeable outward investors, notably Indonesia, Hungary, Malaysia, and Mexico.

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India, Pakistan may agree to resume talks on easing trade
Business Line (The Hindu)

New Delhi, 13 December 2013: India-Pakistan trade talks are likely to resume soon as Commerce and Industry Minister Anand Sharma and Pakistan's Minister of State for Commerce Khurram Dastgir Khan met here today to discuss further normalisation of the bilateral process.

This is the first significant meeting between the trade ministers since the talks collapsed earlier this year following the killing of Indian soldiers at the Line of Control.

Roadmap

Allowing more items through the Wagah border, opening bank branches in each other's countries and electricity trade — all part of the trade liberalisation agenda being pursued by the two since January 2011— were also discussed by the two Ministers. "With both Ministers agreeing to meet next month again during a meeting of Saarc countries, it seems that the trade liberalisation process is ready to take off again," a Commerce Department official told *Business Line*.

Sharma told the Pakistani Minister — who was accompanied by the Chief Minister of Pakistan's Punjab Province Shahbaz Sharif — that India stands committed to the roadmap for bilateral trade normalisation as worked out in September 2012 between the Commerce Secretaries of both nations.

The roadmap requires Pakistan to remove restrictions on trade via the land route (Attari, Wagah ICP) and extend Most Favoured Nation (MFN) status to India by removing the ban on the remaining 1,209 products.

Sharma said India, on its part, is ready to give enhanced preferential access to Pakistani products by bringing down its sensitive list under the South Asia Free Trade Agreement.

This will result in lower import tariffs on all items from Pakistan except on 100 items.

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PM panel tells commerce ministry to conclude SAFTA talks early
Dilasha Seth & Soma Banerjee, Economic Times

New Delhi, 6 December 2013: A high-level panel headed by Prime Minister Manmohan Singh has asked the commerce department to conclude the next round of negotiations for the Agreement on South Asian Free Trade Area (SAFTA) at the earliest even as it has called for an impact analysis of India's free trade agreements on all sectors.

"The commerce department has been mandated to proceed and conclude the next round of negotiations at the earliest," said a government official. The urgency on regional trade pacts follows the realisation that multilateral trade talks under the World Trade Organisation (WTO) are not likely to make much headway, added the official, who did not wish to be named.

The trade and economic relations committee had concluded in its meeting last month that India was committed to honour whatever had been agreed to earlier under the SAFTA. The committee comprises ministers and top government officials from the ministries of finance and commerce, and Planning Commission, among other departments.

The SAARC (South Asian Association of Regional Cooperation) nations are negotiating to reduce the sensitive list, address the non-tariff barriers and implement trade facilitation measures that include smoothening of customs procedures. The grouping includes Afghanistan, Bangladesh, Bhutan, India, Maldives, Sri Lanka, Pakistan and Nepal.

The SAFTA agreement came into force on January 1, 2006. It required the developing countries in South Asia (India, Pakistan and Sri Lanka) to bring their customs duties down to 20% in the first phase of the two year period ending in 2007 and to zero by 2016 in phases.

In 2012, India had reduced its sensitive list from 868 to 614 products, on which tariff concessions will not apply. For the least developed countries, it gave duty-free quota free access to all items barring just 25 products. India has the shortest sensitive list among these nations after Maldives.

Pakistan's delay in giving 'Most Favoured Nation' (MFN) status to India has held up progress of the regional trade pact.

The two countries had agreed to a roadmap in September 2012 that required India to bring down its sensitive list under SAFTA to 100 tariff lines by April 2013 while Pakistan had agreed to give India MFN status by December 2012. Pakistan has missed the December deadline.

India is still keen to push the trade talks ahead and open more sectors for intra-region trade. "The idea is to increase the quantity of regional trade. Negotiations are on for not just reducing the sensitive list but also the non-tariff barriers.

This will lead to complete implementation of the goods pact," said Ram Upendra Das, senior fellow at the Research and Information System for Developing Countries (RIS).

SAARC ministers have been urging further reduction of products covered in the sensitive lists under SAFTA, especially removal of the products that are actively traded or have the potential of being traded under SAFTA.

Besides goods, the South Asian countries are also negotiating SAARC Agreement on Trade in Services (SATIS) and Agreement on Promotion and Protection of Investment is under talks. India's exports to the South Asian region grew by 13% in 2012-13 even as its overall exports dipped 1.82%. Inbound shipments from the region increased 6% last fiscal.

The committee also noted that there should be a calibrated approach to FTAs.

Finance minister P Chidambaram was reported to have raised concern over India's rising imports with the FTA partners and warned against hasty signing of FTAs.

Commerce and industry minister Anand Sharma, however, defended his ministry saying that India's exports had seen a substantial jump due to the free trade pacts. As far as SAFTA was concerned, Sharma said, India had a trade surplus of about $12 billion while in the case of ASEAN (Association of Southeast Asian Nations), exports have more than doubled after signing of the Indo-ASEAN Trade in Goods Agreement in 2009.

"The commerce department has been asked to conduct an impact analysis of the FTAs on all sectors and come up with meaningful conclusions," the official added.

The secretaries of commerce, department of industrial policy and promotion, finance and external affairs were directed to collectively examine the pros and cons of the agreement with economic groupings and were asked to prepare an agenda of change or action needed on different fronts to retain India's global competitiveness.

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Hong Kong hopes to treble trade with India to $50 billion in 6 years
Business Line (The Hindu)

Mumbai, 6 December 2013: The Hong Kong Government intends to take the bilateral trade with India to $50 billion in the next six years from $17 billion at present.

Hong Kong has emerged as the major trading hub for the Indian gem and jewellery industry after the US. Hong Kong would like to replicate the jewellery industry's success to other sectors such as information technology, home textiles, gift items and food industry.

Export market

India has become the fourth largest export market for Hong Kong, with export to India touching $8 billion in the first nine months of 2013, while India's export to the country was at $8.8 billion. India was the seventh largest sourcing destination for Hong Kong.

Speaking to the media, Benjamin Chau, Deputy Executive Director Hong Kong Trade Development Council, said Indian jewellers are already tapping Dubai and the Hong Kong markets to circumvent the prolonged sluggish demand in the US.

Though Indian gems and jewellery exports have slowed down in the last few months, due to the various measures implemented by the Government, the sector constitutes about 19 per cent of the total exports from India. The Indian gold jewellery market is growing at 15 per cent per annum and the diamond jewellery market at 27 per cent per annum.

Rising CAD

Concerned over rising current account deficit due to large scale gold imports, the Government had progressively hiked import duty to 10 per cent and had made it mandatory for gold importers to export 80 per cent of the gold consignment before placing fresh orders for gold import.

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Iran to continue importing more goods from India
Amiti Sen & Richa Mishra, Business Line (The Hindu)

New Delhi, 15 December 2013: Iran will continue to increase imports from India despite a recent deal with Western powers that has eased economic sanctions against it in exchange for curbing its nuclear ambitions.

"A team of senior officials from Iran, who visited India recently, assured us that the West Asian nation is serious about continuing to engage more with India as we had stood by them in its time of trouble," a Commerce Ministry official told *Business Line*.

The assurance has put to rest speculation that Iran may look at other trading partners more earnestly now that the sanctions regime was ending.

The key reason for the apprehension of a cutback in imports from India, according to industry observers, was India's stance at the time of sanctions. India, seemingly under the US pressure, had drastically reduced crude oil imports from Iran, while nations such as China had sustained imports within the permissible limits.

The P5 plus One grouping of the major Western powers last month agreed to relax economic sanctions worth $7 billion in return for Iran's promise to curb some of its nuclear activities. Iran will be watched (for any escalation in nuclear activity) for six months after which a permanent solution will be worked out, according to the deal.

Exports Doubled

India's exports to Iran have more than doubled over the last two years and is likely to cross $5 billion this fiscal, aided chiefly by intensive business-to-business interactions by the two Governments. In fact, to sustain business even during sanctions, India and Iran had put in place a rupee payment mechanism for continuing oil trade. This was because foreign banks had refused to deal with Iran fearing action by the US.

Both nations had then started a joint effort to increase India's exports to Iran so that the rupee payment for oil deposited in Iran's account could be gainfully utilised. India imports petroleum products worth over $10 billion from Iran.

Payment mechanism

There has been buzz recently that Iran wants to do away with the rupee mechanism, while India sought for full payment of oil imports in the rupee. At present, India makes 45 per cent of its oil payments in rupees, which Tehran uses to purchase items such as rice, soyameal, tea, pharmaceuticals, and automobile parts. India pays the remaining trade balance in euros, but this too had been hit due to sanctions.
On whether India would seek full rupee payment for oil imports, Minister of State in the Ministry for Petroleum & Natural Gas Panabaaka Lakshmi had informed the Lok Sabha earlier this month that there was no such proposal.

According to Ajay Sahai, Director-General, Federation of Indian Export Organisations, every month letters of credit worth Rs 2,500 crore are being opened (by banks on both sides that are part of the rupee payment mechanism) which demonstrates that things are on the right track. "We are optimistic that exports to Iran would be to the tune of $5.5 billion this year," Sahai said.

A delegation of Indian exporters led by FICCI is at the moment in Iran as part of the ongoing efforts to step up exports.

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EU ends sops for Indian textile, engineering exports
Sidhartha, Times of India

New Delhi, 13 December 2013: In a twin blow to local exporters, the European Union has given special preference for imports from Pakistan, which will allow duty-free access into 27 markets, while withdrawing the concessions for several Indian goods, including textiles and engineering. And, it's the

Indian government, not EU, to be partly blamed, for creating this disadvantage for exporters.

While India had managed to block similar concessions nearly a decade ago after a challenge at the World Trade Organization, this time the sops have been given to deal with floods that hit Pakistan and have been given after the move was backed by New Delhi. The GSP-plus benefits will kick in from January 1.

The new concessions to Pakistan, known as GSP-plus or those above the Generalized System of Preferences, come at a time when the Indian textile sector was looking up, with exports and employment on the rise.

"Pakistan stands to gain on products on which it gets duty concessions and to that extent the competitivenss of Indian products gets eroded," said Abhijit Das, who heads the Centre for WTO Studies. While Apparel Export Promotion Council chairman A Sakthivel said garment exports will not be hit, Das identified products such as bed linen where Indian exports may be impacted.

The list of 75 goods on which Pakistan will enjoy duty concessions was not immediately available but exporters said textiles will be a major product. Although the concessions have been discussed for several weeks now, the European Parliament approved the package for Pakistan on Thursday, raising expectations of a $1 billion gain for India's neighbour.

From the same date, Indian exporters of several products ranging from chemicals, textiles, leather goods, motor vehicles, bicycles, aircraft parts and shipbuilding and components will lose 6-12% advantage. "When it comes to bicycles, GSP benefit to China too has been withdrawn. So, we can compete there but life will be tougher for several other segments," said Anupam Shah, chairman of the Engineering Export Promotion Council.

Sources in the textiles industry said some Indian companies would look to invest in countries such as Bangladesh to claim concessions under schemes such as Everything Bur Arms (EBA).

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Fresh blow to car exports to EU; import duties to go up from January
Gireesh Chandra Prasad & Roudra Bhattacharya, Financial Express

New Delhi, 13 December 2013: India’s export of cars to Europe, which has already slowed down in the last two years because of the economic slowdown, may face another blow from January next year with the European Union (EU) about to raise customs duty on them from 6.5% at present to 10%.

The move, which is expected to lead to a significant cost increase of around Rs15,000 per car, comes even as auto makers grapple with declining demand and profits at home. EU’s decision is part of its new policy of denying preferential tariff to exports from developing nations that have become sufficiently competitive that they no longer require a tax incentive.

EU is the single-largest trade block in terms of car exports from India. In FY13, about 40% of India’s total passenger vehicle (PV) exports of 5.54 lakh units went to the EU, 80-90% of which were small cars. Nissan-Renault, Hyundai and Maruti Suzuki, followed by Ford and Mahindra, are currently among the largest exporters of passenger vehicles from India to the 28-nation union.

EU’s decision is to graduate a host of exports from India such as motor vehicles, bicycles, aircraft, mineral products, chemicals, raw hides, skins, leather, ships and boats from its Generalised System of

Preferences (GSP) as imports of each of these products from India have crossed 17.5% of overall import of these items into EU from developing nations.

In the case of textiles, the threshold for denying duty benefit is kept at 14.5%. Preferential customs duty to exports from developing nations under GSP is an exception to the WTO obligation of member states to give every other member equal and non-discriminatory treatment under the 'Most Favoured Nation' status.

A Maruti Suzuki executive told FE that though the share of EU in its total exports has come down to 35% from 70% four years back, it still remains the single-largest trade block. "Of course there will be an impact of higher duties. EU sales are down because of the economic slowdown and the move will hurt margins further," he said.

Hyundai Motor India director (finance) R Sethuraman added, "There will be obviously impact because our costs will rise and EU is a very important export market for us. We are trying to de-risk our exports by developing other markets in Africa, South-East Asia and Latin America." For Hyundai, India's largest car exporter with about 40% of production meant for global sales, around a third of exports go to the EU. Nissan Motor India's CFO Sunil Rekhi confirmed that the impact will be significant as the company's cost per car will go up by 150-175 Euros (about R15,000) on average. However, he said that Nissan will be able to absorb the higher costs because of the gains from the recent depreciation of the rupee versus the Euro.

"We cannot increase our prices because the EU market is very tough right now, but we have enough room to absorb it within our margins. With the higher import duty, EU is trying to encourage local manufacturing and blocking imports from developing countries. The good thing is that our exports to EU are up 20% in value terms in FY14 because of rupee depreciation," he said.

For Nissan's India unit, EU accounts for up to 20% of total sales. Nissan exports the Micra from its plant near Chennai, which is sold as the 'March' across Europe, while alliance partner exports the 'Duster' compact SUV from the same plant to the UK. Interestingly, Nissan has already decided to make the next generation Micra for Europe out of Renault's plant in France from 2016.

Small cars have traditionally dominated India's PV exports to the EU, though the trend is now changing in FY14 as exports of compact SUVs like the Ford EcoSport and Renault Duster have gained strength. In fact, the growth in India's total passenger vehicle exports, which were up 9% in FY13, has increased to 13.5% in April-October FY14 largely because of the SUV exports the addition of new companies like Honda, Toyota Kirloskar and Volkswagen to the list of car exporters from India.

Puneet Gupta, principal analyst at IHS Automotive said, "The EU has been putting pressure on India to reduce import duties, so this may be seen as a negative reaction from them. This may force companies to look at other global manufacturing destinations for European exports, especially since margins on small cars are low."

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Garment exports up 15% in April-October
Business Line (The Hindu)

New Delhi, 10 December 2013: Apparel exports have grown 15.5 per cent the first seven months of the fiscal to $8.2 billion due to revival of demand in the US and the EU.

The Government is now all set to increase the export target for next year from the current $17 billion. “I am confident that we are on the road to recovery. Signs of its revival are visible in the US and EU, which guided my instinct to revise the apparel export target to $17 billion this year. Let’s keep a high target next year,” Commerce Secretary S.R. Rao said at an awards function of the Apparel Export Promotion Council on Tuesday.

He said it was possible to export $60 billion worth of garments in the next three years.

Textiles Minister K.S. Rao, who also spoke on the occasion, underlined the need to innovate and explore new non-traditional markets such as Israel, Russia, Brazil and Japan. “New markets should be perceived actually as a new growth opportunity,” he said.

The garment sector needs to identify key areas to work on, focus their energies on evolving new markets, and establish brand India, said Textiles Secretary Zohra Chatterji.

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Oilmeal exports up 8% during April-November
PTI

New Delhi, 6 December 2013: India’s oilmeal exports rose by 8 per cent to 25.80 lakh tonnes till November of this fiscal on significant increase in shipments to Iran, South Korea and Europe, according to the industry body SEA.

But in last month, the country’s shipment of oilmeal — used as animal feed — fell by 13 per cent to 5.6 lakh tonnes (LT) from 6.4 LT in the same month last year, it said in a statement.

According to the Solvent Extractors’ Association (SEA), “the export of oilmeals during April-November 2013 is reported at 25.80 lakh tonnes, compared to 23.91 lakh tonnes during the same period of last year, up by 8 per cent.”

Of the total shipments, export of soymeal stood at 15.59 LT, rapeseed meal at 5.89 LT, castor seed meal at 3.72 LT, rice bran extraction at 58,334 tonnes and groud nut meal at 1,214 tonnes, it said.

Maximum increase in exports was to Iran, South Korean and Europe. The shipment to Iran increased by 71 per cent to 7.89 LT in April-November period of this year as against 4.61 LT in the year-ago period. Similarly, exports to South Korea rose by 22 per cent to 7.03 LT from 5.78 LT, while shipment to Europe more than doubled to 2.12 LT in the said period.

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Soyameal exports flat in November on sluggish crushing
Business Line (The Hindu)

New Delhi, 9 December 2013: Soyameal exports were flat in November rising marginally to 5.19 lakh tonnes (lt) against 5.17 lt in the corresponding period a year ago on account of lower crushing as farmers continue to hold back their produce expecting better prices.

However, exports for the first two months of the oil year starting October 2013 were 7.14 ltagainst 5.68 lt in the corresponding period last year, registering a 25.70 per cent growth.

For the current financial year so far, the exports have registered a growth of 13.16 per cent over corresponding last year. Soyameal exports during April-November 2013 were 15.90 lt against 14.05 lt in corresponding last year.

The Soyabean Processors Association of India expects overall meal shipments to remain around four million tonnes (mt) in the current fiscal. “Exports could have been higher if crushing operations were normal,” said Rajesh Agrawal, spokesperson for SOPA. “Market arrivals of soyabean continue to be poor as crushing is not going on as much as it should have been,” he said.

Under normal circumstances soyabean crushing during November should have been around 15 lt, but the industry has been able to crush only around 8-9 lt this year due to lower arrivals. Also, high bean prices are seen hurting the profitability of oil meal processors. Soyabean prices in Indore which ruled around Rs 35,000 a tonne in early October are currently ruling higher by over 10 per cent at around Rs 38,880. Iran was the largest buyer of the Indian soyameal during November with shipments to the West Asian nation estimated at 1.87 lt.

France and Japan were the other top buyers with shipments estimated at 88,000 and 72,565 tonnes respectively. Excess rains this year have shrunk the soyabean crop size, which is now pegged at 12.2 mt compared to the earlier estimate of 12.9 mt.

The higher than expected crop losses in States such as Madhya Pradesh, Maharashtra and Rajasthan forced the SOPA to revise downwards its earlier projections.

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Vegoils import surge 35% in November as prices drop
Business Line (The Hindu)

Mumbai, 12 December 2013: Vegetable oil imports increased 35 per cent in November to 9,44,309 tonnes against 7,00,371 tonnes in the same period a year ago, according to data released by the Solvent Extractors’ Association. Imports surged as sunflower oil prices dipped by $30 a tonne. Also, the price difference between refined and crude palmolein dropped to less than $10 a tonne, making refined oil imports more attractive.

Besides, traders expect the Government to mark up import duty on vegetable oil imports.

Of the total imports, edible oil accounted for 9,27,111 tonnes and non-edible oils 17,198 tonnes. Import of refined oil was up by 172 per cent at 2,08,076 tonnes against 76,519 tonnes in November last year.

Crude oil shipments were also rose 20 per cent to 7,19,035 tonnes (5,99,715 tonne).

Palm oil import increased to 7,74,207 tonnes from 6,14,574 tonnes while that of soft oils moved up to 1,52,904 tonnes (61,660 tonnes). Refined and crude palm oil prices moved up substantially to $880 and $881 against $835 and $830 registered in October.

Crude sunflower oil fell to $995 ($999 in October).

On an average, rupee in November depreciated to 62.52 against dollar from 61.61-level registered in October. Non-edible oil imports were down 29 per cent to 17,198 tonnes against 24,137 tonnes recorded in the same period last year.

Palm fatty acid distillate and crude palm kernel oil were the major non-edible oils imported.

As of December 1, edible oil stock available at various ports was estimated at 5,90,000 tonnes, including 320,000 tonnes of crude palm oil, 1,30,000 tonnes of refined palmolein, 35,000 tonnes of de-gummed soyabeanoil, 1,00,000 tonnes of crude sunflower oil and 8,000 tonnes of canola/rapeseed oil.
Another 8,80,000 tonnes of imports are in the pipeline.

Inventories

Total stock, both at ports and in pipelines, has increased by 70,000 tonnes to 14,70,000 tonnes.

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Export of engineering goods drops 14.6% in November
Indian Express

18 December 2013: Engineering goods exports declined sharply by 14.60 per cent month-on-month in November, raising questions on the sustainability of recovery in exports.

According to engineering exporters' body EEPC India, engineering export basket, which covers a variety of items ranging from automobiles, iron & steel and components of nuclear reactors and spacecraft, stood $4.78 billion during the month compared to $5.6 billion in October.

"What is causing more concern is that they have declined month on month ... raising doubts whether recovery which began in the second quarter of this fiscal can be sustained," Anupam Shah, chairman, EEPC, said.

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World Trade Organization overcomes last-minute hitch to adopt Bali package
Surabhi, Financial Express

Bali, 8 December 2013: The World Trade Organization (WTO) reached its first ever trade reform deal on Saturday to a roar of approval from nearly 160 ministers, who had gathered on the Indonesian island of Bali to decide on the make-or-break agreement that could add $1 trillion to the global economy. The approval came after Cuba dropped a last-gasp threat to veto the package.

“It always seems impossible until it’s done,” WTO director general Roberto Azevedo quoted, while describing the furious negotiations over the past two days.

Getting the first such declaration in over two decades was not easy. After India and developing nations were brought around by changes in the draft text on agriculture on Friday night, it was the turn of Cuba and Latin American countries, including Nicaragua, Bolivia and Venezuela, to put the deal on ice in the early hours of Saturday.

The talks, which had opened on Tuesday, nearly came unstuck at the last minute when Cuba refused to accept a deal that would not help pry open the US embargo of the Caribbean island. Cuba later agreed on a compromise with the US.

All member nations of the WTO adopted the Bali package consisting of 10 documents on trade facilitation, agriculture, cotton and development issues.

“The package provides flexibility to developing countries on vital food security programme. We will change the agreement on agriculture. In the meantime, it will allow developing nations to avoid disputes for food security,” said Indonesian minister of trade Gita Wirjawan, who, as the chair and host of the summit, brought the conference to an end.

Addressing the closing ceremony of the summit, a visibly emotional Azevedo said, “We have brought the ‘world’ back into the World Trade Organization. For the first time in our history, the WTO has truly delivered,” adding, “We’re back in business...Bali is just the beginning. We will be able to move on to the Doha round of global trade talks.” The WTO chief also thanked his wife with a catch in his voice and tears in his eyes.

“India has played a major role in reviving and re-energising the Doha round of talks. The Bali declaration is a positive step,” said Indian commerce and industry minister Anand Sharma.

The Bali declaration also includes five draft agreements on TRIPS non-violation and situation complaints, work programme on electronic commerce, work programme on small economies, aid for trade, besides trade and transfer of technology. As per the decision of the ninth ministerial meet, the WTO has been asked to prepare a work programme for the Doha round.

But there was scepticism how much had really been achieved. “Beyond papering over a serious dispute on food security, precious little progress was made at Bali,” said Simon Evenett, professor of international trade at the University of St Gallen in Switzerland. “Dealing with the fracas on food security sucked the oxygen out of the rest of the talks.”

A study by the Washington DC-based Peterson Institute of International Economics estimated the agreement would inject $960 billion into the global economy and create 21 million jobs, 18 million of them in developing nations.

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Success in Bali Sparks Questions over Doha, WTO Future
Bridges Weekly Trade News Digest

12 December 2013: Trade ministers meeting in Bali last week formally agreed on the WTO’s first multilateral pact in nearly 20 years, in a feat that has been broadly welcomed as an “historic” achievement. In addition to the economic benefits that such a deal could provide - with some estimates placing its value at US$1 trillion in global GDP - the news has also sparked renewed interest and debate over what 2014 may bring for the international organisation.

This year’s Ministerial Conference, which is the WTO’s highest decision-making body, was a particularly suspenseful one, with negotiations dragging into the night on multiple occasions. The event itself was extended by an extra day, in order to resolve a late push by Cuba to include language in the trade facilitation agreement that would have effectively targeted the US embargo.

The final outcome was a trade facilitation agreement, along with decisions and declarations on four agricultural issues, and select development-focused provisions - including four that are specific to least developed countries.

Though many have been quick to note that the package agreed in Bali represents just a fraction of the outstanding issues in the Doha Round negotiations - and has skirted the most difficult ones - trade officials have generally stressed that the achievement in Indonesia may have a much greater systemic value: that of reinstating confidence in the WTO's negotiating abilities.

The deal in Bali comes at a time where some in the trade community have worried that so-called mega-regionals, such as the Trans-Pacific Partnership (TPP) and the Trans-Atlantic Trade and Investment Partnership, have stolen the limelight from the multilateral talks at the WTO, particularly given the repeated setbacks that the Doha Round talks have faced over the past dozen years.

"We have strengthened this organisation; and we have bolstered the cause of multilateralism itself," Director-General Roberto Azevêdo said on Saturday. World leaders have echoed that sentiment, with US President Barack Obama praising the achievement in Bali as a "rejuvenation of the multilateral trading system." EU Commission President José Manuel Barroso similarly remarked that "the WTO is back on track and delivering reform."

Next steps for "Bali package"

With the Bali conference in the rearview mirror, trade watchers are now looking to see what will come next for the 159-member body.

One question, sources say, will be how exactly to incorporate the trade facilitation deal into the existing WTO Agreement, a process that will begin after the necessary "legal scrubbing" of the text from Bali takes place. Another question is how long the ratification process itself will take in order to bring the new deal into force.

Two-thirds of WTO members will need to ratify the new trade facilitation deal for it to take effect for those members. Those who do not ratify it, meanwhile, will not be bound by it. Some trade officials have suggested that this process could take at least two years.

What also remains to be seen is how developing countries decide to use the new flexibility on food stocks provided for in the draft Bali package, and how quickly they do so. Other questions, such as when members will take the next steps for operationalising the services waiver for least developed countries, also remain.

New chapter for Doha?

Last week's ministerial declaration includes a section referring to a post-Bali agenda for the organisation, mainly focusing on how to reinvigorate the rest of the Doha Round negotiations. The 12-year talks have been stalled for years, and many trade observers had been looking to Bali for signs on whether or not the beleaguered negotiations could be kick-started once more.

The need to find a solution for the broader Doha Round was highlighted repeatedly by officials last week, with conference chair Gita Wirjawan, Indonesia's trade minister, urging WTO members last week to "take the energy and optimism we have gained here and apply it in Geneva."

"We have crossed the finish line in Bali, but the race is not yet over - now we must complete the Doha Round," he said.

Azevêdo, in his closing remarks, similarly noted that the Bali decisions were a reaffirmation of members' commitment to the WTO, and to "the delivery of the Doha Round agenda."

According to the ministerial declaration issued last Saturday, work on issues in the Doha Round that were not fully addressed in Bali “will resume in the relevant Committees or Negotiating Groups of the WTO.” It further states that the “work programme will be developed in a way that is consistent with the guidance provided at [the 2011 ministerial conference in Geneva], including the need to look at ways that may allow members to overcome the most critical and fundamental stumbling blocks” - language that observers are already parsing for an indication of what this could mean in practice.

For some, this refers to possibly pursuing plurilateral initiatives that could later be multilateralised to the whole WTO membership - a controversial topic.

While some subsets of the WTO membership have already begun exploring plurilateral deals, such as the Trade in Services Agreement currently under negotiation, others have warned that these efforts could actually serve as a distraction from the Doha Round talks.

Others say that this work programme will likely take the form of future WTO “mini-packages,” such as the one seen in Bali.

Though many have welcomed the renewed prospects for advancing the Doha Round talks, they have also noted that earlier pledges to advance the negotiations have only been met with stalemate. Whether the success in Bali could change the game, they say, is at this stage impossible to predict.

The next major meeting on the international trade calendar is the World Economic Forum in Davos, where various ministers traditionally meet on the event sidelines in order to assess the Doha Round’s progress and begin making plans for the upcoming year. The WTO’s first General Council meeting of the year, while not yet officially scheduled, is usually held a few weeks later, in February.

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What 'victory' at Bali really means
T S Vishwanath, Business Standard

11 December 2013: In the first week of December 2013, the World Trade Organization (WTO) was resuscitated when 160 member-countries (which includes the latest entrant at Bali - Yemen) agreed on a package that addressed a few significant issues under the Doha Development Agenda.

Interestingly, the two most important issues - food security and trade facilitation - that saved the Doha Round from collapse were never part of the hot topics that were to be negotiated and completed by 2005 when the Round was originally to be concluded.

The paragraph on Agriculture in the Doha Declaration of November 2001 stated that under the Special and Differential Treatment provisions, developing countries could "effectively take account of their development needs, including food security and rural development".

On trade facilitation, it was decided that the Fifth Ministerial Conference (that is, the Cancun Ministerial in 2003) is when negotiations would begin on the basis "of a decision to be taken, by explicit consensus, at that Session on modalities of negotiations".

The word "explicit consensus" was added on the insistence of India, which was not supportive of including any of the Singapore issues - competition, government procurement, investment or trade facilitation - that were taken up during the ministerial conference in that country in 1996 as part of the

WTO agenda.

In fact, even an "early harvest" as has been achieved at Bali was not part of the mandate in the Doha declaration, which had sought all issues to be resolved as part of a "single undertaking". The declaration was explicit that "Nothing is agreed until everything is agreed".

So, what has been achieved at Bali is very different from what member countries had envisaged in 2001. Therefore, the euphoria surrounding this agreement at Bali needs some explanation.

Besides the fact that the Bali declaration has helped reinstate trust and support for a multilateral trade negotiation system, the important achievement is that after 12 years countries have decided to collaborate and take the WTO forward.

The most important aspect under this is the decision is on public stockholding for food security purposes, the issue that nearly caused the ministerial to fail. What India - Commerce Minister Anand Sharma and his team - have pulled off at the ministerial is truly remarkable. This is one of the first times a developing nation, despite being singled out for attack by nearly all other member countries, was able to drive a consensus that most felt was unachievable.

The question, therefore, is what India or rather the developing world has achieved. According to the decision, members have agreed to "put in place an interim mechanism" and "negotiate on an agreement for a permanent solution" for the issue of public stockholding for food security purposes for adoption by the 11th Ministerial Conference. In the interim, till a permanent solution is found, countries cannot file disputes against the developing countries that exceed the level of subsidy that is allowed under the WTO rules.

For India, this means that, the food security Bill that was passed recently in Parliament will not be challenged in Geneva. While this is a great win for countries such as India, it is important to note that the position beyond the 11th Ministerial (four years from now) is slightly ambivalent.

While the text does not state that the interim mechanism is only for four years, it also does not clarify that it would continue beyond four years. So, if the issue has not been successfully settled four years from now, then different interpretations of the text will emerge. From a plain reading of the text, though, the developing countries have nothing to fear even if countries fail to reach an accord on this issue within four years.

However, there will be notification requirements when developing countries exceed the permissible subsidy level. Beyond public stockholding for food security the other two achievements for developing countries in agriculture are the decisions on tariff rate quota administration, which will provide higher market access opportunities and also the one on export competition.

Trade facilitation is the other big deliverable of the Bali Ministerial, which is expected to help business across the globe. While some studies put the value of gains from this decision at about $1 trillion, what it can actually achieve is supporting the creation of global and regional value chains, which is important for countries in developing and least developed countries.

Though Bali has been a success, it is important to now focus on the post-Bali agenda that is expected to gain momentum over the next few months. Indian industry must be clear that having given in to the government's food security demand, trade partners will now put a lot of pressure on New Delhi to provide meaningful openings for industrial goods and services sectors.

India may be pressed to become part of the plurilateral negotiations on services called the Trade in Services Agreement (TISA), which India has avoided in the past. China has recently evinced serious interest in joining these negotiations and countries will now look to India to join. Industry needs to do a quick analysis to understand the implication of TISA. India may also be asked to be more accommodative on liberalising tariffs on industrial goods.

Overall, Bali is expected to reignite interest in liberalising global trade through a multilateral process. Given the current global economic scenario, India may be compelled to take a more liberal stand on market access issues, which need to be used to our advantage.

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