INDIA'S TRADE NEWS AND VIEWS

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Exports dip 1.1% in May; trade deficit at seven-month high
The Indian Express

New Delhi, 18 June 2013: India's exports declined 1.1 per cent to $24.51 billion in May from a year earlier, on persistent weakness in the European markets. Exports had grown during the last four months, data from the commerce ministry, released on Monday, showed.

Gold exports declined due to restrictions on its trading from special economic zones (SEZ). Gold imports, however, continued to surge, witnessing almost 90 per cent growth year-on-year, though slower than the 138 per cent surge recorded in April.

Overall imports during the month rose 7 per cent to $44.65 billion, widening the trade deficit to a seven-month high of $20.1 billion during the month as against $16.9 billion in May 2012.

Commerce secretary SR Rao said that the high trade deficit is a result of the high imports of gold and silver. "As far as trade deficit is concerned, it is very worrisome... It is largely contributed by heavy imports of gold and silver," Rao said.

The commerce ministry had issued a notification on April 26, restricting gold trading in special economic zones (SEZs). The notification, which was effective May 1, has impacted overall export growth. Due to the restrictions, gold exports from SEZs declined by $800 million during the month.

Import of gold and silver, however, stood at $8.3 billion as against $4.4 billion during the same month last fiscal. During April-May, it grew by 109 per cent to $15.88 billion as against $7.56 billion during the corresponding year-ago period.

Gold imports have been a cause of grave concern for the government as it has been putting pressure on the current account deficit, which hit an all-time high of 6.7 per cent of GDP in the December quarter last fiscal. To rein in the demand for gold, the government recently hiked the import duty on gold to 8 per cent, doubling it in a span of six months. The RBI has also taken steps to curb the demand for gold.
The widening current account deficit has been pressurising the rupee, which depreciated sharply to about 6 per cent in current quarter, sliding to an all-time low of 58.98 on June 11.

The depreciation while making imports expensive, has not helped exports as expected, especially in sectors like pharmaceutical and gems and jewellery, which have high import component.

Director general of foreign trade Anup Pujari said, "We in the commerce ministry are looking for a stable exchange rate... rupee fluctuation is not good for business... we need a stable rupee".

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Services exports in April up 22% at $12.84 bn
PTI

Mumbai, 16 June 2013: India's services exports in April 2013 stood at $12.84 billion, up 22.5 per cent over $ 10.48 billion reported in corresponding period of last fiscal, according to data released by Reserve Bank of India.

According to the data, during 2012-13 fiscal the services receipt amounted to $133.43 billion while imports of services were valued at $80.49 billion during 2012-13 (April-March).

The services sector contributes about 55 per cent to the country's Gross Domestic Product. And it has emerged as a prominent sector in terms of its contribution to national and states' incomes, trade flows, FDI inflows and employment.

RBI releases the provisional aggregate monthly data on the country's international trade in services with a lag of 45 days.

The monthly data on services are provisional and generally undergo revision when the Balance of Payments (BoP) data is released on a quarterly basis.

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Long-term interests of exporters at stake: FIEO
Business Line (The Hindu)

Mumbai, 11 June 2013: Exporters should hedge their risk in the current situation of volatility in the rupee-dollar exchange rate movement and look for profitability from core business, according to M. Rafeeque Ahmed, President, Federation of Indian Export Organisations.

"High volatility creates uncertainty and speculation, hitting the economy and business confidence. Depreciating rupee will further widen the Current Account Deficit (CAD)," Ahmed said.

Though volatility may be good in the short term, it would impact the long-term interest of exporters, he cautioned.

India's CAD worsened to a record low of 6.7 per cent of GDP in the October-December quarter mainly due to import of oil and gold and sluggish exports.

CAD arises when a country's total imports of goods, services and transfer's is greater than exports. CAD puts downward pressure on the rupee, thereby making imports costly and stoking inflation.

Since the beginning of the current financial year, the rupee has depreciated by 7.41 per cent (from 54.36 as on April 1 to 58.39 as on June 11) against the dollar.

In the current situation of sluggish export demand, buyers are asking for discounts or price reduction while sectors such as petroleum, gems and jewellery, electronics, plastic products, with high import intensity, are impacted due to increase in input cost.

Ahmed said exporters should hedge their risk as the rupee-dollar exchange rate movement is volatile and look for profitability from core business. Exchange benefits should only be used as icing on the cake.
In a lecture recently at Hyderabad, Reserve Bank of India Governor D. Subbarao, said the country's exports will become competitive only by increasing productivity and diversifying export markets and not just through exchange rate.

The FIEO chief said depreciation of the rupee, which closed at a lifetime low of 58.39 to the dollar on Tuesday, will increase both fiscal deficit and Inflation.

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Let’s get proactive on boosting exports
The Economic Times

20 June 2013: The figures for May reveal that India's trade deficit has worsened further, what with exports declining and imports — notably of gold — rising.

Heightened imports can, of course, lead to much economic gain, but a persistent trade deficit needs to be addressed (and corrected) with proactive policy.

The data show that imports from tiny Switzerland have shot up an eyepopping 128% in April (over the like period last year), making it the top country of import, well ahead of China.

The figures seem questionable and call for a proper scrutiny, along with a medium-term plan to change the scenario of persistent trade deficits with our main trading partner, China. There is much scope to press for improved trade access.

But the latest trade figures also point at structural weaknesses in our international trade. Now the single biggest item in value terms in India's merchandise exports are petroleum products, but these are highly import-intensive, with quite minimal value-addition and thus hold little upside for export growth.

More important, for the next biggest item, engineering goods, which account for about 19% share of exports, the monthly figures show a markedly declining growth trend. The same is the case for textiles, which make up about 9% of the export basket.

We clearly need to strategise policy to boost competitive advantage in such high potential sectors like engineering goods, textiles and transport equipment. Other segments like pharmaceuticals and fine chemicals hold much potential.

But the biggest opportunity may well be in electronic goods, which account for barely 2% of our export share, about the same as ore and minerals. What is required is vision to chalk out and implement an eco-system that steps-up manufactures and boosts productivity in tandem. It would pay rich dividends, for years.

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Import duty on gold raised to 8%
Business Standard

Mumbai, 6 June 2013: To arrest rising gold imports, which could widen the current account deficit (CAD), the government today increased Customs duty on gold by two percentage points, to eight per cent. This was the second time in six months that the duty was raised.

A notification by the Central Board of Excise and Customs said the import duty on standard gold bars, coins and platinum had been increased from six to eight per cent. The import duty on gold ores and concentrates used to manufacture gold was raised to six per cent. Excise duty on imports of gold dore bars (raw gold) has been raised two per centage points to seven per cent. The excise duty is a per cent lower than the Customs duty to incentivise local refineries to import raw gold and refine it here.

In May, gold imports touched 162 tonnes. In terms of value, gold imports in April and May touched a staggering $15 billion.

Today’s move followed the Reserve Bank of India asking banks and nominated agencies not to import

gold on a consignment basis for domestic use. It has also disallowed import of gold on credit.

The industry, however, voiced opposition against today's move, saying this would increase smuggling of gold. “The duty hike in gold is not necessary, with restrictions already in place. If the price falls another five per cent, consumption would rise, irrespective of the duty hike,” said Sudheesh Nambinath, India analyst, GFMS Thomson-Reuters.

“For a few months, we are talking about the deficit created by the import of gold. However, how much revenue the government has got since January 2012 hasn't been discussed. In January, Customs duty was two per cent; now, it is eight per cent... We, the gold industry, are paying so much revenue to the government… The actual figures can be calculated and checked. The truth would come out,” said Mohit Kamboj, president of the Bombay Bullion Association.

Industry officials said last year, about 100 tonnes of gold were smuggled into India and after today's rise in import duty, it was expected this would rise at least 40 per cent this year.

Following news of the rise in import duty on gold bars, gold prices rose Rs 600/10 g to about Rs 27,700/10 g in MCX August gold futures.

In 2011-12, gold imports stood at 1,064 tonnes; in 2012-13, these amounted to 1,015 tonnes. Owing to various central bank measures, this financial year, gold imports are expected to fall to about 900 tonnes. In April, imports stood at 133 tonnes. The finance ministry estimates in May, 162 tonnes were imported.

Despite the sharp increase in imports, demand for gold has fallen after Akshaya Tritiya. According to industry estimates, total jewellery and investment demand in April stood at 120 tonnes; in May it fell to about 75 tonnes.

In 2012-13, gold accounted for 11 per cent of India's imports. This led to the trade deficit widening to an unprecedented $190.4 billion. This may widen India's CAD, which stood at a record 6.7 per cent of gross domestic product in the third quarter of 2012-13.

The Prime Minister's Economic Advisory Council expects gold imports to fall to $45 billion this financial year.

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Govt relaxes norms for export of imported goods
PTI

New Delhi, 8 June 2013: To encourage shipments, the government has allowed export of imported goods with 15% value addition to countries from where the proceeds are realised in Indian rupee.

The Directorate General of Foreign Trade (DGFT) will notify the names of those countries as to which exports under the new dispensation could be made.

"An enabling provision has been made to allow export of goods imported against payment in freely convertible currency where export proceeds will be realized in rupees," it said.

It said that this dispensation will be applicable to such countries as would be notified by DGFT from time to time.

"They also have to achieve 15% value addition," it added.

India's exports in 2012-13 fiscal fell for the first time in three years reporting a dip of 1.8% to $300.6 billion in 2012-13, taking the country's trade deficit to a record high level of $191 billion.

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India looks forward to Pakistan granting MFN status
Business Line (The Hindu)

New Delhi, 13 June 2013: India is looking forward to Pakistan implementing its earlier decision to accord it the Most Favoured Nation (MFN) status when Commerce Secretaries of the two countries meet, a senior Government official said on Thursday.

Officials are indicated that the newly elected Pakistan Prime Minister, Nawaz Sharif, had in a meeting with S.K. Lambah, Prime Minister Manmohan Singh's Special Envoy, reiterated that the time for India and Pakistan to build a new relationship had come.

Sharif has also said that it was very much in the economic interests of Pakistan and India to take forward the co-operative relationship. Lambah met Sharif before he was sworn in as Prime Minister.

Pakistan was supposed to extend MFN status to India by the end of December 2012 by removing the ban on Indian products, but could not do so because of opposition from the farm, pharmaceuticals and auto lobbies.

Although Pakistan now allows imports of over 6,800 items from India, up from about 2,000 items earlier, it continues to ban 1,200 items.

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India to EU: Can't sweeten trade pact
Sidhartha, The Times Of India

New Delhi, 20 June 2013: The government has run out of patience and will ask the European Union to sign a free trade deal "within a narrow political window" as India is unwilling to offer further tariff cuts for automobiles and has no room to provide flexibilities on pharmaceuticals and government procurement.

Top government sources said commerce & industry minister Anand Sharma has been advised to deliver a stern message to Karel De Gucht, his European counterpart as EU's list of demands seem unending even seven years after negotiations began. Sharma could not be reached for comment as he was travelling overseas, while commerce department officials refused to comment.

On India's demands, EU has refused to grant "data secure" tag to information technology companies and instead give data adequacy status, something that has also been given to the US. Data secure status will make it easier for mid-rung Indian companies to bag contracts in most of Europe. The sources said the issues raised on pharma related to pricing regulations, patents, counterfeit medicines and access to cheap drugs, which do not relate to FTAs, a position that has been clearly articulated to Brussels on several occasions.

Similarly, on government procurement, EU has demanded commitments based on the proposed public procurement law, which has not even been placed before Parliament. While India is willing to engage on the issue once the law is enacted, the trading bloc sees it as a critical element of any deal. EU is pushing

for preference in government purchases for European companies, which is unacceptable to India. New Delhi has said it will only ensure that orders above a specified value are bid out and European bidders are not at a disadvantage.

The third issue that is holding up talks is EU's demand for a steeper tariff cut on automobiles that goes beyond the government's offer to lower import duty to 10% for a specified number of vehicles, and reduce it to 30% for cars beyond the threshold. But EU wants a shift towards zero duty and government says it is not possible.

The sources said EU is raising issues at the last minute, while the political window for a deal is narrowing given the impending general elections next summer. They pointed out that Indian negotiators had participated in the talks last month with the impressions that negotiations have to be concluded soon. But EU doesn't seem to be heading for a political closure before September — instead of the agreed deadline of July. As a result, signing the deal cannot take place before March or April 2014, when India will be in the midst of general elections.

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India, Israel inching closer to signing FTA: Israeli envoy
IANS

Kolkata, 13 June 2013: Hoping that an India-Israel Free Trade Agreement (FTA) would be signed "in the coming months", the Israeli ambassador Thursday said the agreement would be a "strategic game changer" in trade relations between the two countries.

"I truly believe that the FTA will be a strategic game changer...my sincere hope is that in the coming months the FTA would be concluded," Israeli Ambassador Alon Ushpiz said here.

The two countries were "inching closer" to signing an FTA, he said.

Two-way trade between India and Israel stood at $5 billion during 2011 but the volume dwindled a little bit last year.

Ushpiz said an FTA could bring about a "strategic shift" in trade relation between the two countries. "I am confident the bilateral trade volume will jump from the current $5 billion to $10-15 billion in a few years' time. In fact, FTA will change the composition of trade. The minute we have the FTA in place, the intensity of interactions will be on a much higher level," he said during an interactive session, organised by industry lobby CII here.

The Israeli diplomat said water management and dairy could be the "thrust areas" in technological collaboration between the two countries in the coming days.

He hoped that a dairy centre of excellence would come up in one of India's states soon.

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Expansion of trade pact to boost Chile's access to Indian mkt
Huma Siddiqui, The Financial Express

New Delhi, 18 June 2013: India and Chile have finalised plans to expand the bilateral Preferential Trade Agreement (PTA) giving nearly all Chilean products access to the Indian market. The expanded

agreement, which will take effect in 2014, is expected to be inked next month when Chilean President Sebastian Pinera visits India.

The trade agreement will aim to minimise trade fees and eliminate double taxation of Indian and Chilean businesses.

Though negotiations for expanding the PTA between the two countries had been going on for a while now, the decision was firmed up when external affairs minister Salman Khurshid met his Chilean counterpart Alfred Moreno in Santiago to discuss the accord earlier this year.

Both the ministers noted that the two countries had decided to expand the PTA in light of the narrow trade basket dominated by a few items, especially in the case of Chilean exports.

"Discussions are under way to have this list expanded to include about 3,500 items. Both sides felt that the expansion of the PTA should be concluded soon," a senior MEA officer told FE.

The revision of the pact will cover more than 1,000 Chilean products, equivalent to 98% of items exported by the country, the only Latin American nation to have a PTA with India. The new agreement will include agricultural products, which make Chile the first country to get such kind of access.

Chile is keen to elevate the PTA into a Comprehensive Economic Partnership Agreement (Cepa) and discussions are also expected to commence soon.

Earlier this week, Chilean agriculture minister Luis Mayol, during talks with consumer affairs, food and public distribution minister KV Thomas and the secretary of state for agriculture and food processing offered to export apples, cranberries, walnuts and avocados.

Both sides have noted that areas such as IT, oceanography, pharmaceuticals, chemicals, science & technology, agriculture & food processing, automobiles, engineering & machinery and infrastructure among others offer considerable scope for further expansion of bilateral cooperation between the countries.

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India, Argentina agree to tackle barriers to greater trade
PTI

New Delhi, 17 June 2013: Eyeing deeper economic ties, India and Argentina today agreed to tackle barriers to expand the scope of bilateral trade and investments besides working for a strategic partnership between the two countries.

Both sides also agreed to look for cooperation in training and exchanges of football and hockey coaches.

The decisions were taken by External Affairs Minister Salman Khurshid and his Argentine counterpart Hector Timerman on his first ever bilateral visit here for the 4th round of India-Argentina Joint Commission meeting (JCM).

"Argentine Foreign Minister and I, assisted by respective delegations on either side, have concluded comprehensive discussions on the entire gamut of our bilateral relations," Khurshid told a joint press conference here.

He said the Joint Commission meeting focused on several areas of bilateral relations including trade and

economy, science and technology, agriculture, pharmaceuticals, market access issues, defence, energy and space.

The two sides also exchanged views on regional developments and multilateral issues.

"I am glad that there was complete meeting of minds on all issues...During the JCM, the two sides reiterated their interest to expand the scope of our trade and investments which presently does not correspond to its full potential," Khurshid said.

The bilateral trade at $1.83 billion falls short of the target of $3 billion set up by two sides in October 2009 during the visit of the Argentine President, he said.

"The JCM agreed to tackle trade barriers such as regulatory frame works, market access issues, high tariffs, visa and work permits", he said adding the two sides agreed to expeditiously implement the decisions taken during the Joint Commission Meeting today.

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New chapter in Sino-Indian ties
Naina Lal Kidwai, Business Line (The Hindu)

7 June 2013: The recent visit of Chinese Premier Li Keqiang to India was not business as usual. There was a lot of nostalgia as he recalled the Chinese youth delegation that he had led to India 27 years ago and the “warmth and friendship of the Indian people”.

There was appreciation of how India, “one of the fastest growing economies of the world”, was playing an increasingly notable role in the global arena and there was applause for India’s enormous achievements.

Most importantly, there was a strong underlining of India’s priority today in China’s foreign policy with Premier Li Keqiang making New Delhi the first stop of his maiden official trip after assuming office. Both sides willing, “Sino-Indian ties would be the most important bilateral partnership of the century”, Li Keqiang promised.

Bilateral Trade

See it as Premier Li Keqiang’s response to changing global economic dynamics or simply a desire to bring the two countries closer, the fact is that the economic engagement between India and China is one of the most rapidly evolving bilateral relationships today.

As India’s Prime Minister Manmohan Singh also pointed out, “the relationship between our two countries is of growing significance and essential for our peaceful development and sustained economic growth, as well as for stability and prosperity in our region and the world”.

China today is our largest trade partner. Bilateral trade, totalled $75 billion in 2011-12, is projected to touch $100 billion by 2015. This is no mean achievement considering that just 11 years back, trade between the two countries was merely $3 billion. India is also the largest market for project exports from China with current execution orders estimated at over $55 billion.

Over the years, India has also become an attractive destination for about 100 Chinese companies across a wide range of sectors, while Indian investments into China are marked by the presence of companies in areas such as IT, auto components, banking and pharmaceuticals.

There are complementarities of size and strength between the two economies which make India and China natural partners.

With a combined population of 2.5 billion and a growing middle class, India and China are the fastest growing major economies offering a huge market and rich human resources. Between us, we have the finest and most efficient manufacturing and services companies and these should work together. The Premier has quite rightly indicated that "linkages between our vast markets" could be a game changer for the world.

Issues To Be Addressed

No doubt, India is enthused by the encouraging statements from the Chinese leadership. However, on the ground, there are bottlenecks that need to be tackled and issues that need to be addressed.

Foremost among these is the growing trade asymmetry that has become unsustainable for India since it has implications for our current account. India mainly exports raw materials to China and imports a large quantum of finished goods which has led to a swelling trade deficit — from $17 billion in 2007-08 to $39 billion in 2011-12. This must change. India needs to shift its export profile towards finished and value-added products and see a sizable jump in shipments to bridge the growing trade gap.

The Chinese Premier has assured us that he understands our concerns over the trade deficit and has promised greater market access to Indian products.

China would like to see more competitive Indian products enter its market and stands ready to provide facilitation.

CEOS' Forum

While we welcome these views and would work towards opening up a new chapter in bilateral relations, India would be watching to see how the Chinese Government acts on its promise related to market access. The formation of the India-China CEOs' forum, of which FICCI is the secretariat from India, is an important initiative that will play a key role in stepping up engagement between the two countries. The first meeting of the CEOs' forum which was held on the sidelines of the Premier's visit, has already identified the opportunities.

The Indian side urged its Chinese counterpart to consider investing in our Special Economic Zones (SEZs) from where they can export to third countries as well.

The upcoming National Investment and Manufacturing Zones (NIMZs), which will be the pivot for us to enhance the share of manufacturing in overall GDP, also present a good opportunity for Chinese companies to evaluate. Indian companies are large customers for Chinese firms in ICT/telecom and power sectors. Perhaps it is time that the Chinese side looks at indigenising production of some of the products exported to India by way of setting up manufacturing plants in India.

In the energy sector, companies from both sides agreed to work together and laid particular emphasis on sharing technologies in the renewable areas.

Another important suggestion that came up was to consider giving a fillip to the rupee-renminbi trade as this would help minimise the exchange risk and give a further boost to trade.

There was also a suggestion to enable banks on both sides to open more branches in each other's countries to facilitate trade and investment.

These are all interesting ideas to be pursued and will add a new facet to our relationship that has long gone beyond bilateral scope and has acquired regional, global and strategic dimensions.

(The author is President, Federation of Indian Chambers of Commerce and Industry.)

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India, Myanmar set trade target of $3 bn by 2015
PTI

Nay Pyi Taw, 7 June 2013**:** Setting a bilateral trade target of $3 billion, India and Myanmar today discussed ways to enhance economic cooperation in sectors such as textiles, infrastructure, oil and gas.

Commerce and Industry Minister Anand Sharma, who is here on a three-day visit, met Energy Minister U Than Htay and conveyed the interest of Indian banks in setting up their branches in Myanmar. "India will also be happy to assist in strengthening the banking system in Myanmar as we inherit common banking laws," Sharma said, adding both the sides "set a bilateral trade target of $3 billion by 2015".

In 2012, trade between the countries stood at $1.87 billion. The minister also met Aung San Suu Kyi, chairperson of the National League for Democracy. Expressing keen interest in building linkages with the Indian textiles sector, Suu Kyi said its handloom sector had immense potential for Myanmar. She sought India's help in developing a full value chain for silk production in Myanmar.

Sharma conveyed India's interest in deepening cooperation in procuring energy, oil and natural gas. "Our companies are interested in securing more exploratory oil and gas blocks both onshore and offshore."

Sharma and Htay also touched on the issue of reviving discussions on the gas pipeline connecting India and Myanmar through Bangladesh. He said India is ready to assist Myanmar in the development of infrastructural projects.

The need to improve air, road and water connectivity between India and Myanmar also came up for discussion between the two Ministers.

India is the fourth largest trading partner of Myanmar after Thailand, Singapore and China.

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US Inc Piles Up Gripes Against India Ahead Of High Level Meets
Chidanand Rajghatta, The Times of India

Washington, 8 June 2013: "Okay, you have convinced me. Now go out there and bring pressure on me," President Roosevelt is once reported to have told a business delegation, offering an insight into lobbying in the United States. Abiding by the same broad principle, US businesses, lawmakers, and administration officials on Thursday acted in concert to turn the heat on India, accusing it of unfair, restrictive, protective, and discriminatory business practices against America entities and seeking President Obama's intervention in the matter.

The concerted effort, which involves letters from US corporations and business groups to the president, testimony by Obama administration officials before Congress, and lawmakers' own critiques, came ahead

of US secretary of state John Kerry's trip to India later this month for the annual strategic dialogue, which will precede Prime Minister Manmohan Singh's visit to Washington DC in September. As much as strategic and security issues, the engagement looks certain to zero in on contentious trade issues between the two countries if business lobbies in both countries have their way.

"It is time the GoI ended discrimination against our nation's exporters ... we urge the US government to immediately initiate bilateral engagement at the highest level and to coordinate closely with the European Union and other like minded-economies," a consortium of 16 US business organizations said in a June 6 letter to President Obama after outlining their gripes. "If this engagement is not fruitful," the letter added on a bleak note, "we ask the US government to respond purposefully, using all available trade tools and diplomatic engagement."

The letter complained that over the last year, "courts and policymakers in India have engaged in a persistent pattern of discrimination designed to benefit India's business community at the expense of American jobs ... Administrative and court rulings have repeatedly ignored internationally recognized rights — imposing arbitrary marketing restrictions on medical devices and denying, breaking, or revoking patents for nearly a dozen lifesaving medications."

Meantime, over at the Hill, a key administration official and lawmakers joined the chorus of criticism against New Delhi, accusing it of protectionism and discrimination — the same complaints India too makes against US in some areas as Washington tries to retain jobs and shield its economy from disadvantages that is also part of free trade territory.

"We're very concerned about the innovation and the investment environment in India at the moment," Mike Froman, deputy security advisor on economic policies to President Obama told lawmakers during his confirmation hearing for the position of US trade representative. He listed compulsory licensing, patent issues, preferential market access, localization as some of the issues of concerns, echoing the business organization letter.

Lawmakers were no less agitated.

"We have a lot of concerns about what's going on today in India especially their emerging market access barriers, protectionist measures," said Ohio senator Rob Portman, a former USTR in the Bush administration who was also once a lobbyist for the firm Patton Boggs. "One is the lack of respect for patents. Basic intellectual property protections are being set aside. They've invalidated and broken American drug patents. These actions are in disregard of WTO rules ... They're fundamentally disruptive to innovation."

It is no secret that many US lawmakers have strong ties to the pharmaceutical industry, which benefit from their legislative efforts and pour money into campaign coffers. None of this prevents them from piling on to the Indian drug industry, whose inroads into generics is credited with reducing medication cost in the US and across the world, while affecting the bottom line of western drug giants amid a wrangle about patent protection and patient rights.

Senators Orrin Hatch and Bob Menendez were among those who batted for the pharmaceutical industry, accusing India of inadequate intellectual protection and enforcement. Hatch also alleged that India is increasingly shutting US companies out of its markets through a variety of measures, including restricting its imports of products to force companies to manufacture in India, a policy Washington is also accused of promoting to protect American jobs.

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US immigration Bill may hit American firms more: Nasscom
Business Line (The Hindu)

Chennai, 18 June 2013: The new immigration Bill in the US may not have any adverse effect on India's IT business, observed the IT trade body Nasscom.

Addressing the media on the sidelines of a seminar, Nasscom Emergeout Surge 2013, held here today, Som Mittal, President, said there is a huge shortage of technical resources in the US. There are some positive aspects in it too.

"If this Bill sails through, the biggest impact will be on our customers there in the US, as Indian companies are working for large US corporations that are going through a transformation. They are batting for us there," he said.

He also pointed out that it is only at the beginning of a very long process of the Senate Bill. Also, there is a completely new Bill being developed in the House there which contains many favourable aspects, Mittal explained.

Nasscom hopes that the House Bill will be more moderate and will not have the same amount of discrimination that the Senate Bill has. "Besides, India is also very strategic to the US in a lot of ways. Our IT people go their and sustain the US economy by renting places there and by offering jobs to local people. In the last five years, we have contributed more than $15 billion by taxes and social security there," he pointed out.

Talking about the IT industry's growth, he said, driven predominantly by newer geographies, newer verticals and consumers, it is expected to grow at 12-14 per cent in the next few years and would touch $335 billion by 2020. Of this, the IT services industry alone would be to the order of $225 billion by then, said Mittal.

Emerging Markets

The IT industry is bullish about its growth prospects. The industry, which is currently growing at 10-12 per cent, would focus more on new emerging markets such as Latin America, Asia-Pacific, China, Japan and Africa. However, he said, "The growth in newer geographies will not be at the cost of our exports to existing markets, but will only be in addition to them."

For example, he said, countries such as Japan and China account for only 3 per cent of India's IT services export at present, and "hence there is enormous potential to grow our exports to these markets".

According to him, the US and Europe alone currently contribute 90 per cent to India's exports, while the remaining 10 per cent comes from all other geographies. By 2020, new emerging markets will contribute at least 20 per cent of the increased pie, he said.

Similarly, he said contribution from newer industry verticals such as utilities, transport, healthcare, media and entertainment will also go up substantially. As of now, almost 80 per cent of the export revenues of the industry is from verticals such as banking and finance, telecom and manufacturing.

Bigger Market Segment

Besides, by focusing more on "consumerisation" of technology, the industry can tap a bigger market segment. The ubiquity of connected smart devices has caused an evolution and convergence of four

powerful forces – social, mobile, analytics and cloud. These forces have reoriented the business model of traditional IT firms to move towards creative solutions that help clients' businesses grow, he said.

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IT Ministry pushes through with 'go local' procurement policy
Business Line (The Hindu)

New Delhi, 14 June 2013: Telecom and IT hardware suppliers such as Cisco and Hewlett Packard will have to set up a full fledged manufacturing facility in India if they want to get Government contracts. The Ministry of IT and Communications has notified the guidelines under which 30 per cent of all equipment supply contract will be reserved for companies with manufacturing base in the country. The quota for locally made goods will increase over the next few years.

The IT Ministry had announced its policy to bring preferential market access for domestic products in February. This was opposed to by both American and European manufacturers. The Commerce Ministry had also raised concerns over the introduction of a quota system.

Security Concerns

However, the IT Ministry has pushed through with the guidelines on grounds of security concerns. According to the IT Department, equipment made outside the country may carry spyware that could allow unfriendly countries to snoop into India's communication networks.

Under the guidelines issued by the IT Ministry on June 12, a list of 18 products has been given for which the preferential treatment would be given to locally made manufacturers. This list includes tablets, notebooks, scanners, mobile handset and servers. A list of 24 telecom related gear has also been given. This includes SIM cards, set top boxes and parts for mobile network.

Manufacturers will also be required to add value locally instead of just assembling the products here. Most of the hardware makers are only assembling the products due to lack of an ecosystem. For instance, they source things like packaging material and plastic locally but key elements such as the semiconductor chipsets and other electronics that goes inside the equipment is sourced from other countries.

Now under the new policy, the manufacturers will be forced to source a specific percentage of materials within the country. The amount of value addition required will be spelt out by individual ministries and departments at the time of procurement.

Manufacturers are supposed to give a self-certificate that their product is made in the country while bidding for a Government contract. If a complaint is received against a manufacturer then it will be investigated by the Telecom Engineering Centre or the Standardisation Testing and Quality Certification.

Another Policy

The Ministry is working on another policy to bring private companies also under the ambit of the local manufacturing regulation. This is being strongly opposed by the foreign players on grounds that such a move would be against international trade norms.

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April's 8.6% export rise augurs well for India's garment sector
The Financial Express

New Delhi, 20 June 2013: Garment exports rose for a second straight month in April, suggesting a recovery in the labour-intensive segment that witnessed negative growth in 10 of the 12 months of the last fiscal due to a slowdown in key traditional markets such as the US and the EU. Industry executives now expect at least a 10% rise in garment exports in the current fiscal year after a 6% slide in 2012-13.

Exports rose 8.6% in April year-on-year to $1.15 billion , according to the Apparel Export Promotion Council (AEPC). Shipments of garments, which make up for around 40% of the total textile and clothing exports, hit $12.95 billion in the last fiscal.

"Since April, there has been a rise in orders. The US economy is picking up, although the European recovery is still sluggish. The weakening of the rupee is also helping exports," said Rahul Mehta, president, Clothing Manufacturers Association of India. A weakening of the rupee this year has reflected in the growth in garment export value since January although in dollar terms — which is a better indicator of performance given the fluctuations in the domestic currency — shipments witnessed a rise this year only since March.

A Sakthivel, chairman, AEPC, said: "Big retail chain stores and international brands have increased their share of sourcing from India. Garment manufacturers are committed to persistent improvement in factory capacity and delivering quality products."

Last week, Sakthivel had said India could gain as much as $3 billion more in garment purchase orders this fiscal as poor compliance of labour norms in key competitor Bangladesh was prompting global buyers to shift their sourcing base.

Hurt by a debt crisis in Europe and a slowdown in the US — which together account for around 60% of India's textile and garment exports — for most part of the last fiscal, the sector is also pinning hopes on demand from non-traditional markets, including Japan.

Apart from helping the country's overall export figures, the uptick in demand will also aid the textile sector in achieving the investment target of Rs1,51,000 crore during the 12th plan period through 2016-17, under the Technology Upgradation Fund Scheme (TUFS). The government plans to offer subsidy worth Rs11,952 crore to meet the investment target under TUFS during the current Plan period.

The country's overall textile and clothing exports, which also include shipments of cotton (raw and waste) and handicraft, had hit Rs1,59,570.56 crore ($34 billion) in 2011-12, up 26.4% from a year before. The government had set a $40.59-billion target for such exports during the 2012-13 fiscal, which it missed as shipments stood at $33-34 billion, industry executives said.

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Guar gum India's biggest agricultural export item for a second year
Sanjeeb Mukherjee, Business Standard

New Delhi, 14 June 2013**:** For a second year, guar gum has emerged as India's largest item of agricultural export. And, responsible for pushing the country's overall farm exports to Rs 120,000 crore in 2012-13, show data from the Director General of Commercial Intelligence and Statistics (DGCIS).

Guar gum, has seen rising demand from big Western oil companies on its use as a controlling agent in oil wells for facilitating easy drilling and preventing fluid loss. Between 2010-11 and 2012-13, it has

registered 624 per cent rise in exports in value terms.

India is the world's largest producer of the gum. On average, the country produces 1-1.5 million tonnes of guar annually.

Almost 40 per cent of guar gum produced in the country is used for industrial purposes. In 2012, guar prices in the world markets rose a massive 800-1,000 per cent, chiefly due to large-scale stocking by multinational oil companies over fears of short supplies, following drought in India.

Of Indias total agricultural exports of Rs 120,000 crore in 2012-13, guar gum accounted for 18 per cent, DGCIS figures show. In 2010-11, guar gums total share in India's overall export of agricultural items was just seven per cent.

Basmati and non-basmati rice, traditionally the flagbearers of Indian agricultural exports, have also risen in export value, but have not managed to upstage guar gum as the primary item.

Between 2010-11 and 2012-13, export of basmati rice increased 71 per cent in value terms, while that of non-basmati rice rose a massive 6,000 per cent, pushing India to the pole position in this segment globally in 2012.

The share of basmati rice in India's total agricultural exports from 2010-11 to 2012-13 dropped from 26 per cent to 16 per cent. However, the share of non-basmati rice showed a considerable jump from 0.52 per cent in 2010-11 to 12 per cent in 2012-13, primarily because of the government's decision to lift the ban on its export.

Another item that logged impressive growth in exports, according to the data, was flowers rising 43 per cent in value terms between 2010-11 and 2012-13, to Rs 423 crore.

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Spices exports cross Rs 10K cr mark
V. Sajeev Kumar, Business Line (The Hindu)

Kochi, 10 June 2013: Despite the continuance of global recession and economic slump in the overseas markets, India's spices exports have crossed the Rs 10,000-crore mark.

About 6,99,170 tonnes of spices and spice products valued at Rs 11,171.16 crore ($2,040.18 million) have been exported in FY'13 against 5,75,270 tonnes valued at Rs 9,783.42 crore ($2,037.76 million) in FY'12.

All-time high

It is for the first time that the growth in volume of exports registered an all-time high of 22 per cent and 14 per cent in value. Total exports have exceeded the target in terms of both quantity and value.

Compared to the target of 5,66,000 tonnes valued at Rs 8,203.50 crore ($1,650 million) for FY'13, the achievement is 124 per cent in terms of quantity and 136 per cent in rupee and 124 per cent in dollar terms of value.

Trade pattern

As the exports of cumin, mint and chillies show a sharp improvement during 2012-13, the pattern of trade is showing perceptible changes. New spices are gaining prominence in the export basket, A Jayathilak, Chairman of Spices Board, said.

Mint products, cardamom (large), chilli, coriander, cumin, fennel, fenugreek, celery, other seeds like mustard, aniseed, ajwanseed, nutmeg and mace, garlic, asafoetida, tamarind, curry powders/pastes, oils and oleoresins etc. are the star performers recording rise in exports both in terms of volume and value. Spices like pepper, cardamom (small) and ginger had shown decrease both in terms of volume and value as compared to last year.

Export of seed spices witnessed a phenomenal growth of 55 per cent in terms of quantity and 62 per cent in terms of value. About 1,86,075 tonnes of seed spices valued at at Rs 1,672.99 crore were exported last fiscal.

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Oilmeal exports dip 16% in May on lower demand
Business Line (The Hindu)

Mumbai, 6 June 2013: Oilmeal exports fell 16 per cent in May following lower demand, especially from South Korea, Iran and Vietnam.

Exports fell to 3,02,837 tonnes against 3,59,855 tonnes in the same period a year ago, according to data released by the Solvent Extractors' Association.

Oilmeal exports in the first two months of the financial year have been dropping. In April, exports plunged by 51 per cent to 1,99,168 tonnes.

Overall exports in last two months dipped 34 per cent to 5,02,005 tonnes compared with 7,62,945 tonnes. Soyameal exports in April and May dropped 57 per cent to 1,95,943 tonnes (4,56,420 tonnes).

Apart from the fall in demand, the weakening of the rupee against the dollar also played spoilsport.

In May, the rupee dipped to 54.98 against the dollar, while it was quoted at 54.32 in April.

Soyabean meal prices were up marginally at $618 (Rs 33,978) a tonne against $616 (Rs 33,868) in April, while rapeseed meal prices were up by $1 at $272.

Iran Imports

Oilmeal import by South Korea was down seven per cent at 1,98,367 tonnes (2,12,388 tonnes), which consisted of 68,158 tonnes of rapeseed meal and 1,30,209 tonnes of castormeal. Iran imported 1,48,234 tonnes (1,50,974 tonnes) consisting 1,48,158 tonnes of soyabean meal and a small quantity of rapeseed meal.

Other Shipments

India's shipments to Thailand were lower at 48,047 tonnes (67,026 tonnes), consisting 9,166 tonnes of soyabean meal and 38,881 tonnes of rapeseed meal.

Vietnam imported of 26,545 tonnes compared to 88,825 tonnes last year, while that of Japan fell to 10,141 tonnes (84,989 tonnes).

Europe and other countries have imported 12,237 tonnes compared to 28,844 tonnes last year.

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Sliding rupee brings cheer to seafood exporters; vannamei farmers may gain
K. P. M. Basheer, Business Line (The Hindu)

Kochi, 14 June 2013: The rupee's slide against the dollar has brought cheer to seafood exporters and shrimp farmers as exports now fetch higher value in rupee terms.

However, how much the industry stands to gain depends on a lot of factors – mainly how long the rupee slide will continue or at what level it will stabilise.

"Exporters are naturally happy about the rupee situation," said Nobert Karikassery, Treasurer of Seafood Exporters Association of India, who is also the President of the Kerala Seafood Exporters Association. "Those who have booked forward are happier as they gain more."

The total value of seafood exports this financial year would definitely go up, he told *Business Line.*

East Coast May Gain

Karikassery, however, said exporters on the East Coast would harvest better value than those on the West, as the latter relied more on sea catch while the former focused on aquaculture.

The aquaculture sector on the East Coast is expected to reap a windfall as this year there was record production of vannamei shrimps.

"This is the best year for vannamei shrimp industry in terms of production, productivity and prices." The farmers had recorded aproductivity level of 24 tonnes a hectare.

The West Coast exporters would not gain much from the rupee depreciation as the 47-day monsoon trawl ban, which drastically cuts fish landings, has just begun.

By the time the fishing holiday ends, the rupee might recover. Also, demand from Europe, one of the main markets for Indian seafood, was not very strong though the season has begun.

Advantage Shrimp

One major factor in favour of Indian shrimp exporters was the drastic fall in shrimp production in Thailand, the main supplier to the US market.

Karikassery pointed out that there was 24 per cent fall in Thai production which equalled India's total shrimp exports to the US. The vannamei shrimp farmers and exporters could take advantage of this. Coupled with the rupee depreciation and high production, it would be a boom time for the vannamei sector, he said.

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FDI policy: Mayaram committee pitches for complete overhaul
The Financial Express

New Delhi, 19 June 2013: The government took the first step towards hiking sectoral caps in foreign direct investment in major sectors like telecom and defence with a committee headed by secretary, department of economic affairs, Arvind Mayaram, submitting its report to the finance minister outlining the road map.

The report, which is in the form of a discussion paper was submitted by Mayaram late on Monday evening, has recommended hiking FDI caps in various sectors, including in defence to 49% from 26% and in telecommunications to 100% from 74%. The recommendations also state that the hike in caps should come with stringent security riders to allay the concerns of the defence and the home ministry. Broadly the panel has suggested that wherever the caps are at 26% be raised to 49%, wherever it is at 51% it be raised to 74% and wherever 74% it should be made 100%.

While a hike in the cap for FDI in defence to 49% may be welcomed by domestic companies like Mahindra which have evinced interest in this space, hiking the same to 100% in telecom would be greatly welcomed by the mobile operators. In particular it would provide room to Bharti Airtel, which is looking for ways to ease its debt burden. Global companies like Vodafone and Telenor, which currently operate in India with minority Indian partners may then prefer to go solo.

Sources said that finance minister P Chidambaram will meet commerce minister Anand Sharma once the latter returns from his trip to the United Kingdom on June 26. The ministers will then meet the Prime Minister Manmohan Singh before any decision is taken on lifting or raising sectoral caps. The policy decision announcing recommended sectoral caps along with new definition for foreign direct investment (FDI) and foreign institutional investment (FII) is likely to be announced by first week of July, a senior government official said.

Sources said the panel has also recommended for raising the FDI limit in insurance to 74% from the current level of 26%. However, this would require the approval of the Parliament unlike in other cases where the caps can be hiked by executive order. Interestingly, it has also suggested that FDI cap in multi-brand retail sector be raised to 74% from the 51% the government allowed in September 2012.

The panel has also suggested hiking FDI cap in public sector banks to 49% from the current 20%. The RBI has refused to allow increasing FDI in private banks, currently capped at 74%.

The panel has also advised that FDI limits in information and broadcasting be raised. The current limit is 26% for print, radio and television news media, however the extent to which this cap maybe raised was not immediately known. Though in non-news broadcasting sector 100% FDI is allowed, in segments like DTH it is capped at 74%.

Last week, Chidambaram had said that the government will announce a series of steps over the coming few weeks to revive investment, including opening up FDI caps in some sectors. He had added that the policymakers were looking at every sector and every sectoral cap, and would remove caps in those sectors which are not serving the purpose.

The discussion paper also recommends that any FDI investment in India should be allowed through the automatic route till upto 49%, in the permitted sectors, except in defence, wherein every FDI investment proposal will have to go through the approval route, owing to security concerns.

Additionally, the committee has also sought clarifications from DIPP regarding FDI in brownfield investments, in which currently 100% FDI is allowed via the approval route. The panel has recommended that FDI up to 49% be allowed under the automatic route.

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Govt initiates probe into dumping of clear float glass
PTI

New Delhi, 7 June 2013: The government has initiated a probe into alleged dumping of a particular variety of glass, used in interior construction in suspended ceiling and partition applications, by Pakistan, Saudi Arabia and UAE following complaints by domestic players.

The Commerce Ministry's designated authority, the Directorate General of Anti-Dumping and Allied Duties (DGAD), has begun an investigation into alleged dumping of "clear float glass of nominal thicknesses ranging from 4mm to 12mm (both inclusive)"

Three domestic industries - Gold Plus Glass Industry, HNG Float Glass and Saint-Gobain Glass India Ltd have jointly filed the application for investigation.

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

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

"...the Authority (DGAD) hereby initiates an investigation into the alleged dumping and consequent injury to the domestic industry...to determine the existence, degree and effect of any alleged dumping and to recommend the amount of antidumping duty, which if levied, would be adequate to remove the injury to the domestic industry," it said.

The period of investigation is from October 2011 to December 2012. However, for the purpose of analyzing injury, the data of previous three years of 2009-2010, 2010-2011 and 2011-12 would also be considered, it added.

After completion of the probe, the DGAD, if needed, would recommend the duty and the finance ministry would impose it.

Countries initiate an anti-dumping probe to determine whether their domestic industries have been hurt because of surge in cheap imports of any product. As a counter-measure, they impose duties under the multilateral regime of the WTO.

The duty is aimed at ensuring fair trading practices and creating a level-playing field for domestic producers vis-a- vis foreign producers and exporters resorting to dumping.

Unlike the safeguard duty, which is levied in a uniform way, anti-dumping duty varies from product to product and country to country.

India has initiated 275 anti-dumping investigations between 1992 and March 2012, involving 42 countries.

The countries prominently figuring in anti-dumping investigations are China, Korea and Singapore and the major product categories on which anti-dumping duty has been levied are chemicals and petrochemicals, pharmaceutical, steel and consumer goods.

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Solar players upbeat over EU action against China

M. Ramesh, Business Line (The Hindu)

Chennai, 14 June 2013: Indian solar cell and module manufacturers are enthused by two developments in the last few days.

First, the European Union's action of imposing anti-dumping duty on solar panels imported from China has raised expectations that the Indian government will follow suit. (India has initiated anti-dumping investigations against companies in China, the US, Taiwan and Malaysia.)

Domestic content

Second, the Minister for New and Renewable Energy, Dr Farooq Abdullah, said on Wednesday that of the 750 MW to be tendered for bidding in Phase II of the National Solar Mission, 75 per cent would come under 'Domestic Content Requirement'— which means these solar plants will have to use locally produced modules.

"It was a pleasant surprise," said H.R. Gupta, MD, Indo Solar, a company that manufactures solar modules. Only a few days earlier, Gupta was lamenting about the sorry state of solar equipment manufacturers and how unfettered imports would ring the industry's death knell.

The Minister's statement about the 75 per cent DCR is yet to find mention in any policy document but the industry is enthused by the Minister's statement.

The Indian Solar Manufacturers Association had been demanding 100 per cent DCR in Phase II of the Solar Mission, but is now saying 75 per cent is not too bad.

"Some life will be brought back into the Indian industry," said Narender Surana, MD, Surana Ventures Ltd, both a manufacturer of modules and developer of solar projects.

Europe to rescue

Against this backdrop, developments in far away Europe have also brought cheer to the Indian industry. Last week, the EU imposed duties of 11.8 per cent on all Chinese solar panel imports for two months. From August 6, the duties go up to 47.6 per cent.

The European Trade Commissioner, Karel De Gucht, said that in his estimate "the fair sale price of a Chinese solar panel would actually be 88 per cent higher than the current price for which they are sold on the European market."

Surana feels that the EU action will result in European developers buying from India. "I am getting at least one enquiry each day," he said.

From the other side of the fence, Pashupathy Gopalan, Managing Director, SunEdison, a US-headquartered solar power company, says that mandated local purchase will raise the prices of solar

power, “but if the government feels that that is the price to be paid for developing a solar manufacturing industry, so be it.”

However, the government should be consistent in its approach, Gopalan feels. For instance, if the local content requirement is fixed at a level for a large capacity, then the industry will figure out how to deal with it. Gopalan also feels that solar power producers to buy locally produced modules, but the module manufacturers should be allowed to import cells.

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Trade Restrictions on the Rise Among G-20 Members, WTO Warns
Bridges Weekly Trade News Digest

20 June 2013: Trade restrictive measures by the Group of 20 economies are once again on the rise, according to the latest monitoring report released by the WTO this week. The news comes just months after the organisation reined in its 2013 trade growth forecasts by more than one percentage point, in light of continued global economic uncertainty.

Monday’s report, which covers the period between mid-October 2012 and mid-May 2013, is part of the organisation’s effort to monitor G-20 countries’ adherence to their post-financial crisis pledge to avoid resorting to trade protectionism.

The document is released jointly with the UN Conference on Trade and Development (UNCTAD) and Organisation for Economic Cooperation and Development’s (OECD) report on investment measures. The three organisations have issued these two reports at roughly six-month intervals since September 2009.

Over 100 new trade restrictions

Despite having reaffirmed their commitment to refrain from raising or imposing new barriers to trade and investment at last year’s leaders’ summit in Los Cabos, Mexico, this latest report finds that G-20 countries have continued to implement trade restrictive measures, with over 100 such measures recorded in the last seven months.

During this period, trade remedy investigations accounted for 61 percent of all trade restrictive measures, with anti-dumping investigations and temporary tariff increases being the most prevalent.

Notably, 70 trade facilitation measures have been implemented since the last monitoring report. However, in the same time period, the share of trade-facilitating measures has decreased from 55 percent of all trade measures to 40 percent.

Moreover, only 19 percent of trade restrictions imposed since October 2008 have been eliminated, as compared to 21 percent last year, fuelling concerns that such measures are accumulating rather than dissipating.

Lamy: G-20 should “unlock the potential for trade” in time for Bali

The weakness of import demand within the EU, which previously accounted for 35 percent of all world merchandise imports in 2011, has had far-reaching repercussions within the international trade system. In total, imports of developed economies fell by two percent and imports of developing countries rose by two percent, leaving a zero percent overall growth in world imports in the second half of last year, according to the report.

Despite the worrying increase in G-20 restrictions, the report notes that the trade impact of import measures is only approximately 0.2 percent, indicating that countries have overall been successful in resisting widespread protectionism.

However, given the uncertain prospects for the global economy, WTO Director-General Pascal Lamy reiterated previous calls to G-20 governments to avoid "making matters worse" by adopting isolationist and trade-restrictive policies.

Instead, he said, governments should focus on "unlock[ing] the potential for trade to grow stronger" by ensuring a successful WTO ministerial conference in Bali this December, such as by clinching a deal on trade facilitation (for more on the Bali preparations, see related article, this issue).

"Trade can once again be an engine of growth and a source of strength for the global economy rather than as a source of instability and tension," Lamy said. "At this stage, the world economy needs all the help it can get, and trade is an important and viable option."

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Lamy: July the "Last Petrol Stop" on the Road to Bali

Bridges Weekly Trade News Digest

6 June 2013: With just weeks before the WTO's annual summer break, "time is turning against us," Director-General Pascal Lamy warned members on Monday, referring to the pace of efforts to prepare a package of deliverables for the organisation's ministerial conference this December in Bali, Indonesia. Members have spent the first half of the year attempting to craft a deal from the overall Doha Round of trade talks, which were declared at an impasse at the WTO's last ministerial in December 2011. The proposed deal, if completed, would include an agreement on trade facilitation, as well as components relating to agriculture and some developing and least developed country (LDC) issues.

However, at Monday's meeting of the Trade Negotiations Committee (TNC), which is tasked with the Doha negotiations, members grimly noted that much more progress is needed between now and the end of July if they still wish to see an ambitious outcome in Bali at year's end.

"Despite the challenges in front of us, China does not believe that there is a 'Plan B' for this organisation, and actually we have no route of retreat," Chinese Ambassador Yi Xiaozhun said on Monday - a sentiment that sources say was expressed by various others. "We all know what is at stake here: the negotiating function of this organisation, the confidence of the outside world in this system and, most importantly, the interests of each and every of us, particularly the weak ones."

Paris mini-ministerial

The week before this Monday's TNC, Australia convened over a dozen trade ministers and senior officials at the Organisation for Economic Co-operation and Development's (OECD) annual meeting in Paris in order to take stock of the current negotiations.

These "mini-ministerials" have traditionally served as an exercise for WTO members to evaluate the status of the Doha talks. Following last week's meeting, ministers said that June and July must demonstrate results - particularly with regards to cleaning up the trade facilitation draft text - in order to ensure the Bali conference's success.

"If there is only moderate progress between now and July then time will have beaten us," Australian Trade Minister Craig Emerson told reporters last Thursday following the meeting, in comments reported by Reuters.

Trade facilitation: More than 500 brackets remain

An agreement on trade facilitation - which deals with topics such as easing customs procedures and cutting times at border crossings - is meant to serve as the centrepiece of any package for this December's ministerial. However, despite the removal of some brackets from the hundreds scattered throughout the current draft text, well over 500 remain.

Since late March, four senior officials - Michael Stone of Hong Kong, Ambassador Mario Matus of Chile, Ambassador Remigi Winzap of Switzerland, and Ambassador Yonov Frederick Agah of Nigeria - collectively referred to as the "Friends of the Chair," have been consulting with members on the remaining points of contention in the current draft text, under the guidance of Ambassador Eduardo Ernesto Sperisen-Yurt of Guatemala, who chairs the trade facilitation talks.

The Friends of the Chair presented the latest results of their consultations at a formal meeting of the trade facilitation negotiating group, held during the week of 24 May. While they are now aiming to turn the convergence that has emerged in some parts of the text toward consensus, the Friends have said that they expect ambassadors to join the technical experts currently involved in the negotiations, in the hope that this can lead to additional progress on the more political subjects.

"The progress that is being made is still not fast enough to provide assurance that we are on track to produce a good result at MC9," Lamy warned on Monday, calling for more flexibility on trade facilitation, such as that offered by some members at a senior officials' meeting in late April.

"No one can seriously expect that the many areas of disagreement that still exist in the text can be left until the autumn and can then be sorted out in time for Bali," he added.

Members also noted that some new brackets have been added to areas of the draft agreement that had previously been deemed closed, sources said. Brazil reportedly suggested on Monday the objective of removing 50 percent of the brackets in the trade facilitation draft text by the end of July, an idea that was supported by the EU.

"We should not, however, fool ourselves into thinking that minor drafting changes can replace a serious negotiation on the key issues on the text," EU Ambassador to the WTO Angelos Pangratis said. "A serious engagement has so far been lacking. I hope this will change in the coming days and few weeks."

G-20, G-33 agriculture proposals

Members have also spent the past several months discussing proposals regarding agriculture. Two of these are from the developing country G-20, a coalition that seeks farm policy reform in the developed world. The third has been tabled by the G-33, another developing country group that has large populations of smallholder farmers.

The G-20 proposal on the administration of tariff rate quotas (TRQs) is in "pretty good shape," Lamy said. Members have generally said that the TRQ proposal is one of the most technically-advanced ones on the table, and is well-calibrated to the overall package.

The more recent G-20 proposal on export competition, however - which was circulated on 21 May - has sparked a range of reactions among members, with the US and EU being among those that have

reportedly opposed it. Speaking for the EU on Monday, Pangratis noted that the G-20 proposal "comes at a very bad time and it is extraordinarily unbalanced in a way that is difficult to comprehend," while adding that the EU is ready to explore ways to look at the export competition subject within the broader agriculture talks.

Others, such as Brazil, said on Monday that the 2013 deadline for developed countries to phase out their export subsidies should not pass in silence, and that negotiations should at least yield a "step forward in this area."

"A more in-depth exchange of views to seek to identify the way forward is urgently required," Lamy said regarding the export competition proposal, noting that the chair of the agriculture negotiations will be working in this vein.

The G-33 proposal on food stockholding and domestic food aid, meanwhile, continues to generate controversy among members, with consultations on the subject still ongoing. While some elements of possible convergence have emerged, members now need to explore "a possible landing strip" to sort out the specifics, the Director-General reported.

Some, such as the US, have accused other WTO members of holding up progress on trade facilitation in order to get what they want in the agriculture negotiations, particularly with regards to the G-33 proposal. "The only chance for success at Bali is for this hostage-taking to stop," US Ambassador to the WTO Michael Punke said ahead of the Paris OECD meeting, in what many assumed was an implicit criticism of India, who has been one of the main advocates for increased flexibility for developing countries to purchase food at administered prices when building food stocks or providing domestic food aid.

LDC proposal circulated

Meanwhile, discussions regarding the development-focused component of the Bali package are also ongoing, in both informal ambassadorial consultations as well as under the Committee on Trade and Development's (CTD) Special Session.

The work in this area has been focused around three clusters. The first involves the 28 Cancún proposals, which are part of a group of 88 proposals aimed at strengthening the special and differential treatment (S&DT) provisions in the various WTO agreements that were agreed, but not harvested, ten years ago. The second involves the so-called Monitoring Mechanism, which would review the functioning of provisions in WTO rules for S&DT treatment in favour of developing countries and potentially suggest improvements.

There have been positive advances in both of these areas, Lamy said on Monday, which could "potentially translate into concrete progress" in the weeks ahead. However, in the third cluster - proposals involving the Sanitary and Phytosanitary Measures and the Import Licensing Procedures Agreements - similar progress is needed.

Last Friday, the LDC Group also submitted its proposal for LDC-specific issues to be considered for the ministerial. It includes the implementation of the duty-free quota-free (DFQF) market access decision taken at the 2005 Hong Kong Ministerial Conference; preferential rules-of-origin; the operalisation of the services waiver agreed at the 2011 ministerial; and trade and development assistance with regards to cotton.

While many members welcomed the submission of the LDC proposal and pledged to review it in the coming days, trade sources note that not all LDCs are in agreement on the DFQF issue, due to concerns that some countries' preferential treatment under existing schemes could be eroded as a result.

Ambassador Steffen Smidt of Denmark will serve as a facilitator for the consultations regarding the LDC component of the Bali package.

Formal TNC at end of July

"We have about 40 working days left before the end of July, which I see as the last petrol station before the Bali highway," Lamy told members. "We must make substantive advances in this period if we are to have any chance of successfully delivering in Bali and preparing a post-Bali roadmap."

A formal meeting of the Trade Negotiations Committee is scheduled for 22 July, with a meeting of the General Council currently slated for 24-25 July.

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