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Bullish about its companies making huge investments in India, Switzerland expects the long-delayed Free Trade Agreement between the two countries to be signed soon. "A lot...

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Trade with Asean to touch $100 billion next year

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'India's trade policy review in WTO scheduled in June 2015'

India's trade policy review at the World Trade Organisation (WTO) is scheduled to be conducted in June 2015, Parliament was informed today…

India, China support trilateral dialogue with U.S. to deal with global challenges

India and China today supported the idea of a trilateral dialogue involving them and the US to deal with major global challenges and ensure better mutual ties…

WTO talks fail to clinch deal on trillion dollar IT tariff cuts

Talks on cutting trade tariffs on hundreds of information technology goods failed to reach agreement on Friday, diplomats at the World Trade Organization…

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The Free Trade Agreement between India and the European Union is expected to materialise next year once the country finalises its new foreign trade policy, a top official has said…

WTO talks on ITA-II collapse, India heaves sigh of relief

Following the collapse of talks to extend the Information Technology Agreement (ITA) on Friday, perhaps India has reason to rejoice. The World Trade…

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In sixth round of RCEP talks, focus on liberalising trade, boosting investment

Arun S, The Financial Express

New Delhi, December 1, 2014 : Days after a historic deal was struck at World Trade Organization to ease global trade rules, officials of 16 countries including India and China — with a combined GDP of around $17 trillion and accounting for 40% of global trade — will converge in the national capital to take forward their discussions on a mega-regional free trade agreement (FTA).

The sixth round of negotiations on the complex regional FTA, known as regional comprehensive economic partnership (RCEP), between the 10-member Asean bloc, India, China, Japan, Korea, Australia and New Zealand will be held in Greater Noida during December 1-5 to liberalise trade of goods and services besides finding ways to boost investment. The aim is to conclude RCEP negotiations by December 2015.

There will also be discussions on co-operation in competition law issues, strengthening implementation of intellectual property rights, standards and technical regulations, conformity assessment procedures, rules of origin (to determine the country of origin of a product), customs procedures and trade facilitation. Besides, there will be talks on measures for the protection of plant, animal and human health.

The 16 countries, in this round of talks, will attempt to fix timelines for 'initial offers' to reduce tariffs in goods aiming for a greater slice of their combined market size of over 3 billion people. Though RCEP member countries have either negotiated or are in the process of concluding an FTA with each other separately, each of the 16 countries will put forward an 'initial offer' — a common list of preferential duty concessions for the other 15 nations.

Based on the 'initial offer' of every country, the others will then put forward their respective 'request offer' to ensure that the items of their interest are included in the initial offer of a given country. This, in turn, could lead to each country further building up its initial offers depending on the extent to which they can reduce duties after taking into account sensitivities and the benefits they will get in return.

Though the ultimate objective of RCEP is to create a common duty-free market, commerce ministry sources said India will give adequate protection to its sensitive sectors including agriculture (products such as spices, vegetables, fisheries, oils, fruit/nuts, rubber, tobacco), automobile, fisheries, chemicals, petroleum products and textiles in the RCEP agreement, like it had earlier done in FTAs with Asean-member countries, Japan and Korea.

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India may not heed calls for tariff cuts at Regional Comprehensive Economic Partnership meeting

Dilasha Seth, The Economic Times

New Delhi, December 1, 2014 : India will tread with extreme caution at the sixth round of the Regional Comprehensive Economic Partnership (RCEP) negotiations, beginning Monday in New Delhi. The government is under intense pressure from countries such as Australia and New Zealand to give heavy duty reductions to all member nations of the grouping, including China with which India ran up a $36 billion trade deficit last year.

The RCEP is a proposed comprehensive free trade agreement (FTA) between 10 countries in the Association of Southeast Asian Nations (Asean) and their six partners with whom they have FTAs - Australia, China, India, Japan, South Korea and New Zealand. The pact proposes to cover goods, services, investment, competition and intellectual property.

"Serious differences continue to exist over the modalities of goods, services and investment pacts. Countries like Australia and New Zealand are getting very ambitious, asking us to give deeper and wider cuts in tariffs, but we will be very conservative and begin with an offer lower than what we agreed to give Asean," said a commerce department official. Several countries are putting pressure on India to table the initial offer during the New Delhi round of negotiations, but India is unlikely to budge. "We will not table an initial offer (in this round)," the official said.

The grouping accounts for 40 per cent of the world trade. India has the highest average tariff in the region at around 14 per cent, putting it on a weaker negotiating position.

New Delhi has long avoided a preferential trade pact with China but has to face it in RCEP. "We can't afford to give large access to China," said another official. Experts cautioned that in the present domestic manufacturing scenario, India is not prepared to face China, and will need to carry out swift domestic reforms and put in place standards to check deluge of imports from the neighbouring nation. "Even without preferential tariffs, it (China) has got so much market access. Worse is that we have not been able to put our act together," said Biswajit Dhar, professor at Jawaharlal Nehru University.

"Unfortunately, India has very few negotiating options." India will push a simultaneous agreement on goods and services, whereas other countries, including Japan and South Korea and the Asean bloc want to conclude a pact on goods, before that on services. "Asean is not interested in a services pact, which was also seen during the India-Asean FTA when services was concluded much later than goods. But pressing for parallelism between goods and services will delay negotiations, giving India breathing time to do reforms back home and be ready for a pact like RCEP," said Dhar.

Arpita Muherjee, professor at the Indian Council for Research on International Economic Relations, warned that India was not prepared for RCEP. "These countries have given almost 95-99 per cent tariff lines in various trade agreements, and would like India to reduce tariffs to that extent only in RCEP," she said.

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In regional economic pact, India faces a Chinese import risk

Arun S, The Financial Express

New Delhi, December 2, 2014 : The proposed regional comprehensive economic partnership (RCEP) that involves India, China and 14 other countries in the Asia-Pacific region could be detrimental to many sectors of the Indian economy, analysts feel.

RCEP, unless negotiated with caution and keen attention to details, could result in entry of Chinese goods into the Indian market, escaping import taxes. Many segments of the Indian manufacturing sector which are in the throes of acquiring competitiveness could be adversely impacted as RCEP could potentially lead to influx of duty-free Chinese goods through the back door, they say.

Abhijit Das, head and professor, Centre for WTO Studies, Indian Institute of Foreign Trade, said India should try to see what type of investment linkages can be built in with tariff reduction when it comes to China so that Indian industry doesn't lose out.

He said that unless India manages to improve its infrastructure, it will be difficult to get investments into sectors such as manufacturing as part its 'Make in India' campaign. Incidentally, India has no direct free-trade agreement with China as vast sections of the domestic industry are not equipped to take on competition from Chinese companies.

India's proposal for one set of schedule of duty concessions for China (including a different implementation period for the duty cuts) and another single set of such concessions for 14 other member countries of the RCEP grouping has not been accepted so far, official sources said. "There are certain concerns with respect to China and we are trying to address those," a government official said.

Already, citing factors such as its lack of transparency in minimum wages, property rights, government subsidies and loan rates, as well as absence of proper business accounting standards/ principles, India has declined to grant China the coveted "full-fledged market economy" status.

A consequence of the lack of market economy status for China is the large number of anti-dumping cases against products from that country. As on June 30 this year, of the 690 anti-dumping investigations initiated by India against products from various countries so far (since 1992), 166 pertained to China. In these cases, following findings of dumping, duty was imposed in 535 cases of which 134 were on products from China.

Of the bilateral trade of $66 billion in 2013-14, imports from China were worth $51 billion as against India's exports to that country which was just $15 billion, leading to a whopping $36-billion trade deficit. New Delhi has been trying to get Chinese companies to set up shop in India, of late, as part of the 'Make in India' initiative. However, nothing significant has materialised so far. Some major imports from China include organic chemicals ($5.4 billion), fertilisers ($2 billion), plastics ($1.3 billion), iron and steel articles ($1.2 billion), electrical machinery and equipment ($14.2 billion), mechanical appliances and boilers ($9.4 billion).

Government sources said since China already has an FTA (with Asean) or is in talks for an FTA (with Japan and South Korea), it will be "foolish" and "impractical" to not engage with China for the regional FTA and take advantage of the duty benefits that it will offer for Indian industries.

The sixth round of RCEP negotiations between the 10-member Asean bloc — China, Japan, Korea, Australia and New Zealand, is being held in Greater Noida from December 1 to 5 to liberalise trade in goods and services between them besides finding ways to further boost investment. The aim is to conclude RCEP negotiations by December 2015.

The 16 countries, in this round of talks, will attempt at fixing timelines for "initial offers" to reduce tariffs in goods aiming for a greater slice of their combined market size of over three billion people. Though the ultimate objective of RCEP is to create a common duty-free market over a period of time, commerce ministry sources said India will give adequate protection to its sensitive sectors including agriculture (products such as spices, vegetables, fisheries, oils, fruit/nuts, rubber, tobacco), automobile, fisheries, chemicals, petroleum products and textiles in the RCEP agreement like it had earlier done in FTAs with Asean-member countries, Japan and Korea.

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Heavy Industry Ministry seeks higher import duty on power equipment

Shishir Sinha, Business Line

New Delhi, December 2, 2014 : In an effort to boost the Make in India mission, the Heavy Industry Ministry plans to pitch for doubling the basic import duty on power generation equipment. It wants the duty to be raised to 10 per cent from five per cent and the countervailing duty to be brought to 'nil.' If accepted, companies such as BHEL, L&T and Bharat Forge will gain.

"We have written to the Finance Ministry and the matter will be taken up again in inter-ministerial discussion on the Budget," a senior Government official told *BusinessLine*. In 2012, the then UPA Government had ended the difference on basic import duty (or basic Customs duty, BCD) between power projects, by saying the same rate of duty would apply to all projects in the sector, irrespective of capacity.

Power equipment for projects of less than 1,000 MW used to attract basic duty of 5 per cent, but projects of over 1,000 MW were exempt. In September 2012, it was decided to impose duty on all, irrespective of capacity.

This meant that generation equipment for mega power projects / ultra mega power projects of 1,000 MW and above also attracted duty. The duty imposed was 5 per cent basic Customs duty, 12 per cent CVD (countervailing duty) and 4 per cent SAD (special additional duty) — a total of 21 per cent. Added to this was education cess. The final rate is 22.85 per cent.

Exemption

If the basic import duty is raised to 10 per cent, and the countervailing duty brought to 'nil', domestic manufacturers will get effective protection, *vis-à-vis* foreign manufacturers. The reason is that except basic import duty, all other taxes and charges are paid by both foreign and domestic manufacturers. But when CVD is nil, domestic companies will not be required to pay excise duty, thus raising the effective protection from current 4.7 per cent.

The official also said that the list of exempt projects has now shrunk. Earlier, the notification on duty hike exempted 111 projects from paying higher duty as they were approved and had placed orders for power equipment with overseas suppliers. Together, they accounted for the bulk of power generation capacity to be added during the 12th Plan period. As some of these projects are closed, the number of remaining companies is now around 80.

The duty revision is being proposed at a time when the largest power generation equipment manufacturer — BHEL — has, till date, got just five orders, worth ₹12,337 crore in the power sector for the current fiscal. It has an annual production capacity of 20,000 MW.

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EU may lift ban on Indian mango, veggies

Prasun Sonwalkar, Hindustan Times

London, December 02, 2014 : The European Union (EU) is likely to announce the lifting of a ban on the import of mangoes and some vegetables from India following an audit of packaging systems in India by a team from Brussels in September.

A report following the EU's Food and Veterinary Office visit to India to evaluate the system of official controls for the export of plants and plant products from India to the EU was presented and discussed during the committee's meeting on November 25 and 26, official sources said on Tuesday.

The ban, imposed due to concerns over pests and insects in consignments from India, was announced by the European Union's Standing Committee on Plant Health on March 26, 2014.

Businessmen from London and elsewhere who cater to the Asian clientele said that the ban had a "devastating" impact on them, and also on growers and importers based in India. Losses due to the ban have been mentioned as running into "hundreds of thousands of pounds".

Besides protesting against the ban, India has conveyed to EU, details about its upgraded packaging facilities. Officials said that pests and insects were found in 207 consignments of fruits and vegetables imported into the EU from India in 2013. The prohibited items represent less than 5% of the total fruits and vegetables imported into EU from India.

A revision of the ban was originally scheduled to take place before December 31, 2015, but following the team's visit to India, it is expected to be lifted shortly.

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China-US trade pact puts pressure on India to fast track electronics manufacturing

Surabhi Agarwal, Business Standard

New Delhi, December 3, 2014 : The Narendra Modi government will have to intensify its efforts to promote local manufacturing of electronics to counter the possible fallout from the US-China trade pact that removes import tariffs on a host of new electronic items.

In the wake of the pact, which was signed last month, India is facing renewed pressure to sign the extended Information Technology Agreement (ITA). India has been reluctant to sign the pact, saying the ITA will only be beneficial to the country when domestic manufacturing is robust.

Signing the agreement will also go against Prime Minister Modi's Make in India push as it will make importing goods cheaper than manufacturing them locally. A government official said although India has lost China's support in opposing the extended ITA, it will not sign it as yet.

"From the perspective of promotion of electronics manufacturing, it is not in our interest to sign," the official said. The first ITA was signed in 1997 and has not been reviewed since despite massive technological innovations and additions in the past 17 years. The official said even last time, all the countries did not sign the agreement in one go. The countries that are supporting the agreement are the first ones to sign, gradually building pressure on others to come on board.

"Only if we expand exports and local manufacturing is the ITA in our interest", said the official, adding "So, it puts pressure (on us) in the sense that in the next two years we have to develop manufacturing." There are signs of local production picking up, he noted.

Under the first phase of ITA, almost all prominent electronic items were covered and import duties on them were removed by all member countries so the import costs go down. However, the decision to sign the agreement is often considered to be one of the reasons for India's lacklustre domestic electronics manufacturing ecosystem.

The official said despite the past debacle, India would like to sign the agreement, as it would give local firms access to a huge market. The agreement covers 200 new tariff categories covering $1 trillion in global sales trade, according to the US government. It is also expected to create as many as 60,000 jobs in the US and increase global annual gross domestic product by $190 billion, according to a White House fact sheet.

In a recent interview to Business Standard, Arun Kumar, assistant secretary of commerce for global markets and director-general of the US and Foreign Commercial Service, had said: "We want to have low tariffs on information technology projects all over the world, it is all about being competitive and having choices."

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Bangladesh bullish on energy ties with India

Pratim Ranjan Bose, Business Line

Kolkata, December 2, 2014 : With the Saarc Framework Agreement for Energy Cooperation (Electricity) in place, Bangladesh is gearing up to meet half its projected 10,000 MW incremental demand in the next 10 years from India, Nepal and Bhutan. According to Taufiq-e-Elahi Chowdhury, energy advisor to Bangladeshi Prime Minister Seikh Hasina, Dhaka is bullish on enhancing the scope of energy cooperation with Delhi.

While India has granted in-principle approval to Bangladesh's request to enhance (thermal) electricity sales from 500 MW to 1,100 MW (mostly through open market purchase), discussions are also on to collaborate in harnessing renewable energy sources.

'Power in North East'

According to the arrangement for hydro-electricity development, harnessing hydro resources in the North-Eastern States (many of which share a border with Bangladesh) will be crucial to this initiative. India currently taps a mere 2 per cent of the nearly 69,000 MW hydro-power potential in the North-East. Dubbed as "Power in Northeast", the joint initiative aims to develop hydro-electric projects (in India) to meet the energy needs of both nations.

"The discussions have been on between the Governments for some time. Now, it is possible to develop the projects," said Chowdhury. India has in place a collaborative agreement with Bhutan that has attracted huge investments from Delhi in developing a number of large hydro-electric projects and earning money on sale of excess power to India.

Chowdhury says creation of a common market should help India create a demand for solar power. Competition from cheap coal-based power is a major hurdle to the wider use of solar energy in India (and China). Considering that Bangladesh is run on costlier gas-based electricity, it has a greater appetite for solar energy.

The market potential, he argues, is particularly high due to vast time difference between solar power hubs of Rajasthan and Gujarat in Western India and Bangladesh on the Eastern border.

Though India has one time zone for the entire country; the sun sets in Rajasthan a clear two hours behind Bangladesh, opening up an opportunity for solar power companies in India to meet a part of the peak evening shortage in Dhaka.

Bangladesh joins TAPI

Meanwhile, the Saarc agreement has finalised Bangladesh's entry into a consortium for the Trans-Afghanistan gas pipeline project, referred to as the Turkmenistan-Afghanistan-Pakistan-India (TAPI) project. "Bangladesh first expressed its interest to join the TAPI project nearly two years ago. The energy cooperation deal made Bangladesh's entry a certainty," Chowdhury said. He wants to rechristen the project TAPI-B.

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Foreign Trade Policy stuck in inter-ministerial tussle

Nayanima Basu & Arup Roychoudhury, Business Standard

New Delhi, December 5, 2014 : The National Democratic Alliance government has not introduced the Foreign Trade Policy (FTP) for 2014-2019 because of a stand-off between the ministries of finance and commerce over allocation of extra funds as incentives for exporters.

Ever since the Narendra Modi government came to power, there was speculation the FTP would be unveiled immediately after the Budget. The ministry of commerce and industry raised expectations of exporters that the new FTP, which runs for a period of five years with annual revisions, would have a bag full of incentives. Expectations were also heightened by the fact that Minister of State (Independent Charge) for Commerce and Industry Nirmala Sitharamandoubled up as minister of state of finance.

The commerce ministry has been working on the draft FTP since May in consultation with exporters, export promotion councils, industry chambers and other stakeholders. But with export growth rate touching double digits, the government decided to delay it.

In October, merchandise exports contracted by almost 5 per cent to $26.09 billion from $27.48 billion the same month a year ago. The delayed FTP was because the ministries of finance and commerce were once again at loggerhead over allocation of funds under the various export promotion schemes, commerce department officials told Business Standard.

"The finance ministry has to release the money, which is not happening," said a senior commerce department official. The ministry of commerce and industry had plans to push exports of services substantially through the FTP. Besides, there were to be incentives for special economic zones (SEZ) and encouragement to exporters in the use of free trade agreements (FTA). The new FTP is expected to push the 'Make in India' concept and incentives will be provided to exporters promoting manufacturing.

But nothing has materialised with the finance ministry struggling to meet the fiscal deficit target for

2014-15. It has asked the commerce department to make do with what is available and prioritise the incentive schemes.

"We are telling all ministries to work within a set fiscal space, and this year the space is very tight," said a senior official in the department of expenditure. "Ministries have to prioritise how much they spend on each policy measure or programme," he added.

The fiscal deficit, pegged at 4.1 per cent of the gross domestic product in 2014-15, has touched almost 90 per cent of the budget estimate in seven months. Director-General of Foreign Trade Pravir Kumar said until the new policy came into effect, incentives of the old policy would continue.

Some of incentives of the FTP 2009-2014 are the advance authorisation scheme, focus products scheme and focus markets scheme. During 2013-2014, export promotion schemes resulted in Rs 45,786 crore revenue forgone against Rs 45,027 crore in 2012-2013.

Commerce Secretary Rajeev Kher recently said the new FTP would address the slowdown in demand in some of the significant markets like Japan and the EU and would promote exports in Africa, Southeast Asia and the CIS countries.

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Normal trade with Pakistan depends on India getting MFN status: Government

PTI, The Economic Times

New Delhi, December 5, 2014 : Progress in normalisation of bilateral trade with Pakistan would depend on its decision to grant most favoured nation status to India, the government said in the Lok Sabha today. Pakistan has "unfortunately" failed to give MFN status to India, Minister of State for Commerce and Industry Nirmala Sitharaman said.

India granted MFN status to Pakistan in 1996. "Progress in trade normalisation would depend on the decision taken by Pakistan with regard to granting MFN status to India," the Minister said during Question Hour.

According to the Minister, if MFN status is granted to India by Pakistan, it would facilitate direct bilateral trade and lead to "economic gains for both countries". Expressing hope that something would happen, Sitharaman, however, said there are no specific talks being held on trade facilitation between the two countries.

At the moment nothing specific is happening, she said. During the meeting between Prime Minister Narendra Modi and his Pakistan counterpart Nawaz Sharif in May this year, it was stated that the two sides "could move immediately towards full trade normalisation on the basis of the September 2012 road map worked out between the commerce secretaries of both countries," Sitharaman said.

In January this year, during the meeting of commerce ministries of both sides, they re-affirmed the commitment of the two governments to expeditiously establish normal trading relations and also provide Non-Discriminatory Market Access (NDMA) to India. In September 2012, it was agreed that Pakistan would transition fully to MFN (non-discriminatory) status to India by December that year. However, Pakistan did not adhere to the timelines, she added.

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Japan seeks patent term extension at Regional Comprehensive Economic Partnership

Dilasha Seth & Soma Das, The Economic Times

New Delhi, December 5, 2014 : Japan is pressing for an extension of monopoly rights by up to five years for a patented drug if the innovator firm loses out a chunk of its patent term during the process of gaining marketing approval from a drug regulator, according to the country's draft text submitted on Wednesday as part of the ongoing negotiation at the Regional Comprehensive Economic Partnership (RCEP).

RCEP is a proposed free trade agreement among the 10-member Association of Southeast Asian Nations and Australia, China, India, Japan, South Korea and New Zealand. The current round of talks is ongoing in Greater Noida.

According to government officials, Japan is being backed in its efforts by Australia, New Zealand, Malaysia and Singapore and other fellow countries in the Trans Pacific Partnership (TPP), another proposed regional free trade agreement under which these countries are negotiating with the US. India is not budging from its stated position of not going beyond its global commitments made under Trade-Related Aspects of Intellectual Property Rights (TRIPS), and is instead pushing for protection of traditional knowledge.

Japan is also pushing for patents to be granted for incremental innovations, even when they don't show any improved efficacy over an existing invention, the latest Wednesday draft reviewed by ET shows. This is a direct attack on Section 3(d) of India's patent law, which forbids patenting of frivolous innovations dubbing them attempts at 'evergreening'. This clause was upheld by the Supreme Court last year, when it turned down Swiss drug innovator Novartis' plea for patenting its cancer drug Glivec.

Groupings of public health activists and patients holding protests in Delhi against such provisions being put forth at the RCEP, warn that giving into such intellectual property provisions could severely restrict access to low-cost medicines for people in developing countries.

"Japan, a close ally of the US in TPP, is aggressively negotiating for patent term extensions and lower patentability criteria in RCEP as well. This can extend monopoly protection beyond global commitments and create new kinds of monopolies" said Leena Menghaney, regional head for South Asia at Doctors without Borders Access Campaign, an international public health group. This could threaten India's role as the pharmacy for developing countries at a time when Doctors without Borders alone procures 80% of its global requirement of HIV medicines from here, she added.

Another patent expert said: "I know of a Japanese pharma giant which was granted a patent here for a TB drug in 2011. They are yet to seek marketing approval from the drug regulator. Delay in getting marketing approval can be from the company's side as well. Also such indirect attempts at patent linkage (linking patent grant process to drug marketing approval system) will put unwarranted pressure on the drug regulatory authorities to hasten their process of approval."

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RCEP members fail to finalize talks template

Asit Ranjan Mishra, Livemint

New Delhi, December 8, 2014 : Members of the regional comprehensive economic partnership (RCEP) grouping were unable to agree a template for negotiations on a proposed mega regional trade agreement at the sixth round of talks held in Greater Noida near New Delhi last week.

"There are at least four or five options on the table. The modalities, based on which negotiations need to move, could not be agreed in this round. Negotiations will resume in the next round to be held in Thailand from 9-13 February," a commerce ministry official said speaking under condition of anonymity.

The official said for negotiation in goods, India has proposed a low level of initial offer but has suggested deviations for individual countries on a reciprocal basis after the initial offer. In services, India has proposed negotiations based on a positive list.

Another official, also requesting anonymity, said: "There are no outcomes expected at this stage. Negotiations are just continuing." Started in May 2013, RCEP comprises the 10 economies of the Association of Southeast Asian Nations (Asean) region—Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Vietnam—and six of its free trade partners, Australia, China, India, Japan, New Zealand and South Korea.

The grouping envisages regional economic integration, leading to the creation of the largest regional trading bloc in the world, accounting for nearly 45% of the world's population with a combined gross domestic product of $21.3 trillion.

The regional economic pact aims to cover trade in goods and services, investment, economic and technical cooperation, competition and intellectual property. India's interests lie mostly in services, the removal of technical barriers to trade such as those taken under sanitary and phyto-sanitary measures and the trade in goods such as pharmaceuticals and textiles.

A trade delegate from a member-country who was present at the negotiations said members were disappointed with the low level of ambition proposed by India under the investment chapter. In services, the delegate, requesting anonymity, said India showed aggression and sought higher level of commitment from member countries in Mode 4 of services trade through which a country seeks more professional visas for its citizens.

While RCEP members are keen to finalize an agreement in goods to begin with, India insists on negotiations in goods and services moving in tandem—given the nation's bad experience while negotiating the Asean free trade agreement, where it lost its bargaining power for a strong services agreement by concluding the goods agreement first.

However, the RCEP trade deal is crucial for India since it is not part of the other two mega-regional trade deals that are under negotiation—the Trans-Pacific Partnership (TPP) and the Transatlantic Trade and Investment Partnership (TTIP). Both are led by the US.

Trade minister Nirmala Sitharaman, while inaugurating the sixth round of negotiations last week, said India sees RCEP as an opportunity for its trade and industry to expand its markets by leveraging its manufacturing capabilities and strength in services.

Sitharaman, however, cautioned that the talks have to move beyond a narrow "bilateral benefit" paradigm into one of a "balanced regional benefit". "India would remain constructive in the RCEP negotiations and hope we all understand the imperatives of each other as we progress. We must realize that this is a complex negotiation among so many countries and across many areas. There is no 'one size fit all'," she added.

India will be under intense pressure to cut its high tariffs on many agricultural and manufacturing goods from the member-countries, as well as to liberalize its investment regime and adhere to higher standards on intellectual property rights. The biggest challenge before Indian negotiators is to handle China within the grouping. India, with a $36 billion trade deficit with China, is reluctant to provide any substantial tariff concessions to its northern neighbour.

Manoj Pant, professor of economics at the Jawaharlal Nehru University, said he does not think India is getting isolated at the RCEP. "We are just buying more time as our position is not a very comfortable one," he added.

Pant said India should follow a negative list approach in services negotiations rather than the proposed positive list approach. In a positive list-based approach, member-countries have the right to choose the sectors and the modes of supply in which they would undertake commitments while in a negative list-based approach members agree to open all sectors for trade with member countries, except for a sensitive list of sectors.

After the end of the RCEP ministerial meeting held in Nay Pyi Taw, Myanmar on 27 August, a joint statement had said the ministers were encouraged by the progress made after five rounds of negotiations in the areas of trade in goods, services and investment and reiterated their aim to complete the negotiations by the end of 2015.

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Trade portal launched to better utilise free trade pacts

The Economic Times

New Delhi, December 8, 2014 : To facilitate exports and ensure better use of free trade agreements by exporters, Commerce Minister Nirmala Sitharaman Monday launched an Indian Trade Portal providing information on preferential tariffs, rules of origin and technical barriers to trade faced by Indian exporters in such markets.

"Exporters should make best use of the portal, give continuous feedback for further improvement and additional details that they may need," Sitharaman said while inaugurating the portal here. India has signed a number of FTAs with various countries and blocs over the last few years, but exporters have not been able to utilise them well because of lack of knowledge about what such agreements offered.

The portal developed by the Federation of Indian Export Organisations (FIEO), which will also maintain it, will provide important data for use of exporters and importers in a user friendly manner and this will contribute to ease of doing business, the commerce ministry said in a release.

"The portal will also facilitate exports and will help Indian exporters to utilise the free trade agreements (FTAs)," it added. India has signed FTAs with about 20 countries while it is negotiating such agreements with Australia, Canada, New Zealand and the EU. As an instance, the ministry's recent impact analysis found that of Japan's total trade with India, only 22 percent could be ascribed to the FTA.

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India offers to remove duty on 40% of product lines for 15 countries at RCEP

Dilasha Seth, The Economic Times

New Delhi, December 8, 2014 : Unexpected support from South Korea and China has allowed India to offer to eliminate duty on just 40 per cent of product lines for 15 countries in the regional trade and economic partnership (RCEP). Japan, Australia and New Zealand however continued to push for a more ambitious initial offer from India at the sixth round of RCEP talks which concluded in New Delhi on Friday.

India is moving ahead cautiously in talks on the regional trade deal as it faces huge import risk from China, with which it already struggles to contain a large trade deficit of $36 billion, even without any free trade agreement. "One major achievement for India has been that it is no longer isolated on goods, but is jointly supported by China and (South) Korea who also want to open up just 40 per cent tariff lines in the initial offer," said a government official.

Others want India to start with freeing up close to 80 per cent of tariff lines, which is what India agreed to in its trade accord with Asean. "We cannot give the same initial offer in RCEP what we gave to Asean, of 79 per cent tariff lines, since we do not have a deal with Australia and New Zealand yet and no negotiation with China, which is already a threat to our industry," said the official. "We are backed by two big guns now."

Talks on both goods and services remained inconclusive. They will now resume in February in the seventh round in Pattaya, Thailand.

India is unlikely to agree to duty concessions in select sectors including agriculture, textiles and steel, experts said. RCEP is a proposed comprehensive free trade pact among 10 Asean countries, Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand, and Vietnam, and six partners with which they have free trade agreements (FTAs), including Australia, China, India, Japan, South Korea and New Zealand.

The pact seeks to include goods, services, investments, competition and intellectual property and is targeted to be concluded next year. India has so far signed FTAs with Asean, South Korea, Japan, Singapore and Malaysia, and it is negotiating pacts with New Zealand and Australia. India has avoided a pact with China for fear of its manufacturing industry getting hurt. Along with Japan and South Korea, India made a joint proposal on what the modalities on goods should be.

"With China, tariff doesn't matter as even without a trade agreement, it is pushing so many products into India through so many channels. So even if we give 40 per cent tariff lines, we will lose, unless our industry becomes competitive, which will take time," said Arpita Mukherjee, professor, Icrier.

Differences persisted on the modalities related to services as well. India backed by six Asean countries sought a positive list approach to the offer, where the commitment to open certain services is listed. On the other hand, countries including Australia, Japan, South Korea and China want a hybrid approach, where countries open up the entire sector and protect just certain areas that are listed.

India is pushing for a simultaneous agreement on goods and services, whereas some countries have shown willingness to conclude a pact on goods first. There was intense pressure on the intellectual property rights front as well, with Japan pushing for stringent patent norms that go beyond the Trade-Related Aspects of Intellectual Property Rights (TRIPS) provisions of the World Trade Organization. But the government is clear that it won't concede anything beyond a point on this front.

"We are clear about our red lines and will not talk beyond TRIPS plus," the official added, referring to tighter rules on intellectual property than those in TRIPS.

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India's current account deficit widens to 2.1% of GDP

Asit Ranjan Mishra, Livemint

New Delhi, December 9, 2014 : India's current account deficit (CAD) widened to a five-quarter high of 2.1% of gross domestic product in the second quarter ended 30 September, as exports growth slowed and imports increased because of a rise in demand for gold. During the second quarter last year, CAD was 1.2% of GDP and during the preceding first quarter of the current financial year, it was 1.7% of GDP.

Merchandise export growth during the September quarter slowed to 4.9% from 11.9% during the same quarter a year ago, while merchandise imports increased by 8.1% against a decline of 4.8% the second quarter of 2013-14, largely due to a sharp rise in gold imports. Net gold imports increased to $7.6 billion in the second quarter from $7 billion in the previous quarter.

Reserve Bank of India (RBI) deputy governor H.R. Khan, however, said last week that the central bank is "reasonably comfortable" with the current account deficit scenario because of lower oil prices. Brent crude oil on Monday fell below $68 per barrel, a new five-year low, on predictions that oversupply would keep building until next year after the Organization of Petroleum Exporting Countries decided not to cut output.

The Union government eased gold imports last month by removing a restriction that required traders to export 20% of the precious metal they bought overseas—a move that had been aimed at cutting the CAD. The so-called 20:80 norm was introduced in August last year, together with a duty of 10%, at a time when the deficit had widened to a record and gold imports had been surging.

Citigroup in a report last month said the sharp correction in commodity prices over the last three months bodes well for domestic macroeconomic indicators with CAD and inflation to be the key beneficiaries. "A 10% fall in commodity prices could potentially result in reducing the CAD by $14-15 billion and CPI (Consumer Price Index) inflation by more than 20 basis points," it added. A basis point is one-hundredth of a percentage point.

Aditi Nayar, senior economist at Icra Ltd, said the widening of the CAD is in line with expectations, following the rise in gold and non-oil non-gold imports and subdued growth of merchandise and services exports. "Recent indicators reiterating a bleak growth outlook for the euro zone and Japan suggest a muted real growth of Indian exports in the remainder of this fiscal," she added.

Nayar said following the sharp correction in the price of the Indian crude oil basket, she expects net oil imports to decline to $85 billion in 2014-15 from $101 billion in 2013-14, barring a price spike on account of factors such as resurgence in geopolitical tensions. While the volume of gold imports may ease post the festive season, Nayar said the withdrawal of the 20:80 scheme may arrest the extent of correction in the quantity of imports.

Madan Sabnavis, chief economist at CARE Ratings, said he expects CAD to remain slightly elevated in the range of 2-2.4% of GDP (gross domestic product) for the next two quarters. “The denominator, that is GDP growth, will be pressurized by both lower farm growth and government expenditure. Further, low inflation will diminish the nominal value of GDP,” he added.

GDP growth decelerated to 5.3% in the September quarter from 5.7% in the June quarter, due to a sharp slowdown in manufacturing activity in the economy. During the September quarter, the trade deficit rose by 16% to $38.6 billion from $33.3 billion a year earlier. Net services receipts improved marginally in September quarter, growing by 3.2% to 19% on account of higher exports of services.

Buoyed by the surge in portfolio inflows of $9.8 billion in the September quarter, while foreign direct investment inflows remained stable at $8 billion, the capital account recorded a surplus of $5.6 billion in the September quarter.

In all, there was net accretion of $6.9 billion in India’s foreign exchange reserves during the second quarter of the current fiscal year, compared with a drawdown to the tune of $10.4 billion in the same period last year. The portfolio flows to the country surged after a rise in investor sentiment following the Bharatiya Janata Party’s victory in the general elections, more than offsetting the outflow on the current account.

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WTO Reverses Much Of Ruling In Indian Challenge To US Steel Duties

Reuters

December 9, 2014 : An appeals board of the World Trade Organization reversed much of an earlier ruling against the United States on Monday, but it said U.S. duties on Indian steel broke WTO rules and asked the United States to bring them into line with its regulation.

In one of the most complicated appeals decisions ever handled by the 19-year-old trade watchdog, the WTO's Appellate Body reversed much of a ruling by a three-person panel in July, which said the U.S. duties had wrongly penalized India for subsidizing steel exports by Tata Steel.

The case involved U.S. duties imposed because a portion of the iron ore used to produce Indian steel pipe came from India's top iron ore miner NMDC, a state-run company that supplies steelmakers such as Tata and Essar.

A spokesman for the U.S. Trade Representative's office said the vast majority of over 80 challenges in India's appeal had been rejected but the overall appeal ruling was "mixed". "The findings help preserve the ability of the United States to address unfair subsidization by foreign governments" by using anti-subsidy tariffs to level the playing field for U.S. manufacturers and workers, the spokesman said.

An unnamed Indian official told Reuters when the case was launched in 2012 that the United States argued NMDC was selling the iron ore "for a song" and therefore implicitly subsidizing a private-sector enterprise. But the appeal ruling said the U.S. Department of Commerce had erred by saying NMDC was a "public body" under WTO rules. It also said U.S. law was wrong in the way that it allowed the U.S. International Trade Commission to assess the impact of dumped and subsidized imports.

Thomas J. Gibson, president and chief executive of the American Iron and Steel Institute, said in a statement that the WTO ruling had significantly weakened the effectiveness of U.S. trade law and would have ramifications beyond the Indian case.

"The WTO Appellate Body has once again created an obligation not agreed to by our trade negotiators, and this ruling will make it very difficult for domestic industries to obtain an effective remedy when facing both dumped and subsidized imports at the same time," Gibson said.

"This ruling is very detrimental to steel businesses and workers who continue to battle a flood of dumped and subsidized imports coming into this country unfairly - and at record levels." Imports captured 30 percent of the U.S. steel market last month, he said. The case arose after U.S. companies Allied Tube and Conduit, JMC Steel Group, Wheatland Tube and United States Steel Corp had petitioned the government in 2011 for import relief.

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Switzerland expects to sign FTA with India soon

Financial Chronicle

December 9, 2014 : Bullish about its companies making huge investments in India, Switzerland expects the long-delayed Free Trade Agreement between the two countries to be signed soon. "A lot of progress has been made since formation of new government under leadership of Prime Minister Narendra Modi in India and we are hopeful of signing the agreement soon," Switzerland's Ambassador to India Linus von Castelmur said.

"Both the countries have been negotiating on FTA since 2007. The process was delayed due to elections in India earlier this year," Castelmur told PTI in an interview here. Castelmur, who was here to give Swiss Ambassador's Award for 'inspirational and socially responsible leadership' to Wipro Chairman Azim Premji, said the trade between the two countries are on growth path.

"From April 2000 to June 2014, Switzerland invested approximately USD 2.85 billion in India, thus becoming the tenth largest investor. "As a large part of foreign direct investment in India, is routed through other countries, the actual direct investment in India is much higher," he said, while pegging the overall Swiss investment inflows into India at above USD 7 billion till June 2014.

While the focus with regard to Switzerland mostly remains on suspected black money stashed by Indians in Swiss banks, the trade between two countries remains significant and a large number of companies from the Alpine nation have been present here for years. More than 200 Swiss companies have presence in India through their own subsidiaries and joint ventures. Some of them include Nestle , ABB , Holcim, Clariant and Novartis . Besides, at least 120 Indian firms are present in Switzerland.

Many Indian companies carry out business development, client servicing and trading activities from Switzerland and focus on Swiss strength in R&D is steadily gaining interest. India also remains an important market for Swiss Tourism. As per Switzerland government data, Swiss enterprises have created over one lakh jobs in India and the business relations between the two countries go back to 1851.

Indian companies invested USD 1.2 billion between 2012 and 2014 in Switzerland, placing it among the top five European investment destinations and top-ten places globally. The Swiss-India bilateral trade nearly tripled from USD 1.6 billion in 2004 to USD 4.5 billion in 2011. However, Swiss exports to India has declined in recent years due to adverse currency rate movements and slowdown in the Indian economy.

While Swiss export to India has declined in the first three quarters of 2014, the Indian exports to the Alpine nation continued to soar in 2012 and 2013, as also in the first three quarters of 2014. The major products that Switzerland exports to India include pharmaceuticals, machinery, transport equipments, chemical products and watches. On the other hand, India mainly exports textiles, pearls, jewellery, metal product and agricultural products to Switzerland.

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FTA with Customs Union on the table during Putin visit

Shruti Srivastava, The Financial Express

New Delhi, December 9, 2014 : India will take up the issue of starting work on a free trade agreement with the Customs Union – comprising Russia, Kazakhstan and Belarus – when Russian President Vladimir Putin arrives in New Delhi later this week.

A senior official told The Indian Express that India will egg on Moscow to steer the process for a comprehensive economic cooperation agreement (CECA) within the Eurasian Economic Commission, which is the permanent regulatory agency of the Customs Union and the Eurasian Economic Community.

The two sides are also likely to announce setting up of a joint study group during the meeting of Prime Minister Narendra Modi and the Russian President. Putin's visit to New Delhi during December 10-11 to attend the 15th annual India-Russia summit is coinciding with the World Diamond Conference being organised by the Gems and Jewellery Export Promotion Council (GJEPC).

Russia is the largest diamond-producing country, by volume, across the globe. It produced 25 per cent of total carats and 26 per cent of rough diamond value in 2013. However, while it exports 63 per cent of its rough diamonds to the EU, it exports only 16 per cent to India, which processes and polishes 14 out of 15 rough diamonds of the world.

Alrosa, a group of Russian companies, is expected to sign "12 long-term contracts with Indian companies" during Putin's visit, a move that will ensure consistency of supply in India, Vipul Shah, chairman, GJEPC, said. He added that currently "mining companies are shying away from opening offices in India due to complex tax system and customs issues. In this meeting, the issue is likely to be taken up". The GJEPC has asked for special notified zone, where global diamond mining companies could set up their trading offices and bring their rough diamond supplies for the direct trading to the Indian companies.

Further, during the visit, New Delhi and Moscow will try to increase the bilateral trade which stood at $6.01 billion in 2013-14 with exports to Russia at $2.12 billion and imports at $3.89 billion during the period.

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Indian steel companies get relief from WTO for exports to US

Business Standard

New Delhi, December 10, 2014 : India's steel exporters of hot- rolled carbon steel flat products to the United States got a major relief after an appellate body of the World Trade Organization (WTO) asked Washington to amend a law on the basis of which it imposed countervailing duty (CVD) up to 577 per cent on these products.

This would mean the US will have to withdraw CVD on these products as its US Tariff Act and the Code of Federal Regulations have been found inconsistent with the provisions of WTO Subsidy Agreement (ASCM). At most, the US can start fresh investigations after amending the law.

India is now studying cases of other nine products to ask the US Commerce Department to withdraw countervailing duty on them as well. Besides, the WTO appellate body overturned the earlier ruling of a panel which had considered NMDC as a public body. The case involved US duties imposed because a portion of the iron ore used to produce Indian steel pipe came from NMDC, a public sector company. NMDC supplies raw material to steelmakers such as Tata, Essar and Jindal.

Explaining the ruling, officials said the US used to add injury caused to its industry from dumping of steel, as well subsidies given for exports by various countries, to determine CVD. "This has resulted in CVD of as high as 577 per cent on some hot-rolled steel products," an official explained.

However, the appellate body said this was inconsistent with ASCM and the US has to amend its law and code under it. The report of appellate body was published late night on Monday. Particularly, the US Department of Commerce will have to withdraw its code 1677(7)(G)(iii), explained R Parthasarathy, principal partner with law firm Lakshmikumaran & Sridharan.

This was also the order of the WTO panel, which heard the dispute between India and the US. After the panel's order in July this year, both the US and India went to the appellate body on various counts. The ruling has significant trade impact for India as out of the current 10 products on which the Department of Commerce has imposed CVD, about seven products suffer from the same inconsistency, an official statement of the commerce department said later.

The official quoted above said the WTO Disputes Settlement Body will adopt this report by December 19 and the US will have to give its intent to abide by the ruling in a month. Thereafter, the US will be given 15 months to implement the same. It is at the time of implementation that India will ask the US to withdraw CVD on six other items, most of which are steel products.

Parthasarathy explained the US will not automatically do so, and India will have to approach WTO to make Washington withdraw the CVD on other items. "India will actively monitor implementation of this ruling by the United States to ensure that the interests of Indian exporters are fully protected," the statement said.

So far as the pending and the future CVD investigations are concerned, these would be subjected to challenge if cross-cumulation (adding dumping and subsidies to determine injury to US) is applied again, the statement added. Saloni Roy, senior director, Deloitte in India, said the report concluded the

US should bring its measures in line with the WTO regulations to the extent found inconsistent by the Appellate Body.

It was not India which went to appeal to the body against the panel ruling on this count. However, it approached the body to counter the panel's directive to treat NMDC as a public body. If it is taken as a public body, then iron supplied by it to companies might be treated as a subsidy. The miner was taken as the public body because 80 per cent of its shares were held by the government and it has overwhelming directors on the board.

However, India challenged it on the grounds that NMDC does not possess government authority and does not discharge governmental functions. The appellate body held India's position. The implication of this is that the raw material supplied by it will not be taken as subsidised product. This ruling has implication for other cases also. For instance, Canada is investigating a matter relating to Steel Authority of India Ltd on this count only, the official explained.

The appellate body also upheld India's contention against the US determining subsidy margin by the difference between prices of iron supplied by NMDC and imports from Australia and Brazil together with freight costs and customs duties. India said instead of Australia and Brazil, the US should have taken prices charged by NMDC for its exports to Japan. If this yardstick is adopted, there would not be much difference between what NMDC charges to domestic players and foreign ones, the official explained.

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India-Israel FTA talks may resume soon

The Hindu

Hyderabad, December 10, 2014 : Israel Ambassador Daniel Carmon on Tuesday expressed the hope that negotiations for a free trade agreement with India will resume soon.

“We hope very soon we will be in a position to bring the issue of FTA back on track,” he said on the sidelines of a conference on Indo-Israel relations here. Though working groups of the countries have had a few rounds of deliberations, a meeting scheduled last month could not be held for some reason, he replied when journalists asked him about the status of the talks.

Towards underscoring the significance attached to the proposed FTA, he pointed out how it figured in the discussion Prime Ministers of India and Israel had in New York in September and subsequently during the “very, very successful visit” of Home Minister Rajnath Singh to Israel.

“The issue of FTA is definitely on the table,” Mr.Carmon said, adding he discussed it in his meeting with Commerce and Industry Minister Nirmala Sitharaman a couple of weeks ago.

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Bali pact was imperfect, needed correction: Nirmala Sitharaman

The Economic Times

New Delhi, December 10, 2014 : Government today said it has protected the intersst of Indian farmers by ensuring correction in WTO's Bali agreement which was "imperfect". Commerce and Industry Minister Nirmala Sitharaman also rejected the opposition charge in the Rajya Sabha that India had lost friends in the process of the WTO talks.

"We are very clearly saying, Bali was imperfect ... It was an imperfect agreement. It required a course correction and it was that course correction that this government had engaged in from July," she said replying to clarifications on her statement on "India's stand on WTO" made on November 28.

Asserting that the government was ensuring that India's sovereign right is strengthened, she said, "If there are any corrections to be made in the process, we as a government, representing people of India, have a sovereign duty to do the course correction and ensure that our farmers or any such interests are kept intact and protected."

To opposition charge that India had gone into WTO talks like 'Abhimanyu', she said, "I would like to tell you here in no uncertain terms that under the leadership of Prime Minister Narendra Modi we have got in as an Abhimanyu but we came out successfully with 160 friends, building on our predecessor, who had 93 friends."

Seeking clarifications on the minister's statement on WTO, opposition members said it was "confusing" and hoped India's interests and sovereignty would not be compromised on the signing of the trade agreement.

Members also sought to know if India had decided to go along with USA and in the bargain lost its friends among the group of developing nations, which India was leading. Anand Sharma (Cong), who has been a former Commerce Minister accused the minister of "misleading" the House and the country and challenged her saying the work on delinking negotiations on public stock holding for food subsidy purposes was arrived at Bali.

He said the minister has sought to create an impression as if the agreement at Geneva was the outcome of efforts made only by the new government and Prime Minister, which was not the case. The only difference made is that the deadline for putting in place programmes on food subsidies by seven months from December 2014 to July 2015, he said.

Sitharaman clarified that it was a new decision because Bali Ministerial decision of December 7, 2013 said, "Members agreed to put in place an interim mechanism...to negotiate an agreement for a permanent solution to be found" whereas on November 27, 2014, it decided and extended peace clause for perpetuity.

"Let us be clear. This is a new decision with a new date...The ambiguity which prevailed has been removed...2014 agreement has an accelerated mechanism for permanent solution and there will be dedicated sessions for solving agriculture related problems," she said replying to clarification sought by Sharma whether it was a new agreement or old.

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Trade with Asean to touch $100 billion next year

PTI, The Economic Times

New Delhi, December 11, 2014 : The two-way trade between India and Asean are expected to double from the current level of $ 80 billion by 2022 even as it is expected to touch $ 100 billion by next year on account of increasing commercial engagement between the two sides.

"In 2009, FTA in goods was signed with ASEAN and because of that and through that trade between India and ASEAN have been reaching about $ 80 billion level. We hope by 2015 it will touch $ 100 billion and get doubled by 2022. So there is lot of scope ," Commerce and Industry Minister Nirmala Sitharaman today said.

She was speaking at 2nd India-CLMV (Cambodia, Laos, Myanmar and Vietnam) Business Conclave here. These countries are members of the 10-nation bloc Association of South East Asian Nations (Asean). The minister said that free trade agreement (FTA) in services and investments with the region would come into effect from July 1, 2015.

She also said that a lot of business opportunities exist in the region and both the sides can enhance cooperation in areas including agriculture, skill development, energy and textiles. Speaking about the CLMV region, she said that Laos provides huge opportunities for Indian businesses in hydro-power generation.

Laos has 26,000 MW hydro-power capacity but the installed capacity is only 7,000 MW. Sitharaman said that north-eastern states of India is keen to enhance economic ties with CLMV region.

"We are very keen to open north-east part of India to increase connectivity with this region. We are looking at north-east as a threshold tool for our Act East Policy... India's Look East Policy (LEP) is a major pillar of foreign affairs. Now our attempt to sharp focus the LEP and (make it) and Act East policy," she added.

She also said that India is working on the increasing air, rail, road and sea connectivity between India and CLMV region. There is a proposal to develop a trilateral highway connecting India, Myanmar and Thailand. However, the minister also raised concerns about pepper imports from Asean members to India.

"Kerala has expressed a lot of concerns about pepper which comes into the country from Vietnam which they are willing to accept but if there are pepper coming from countries which do not grow pepper at all. They (Kerala producers) are worried as to where this pepper comes from...

"And these are issues which can rankle and therefore in engaging particularly with CLMV, I would certainly want greater trust and confidence in talking about not just manufactured goods but also about agri products in which some states in India always have the lead advantage," she said.

During the signing of India-Asean free trade pact, farmer organisations had raised concerns on the matter. According to reports, the import of cheap and inferior pepper had impacted domestic prices and led to distress for farmers growing pepper. Sitharaman also said India-CLMV trade was concentrated in only a few items and there was tremendous scope to deepen and widen the trade basket.

She said that there is a need of greater and accelerated engagement across the globe with East Asia. "Commerce, Culture and Connectivity are the three pillars of India's engagement with the CLMV countries," she said adding "it is imperative that India deepens its trade and investment with these four countries". Currently, 70-80 per cent of India-CLMV trade is centred around only a few products.

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'India's trade policy review in WTO scheduled in June 2015'

PTI, The Economic Times

New Delhi, December 12, 2014 : India's trade policy review at the World Trade Organisation (WTO) is scheduled to be conducted in June 2015, Parliament was informed today.

"A team from the WTO secretariat has visited the country recently from 19th-25th November 2014 to assess India's trade policies, mainly in lieu of the upcoming sixth Trade Policy Review (TPR) of India, scheduled to be held in June 2015, " Commerce and Industry Minister Nirmala Sitharaman said in a written reply to the Lok Sabha.

The WTO conducts a TPR for member-countries once every four years. It is a mechanism which offers opportunity to other WTO members to ask questions and raise any concerns on different aspects of policies and practices of the country under review.

The last review was conducted in 2011. "As part of the review process, the WTO Secretariat prepares a detailed report on the trade related developments in the country since its last review," she said.

The Minister said that the review aimed at improving transparency, creating a better understanding of the trade policies and practices of member countries and enabling a multi-lateral assessment of the effects of such policies and practices on the multi-lateral trading system.

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India, China support trilateral dialogue with U.S. to deal with global challenges

PTI, Business Line

New Delhi, December 13, 2014 : India and China today supported the idea of a trilateral dialogue involving them and the US to deal with major global challenges and ensure better mutual ties. “I agree with the proposal to launch a trilateral talk between China, the US and India. I think it is a good idea. China is open to any dialogue if it produces peace and development. I think it is a very positive idea,” Chinese Ambassador Le Yucheng said.

He was replying to a question at an interactive session at the conference on “Shaping the 21st Century: India, the US and China” organised by Bengaluru-based media group Deccan Herald. Minister of State for External Affairs V K Singh also supported the idea, saying such a proposal will enhance cooperation between the three countries which have strong ties bilaterally with each other.

The idea for such a dialogue was mooted by former Union Minister Jairam Ramesh while addressing the conference. Editor of Deccan Herald K N Tilak Kumar said the world today was witnessing a tectonic change with the phenomenal rise of China and the continued prominence of the US.

“Both countries are important to India and each one of the three have high stakes in economic ties with the other two,” Kumar said, adding the kind of three-way relationship between them will be important not only to each of them but to the whole world.

The combined contribution of India, US and China to the global GDP is between 40 and 45 per cent and their population is estimated at 40 per cent of the world. Singh and Le also agreed that the boundary question should be resolved mutually and peace and tranquility at the border should be maintained.

Listing the commonalities and shared interests, Singh said if “you have a trilateral dialogue, I think it will only further the type of interests (we are) seeking.” In his address, the Chinese ambassador said he was “very optimistic” about the “future” between India and China and underlined the need for ensuring peace on the border before reaching a final solution.

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WTO talks fail to clinch deal on trillion dollar IT tariff cuts

Business Standard

Geneva, December 13, 2014 : Talks on cutting trade tariffs on hundreds of information technology goods failed to reach agreement on Friday, diplomats at the World Trade Organization (WTO) said. "We don't have a deal," one trade ambassador told Reuters as he entered the closed-door meeting.

Several diplomats said they were disappointed at the failure of a reform potentially worth a trillion dollars, and that they would now take stock before deciding how to take the talks forward, possibly with further talks next year.

However, it was unclear how further talks would overcome the obstacle of China and South Korea's deadlock over liquid crystal display (LCD) screens, which several participants had identified as the main hurdle to a deal.

South Korea, home to top LCD producer LG Display Co Ltd , wanted LCD screens to be one of the products to have its tariffs slashed by the deal, they said. But China, which wants to foster its own LCD industry, had steadfastly refused.

Although Friday's deadline for finishing the negotiation was an artificially imposed one, the US ambassador to the WTO, Michael Punke, had said the talks' "success or failure" would be decided this week. His European Union counterpart, Angelos Pangratis, had said: "Later it will not be easier ... Now is the moment."

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European Union hopes to seal free trade pact with India next year

PTI, The Economic Times

Mumbai, December 14, 2014 : The Free Trade Agreement between India and the European Union is expected to materialise next year once the country finalises its new foreign trade policy, a top official has said.

"We are actually not very far from the agreement but we are not there yet. I am quite positive that next year or so it would be possible to finalise the free trade agreement," EU Ambassador Joao Cravinho told. He said parties on both the sides are engaged in good political conversations and there has been a commitment from both the sides on finalising the FTA.

However, this is yet to be translated into actual progress in negotiations, Cravinho said on the sidelines of the 22nd annual general meeting of the Council of EU Chambers of Commerce here over the weekend. "The Indian government has been a little slow; slower than we wanted to, in producing the new trade policy," the envoy said, but added that as the trade agreements last for as long as 15-20 years, a delay of a few months in policy formulation is not relevant.

Commerce and Industry Minister Nirmala Sitharman had in September said that the new five-year FTP would be different from the previous ones and hopefully announced soon. The policy is expected only from April next. Earlier, the government had planned to introduce a new FTP immediately after the Budget in July but it has been delayed reportedly on account of some tax related issues between certain ministries.

"We expect that in the new year we will see a new trade policy. Once that happens, we will be able to sit down again and resume our negotiations," Cravinho added. The EU is open for an asymmetrical agreement, he said, adding, however, that both sides must be agreeable for a little bit of give and take. He pointed to the difference in taxation on cars imports from Europe as opposed to cars being exported.

Cravinho said: "We understand India's growth imperative and are keen to have a very positive interaction. And so the agreement will be asymmetrical. At the moment, tariff (on cars imported from Europe) is up to a 100 per cent, whereas the duty on car shipped to Europe is only 7-8 per cent."

He added: "We are not saying they have to be equal on both sides but they should be proportionate...taxation has to come down quite significantly." India ships 2,00,000 cars to Europe each year while Europe exports about 40,000 cars to India, he said. Cravinho said he is optimistic about growth in India, which is currently at a level well below its potential as an investment destination than many of its competitors.

"In my conversation with EU business leaders, and we share the optimism (on India), there is also very much a recognition that the environment for investment has not yet changed significantly. There has been some change but it is more of a psychological than substantive nature," he said.

The government needs to improve the investment climate further, leading to increased inflows that will help build the country's manufacturing capacity, he added. Talking about the 'Make in India' initiative, Cravinho said it reflects the government's ambition and will also help the country enter the global value chain. He also said the last year's ban by EU on India's Alphonso mangoes is likely to be lifted soon.

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WTO talks on ITA-II collapse, India heaves sigh of relief

Surabhi Agarwal & Nayanima Basu, Business Standard

New Delhi, December 14, 2014 : Following the collapse of talks to extend the Information Technology Agreement (ITA) on Friday, perhaps India has reason to rejoice. The World Trade Organization (WTO)-led agreement was aimed at increasing the scope of the 17-year-old trade pact that guarantees zero-tariff and duty-free trade in hundreds of products. The second phase of the agreement was expected to be worth $1 trillion and add about 200 products to the list.

Before taking the matter to the WTO, China and the US had recently agreed to sign the agreement.

India had been opposing the pact, deciding not to become a signatory due to the fact that the ITA would only benefit a country if its domestic manufacturing was robust. Also, signing the agreement would go against Prime Minister Modi's 'Make in India' push, as it would make importing goods cheaper than manufacturing these in the country. Currently, India imports most of its requirement of electronic items. To promote manufacturing in India, the government is offering myriad incentives to investors.

If the deal had gone through, India would have been under pressure to sign it sooner or later. Also, it would have had to intensify efforts to promote local manufacturing of electronics to counter the possible fallout of the trade pact (of which the US and China are dominant forces).

"India had joined ITA-I (as the first phase was called), but that had a devastating impact on the domestic electronics hardware sector. So, the government stayed away from ITA-II talks," said Abhijit Das, head (Centre for WTO Studies), Indian Institute of Foreign Trade.

The deal was stuck because South Korea was apparently miffed with the fact that the US and China had reached an understanding during US President Barack Obama's recent visit to Beijing. Besides, Korea has concerns against slashing tariffs on its LCD television sets. "We are disappointed not to be celebrating a deal this week. We missed a big opportunity," US Ambassador Michael Punke said at the WTO.

For India, the relief might be temporary, as the US and other participating countries are hopeful of sealing the deal next year. "We are not signing the pact. But for now, this (that India is relieved) could be one of the many inferences," said a government official.

India, along with many other countries, isn't party to the agreement and, therefore, the pact is not legally binding on it. If ITA-II is clinched, India stands to gain in terms of the fact that all its IT exports will enjoy zero tariff, but the immediate impact will be minimal, as it is hardly exports any IT hardware. According to the agreement, all member countries have to slash import duties on their products to zero.

But the fact that China and Korea are ready to sign the pact will mean these countries will be able to export their goods to other member countries at cheaper prices, putting pressure on other countries to become party to the agreement, too.

An official of the Department of Electronics and IT said the ITA would be in India's interest only if it increased exports and local manufacturing. "So, it puts pressure (on us) in that in the next two years, we have to develop manufacturing," he said, adding there were signs of local production picking up. In the long run, India would want to sign the agreement, as it would give local firms access to a huge market, the official said. The first ITA was signed in 1997, and hasn't been reviewed since then, despite massive technological innovations.

Pressure to boost local manufacturing was high, due to which India must resist international pressure, said Niju V, heads (electronics and security practice for South and West Asia), Frost & Sullivan. "FTAs (free trade agreements) are playing their role in restricting domestic manufacturing and the CEPAs (comprehensive economic partnership agreements) signed, especially with Japan and Korea, are not beneficial for electronics. So, it will better to not sign ITA-II," he said

“China could play fickle, as has been seen with the recent climate change negotiations. So, India should chart its own course, keeping its realities in mind,” he said, adding given its strong local manufacturing and internal market, China had nothing to lose.

“The participants have significantly reduced the gaps on expanding the coverage of the ITA agreement in recent days. But unfortunately, it has not been possible to finalise the negotiations this week,” WTO Director General Roberto Azevêdo said in a statement.

It is expected the participants will reconvene next year to try and overcome the hurdles. "Manufacturers urge negotiators to come back to the table as early in the new year to agree to a strong product list to unlock much-needed growth opportunities for manufacturers and their workers," said Linda Dempsey, vice-president (international economic affairs) at the US National Association of Manufacturers.

South Korea, home to top LCD producer LG Display Co Ltd, sought LCD screens be included in the deal, participants said. However, China, which wanted to foster its own LCD sector, refused, demanding all countries accept the terms it had agreed to with the US last month, after a long-standing stalemate.

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