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India gears up to save Doha agenda at WTO's Nairobi meet

Amiti Sen, The Hindu Business Line

15 December 2015: India has a tough fight ahead at the World Trade Organisation's (WTO) trade ministers' meet in Nairobi this week trying to keep the on- going Doha development round alive while thwarting developed country attempts to introduce new issues such as investments, environment and competition policy.

"The US is now openly calling for a closure of the Doha round. Pressure has started building on us. But, we are going to stay put on our demand that the Doha development agenda should not be buried without outstanding issues being resolved," a government official told Business Line.

It will also be difficult for New Delhi to get an agreement on a special safeguard measure (SSM) to protect farmers against import surges and a permanent solution to legitimise its public distribution subsidies that it has been pushing for as a part of the G- 33 group of developing countries.

Legitimate demands

"The agriculture committee chairman's recent conclusion that a convergence remains elusive in the two areas is discouraging, but we are going to stand by these legitimate demands at the ministerial," the official said.

The trade ministers' meet in Nairobi on December 15-18 will try to reach an agreement on a small package of issues while taking a decision on how to move ahead. India's initial hopes of using its consent for a pact on export competition as a bargaining chip for SSMs seems to have dissipated over the past few weeks with developed countries not ready to play along.

"It is a grim picture. India has nothing to bargain with. The only thing that the developed countries might be interested in as a give and take is India's willingness to allow introduction of new issues. The country can't afford to do so as it would have adverse political ramifications," a Delhi- based trade expert said.

The developed countries, however, will try their best to bury the Doha round, that was launched 14 years ago and has a mandate that is favourable to developing countries.

US Trade Representative Michael Froman, in a recent article in a publication, said that there was a need to write a new chapter for the WTO that reflected today's economic realities.

He added that it was time for the world to free itself of the strictures of Doha.

New Delhi is against the burial of the Doha round and the start of a new one as it wants the WTO to deliver on the promises of a more just and equitable world trade order promised to poorer countries more than a decade ago.

Moreover, it does not want multilateral rules in areas such as investment, competition policy or environment as it could encroach on its sovereign policy making space.

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Convergence 'elusive' on safeguard measures at WTO

The Hindu Business Line,

December 14, 2015: Attempts for a breakthrough on a special safeguard mechanism to protect poor farmers against an indiscriminate rise in imports spearheaded by India and other developing countries of the G- 33 alliance have failed to yield results.

Agriculture negotiations Chairman Vangelis Vitalis of New Zealand reported no convergence on the issue of special safeguard mechanism (SSMs) as well as public stockholding — both important to India — at the last informal meeting in Geneva on December 11, an official involved in the negotiations told Business Line.

Further negotiations will now take place in Nairobi at the December 15- 18 WTO Ministerial Conference, but the fight before developing countries seems to be tough with opposing members refusing to relent.

Strong opposition

"In order to reach a consensus, the G- 33 had further refined its proposal on SSMs some time back suggesting that safeguards need not apply on all farm items but only on products designated with SSM symbols in the schedules of developing countries. This proposal is similar to the existing safeguard mechanism used by many developed countries and should have logically been accepted," the official said

Unfortunately for the G- 33, its logic does not seem to be working with those opposing the SSM proposal. The proposal was rejected outright by agriculture exporting countries Brazil and Argentina, while others such as the EU and Norway stated that there is very little time to discuss it.

In Nairobi, WTO members will attempt to take a decision on how to proceed with the ongoing Doha Development Round that has not delivered many tangible results over the past 14 years, while reaching an agreement on a small package of issues.

There is, however, no clarity yet on what that package would contain.

Protection for farmers

India and 44 other countries, that form the G- 33, have demanded that they be extended a SSM that would allow them to raise tariffs on farm goods to protect small and vulnerable farmers against sharp rise in imports or steep fall in global prices.

Since many developed members such as Australia, the EU, Norway, Iceland and Japan already have access to such protection under the special safeguards rule, the developing countries argue that their poor farmers, too, need to be protected against abnormalities.

Another important issue

Finding a ‘ permanent solution’ to the problem of ensuring subsidies given under public stockholding do not get penalised at the WTO — another important issue for India — may also be difficult at Nairobi, as Vitalis stated.

The Chair gave a slightly more positive assessment on export competition under which members are trying to put in place timelines for scrapping of export subsidies.

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African Union puts India’s free trade pact proposal on hold

Amiti Sen, The Hindu Business Line,

December 7, 2015: India’s proposal for a free trade agreement (FTA) with the African Union – made at the recent Indo-Africa Summit in New Delhi – has been rejected by the group for the time being as it wants to form its own union first and then negotiate as a bloc.

“We will wait for it the countries to form a bloc, as suggested by the African Union, so that we can get into a pact with the entire region. Meanwhile we will explore independent FTAs with specific countries,” a Commerce Ministry official told Business Line.

The African Union, which comprises 54 countries in the continent, accounted for almost 11 per cent of India’s total exports in 2014-15 with shipments growing at 5.17 per cent to $32.84 billion even as exports to India’s top markets in the EU and the US declined.

However, there is immense untapped potential for India's exporters and investors. India's total trade with Africa which was worth $71 billion in 2014-15 is insignificant when compared with China's total trade with the region worth over $200 billion.

"Africa is experiencing steady growth and offers Indian exporters an excellent opportunity to diversify. With the developed world failing to get out of the economic uncertainty gripping it, we have to make greater in-roads into the continent," the official said.

New Delhi will have to wait for at least two years to get into FTA talks with the African Union as the Continental Free Trade Area (CFTA) Forum, which aims to integrate Africa's markets and establish an African Economic Community, will conclude its negotiations at the earliest by 2017.

At the same time, the Commerce Ministry will examine individual countries in the African continent that hold reasonable export interest for India so that it could initiate FTA negotiations with them, the official added.

"We are already engaged in FTA talks with the South Africa Customs Union which includes South Africa, Botswana, Lesotho, Namibia and Swaziland. We will identify more countries to explore potential FTAs," the official said.

Kenya, Tanzania, Egypt and Algeria are some of the other African countries which account for exports over $2 billion from India.

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Fate of India-EU trade talks to be decided in January

Mukesh Jagota, Financial Chronicle

11 December 2015: Officials of India and European Union will meet next month to take stock of the progress of talks on a comprehensive trade agreement and decide if negotiations need to go ahead or be aborted, a senior official said here on Thursday.

"The meeting in January will be a stock-taking exercise that will decide whether negotiations have a future," commerce secretary Rita A Teaotia said here. The meeting would be in New Delhi.

The commerce secretary said India-EU negotiations on a trade agreement are suspended for the past three years. The stocktaking exercise would help in determining where we stand in negotiations, she added.

When asked whether India wants to have a trade pact with EU, Teaotia said, “I can’t tell till is settled,” she said.

India and EU FTA talks were launched in 2007.

“The talks are taking time because there is no conversion on few items of trade,” former commerce secretary Rajeev Kher said. He said EU wanted preferential access for automobiles and processed farm products but no agreement could be reached on them.

EU was also demanding that India open up its retail and financial services sector more for foreigners. Key demand of India during talks on services was allowing more temporary visas to Indians to work in EU nations.

EU is an important trading partner of India. In 2014-15 India’s exports to EU stood at $56.2 billion and accounted for 18 per cent of the country’s overall merchandise trade.

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India, UAE look to increase bilateral trade to $100 billion

Ranjit Bhushan, Financial Chronicle

December 7, 2015: Across the sizzling greens of the Dubai Creek Golf and Yacht Club last week, India and the United Arab Emirates (UAE) looked to further their $75 billion trade engagement, which was given a shot in the arm by the visit of prime minister Narendra Modi in August this year.

Furthering India’s cause of a promised Rs 4.5 lakh crore UAE investment is the Indian Business and Professional Council (IBPC), the apex body of Indian businessmen based in the UAE, which also includes members from top 100 companies in the Gulf region.

“We act as a modem or platform between India and the UAE as a coordinator between any Indian businesses who would like to establish their base here and for those looking to invest in India. We help them facilitate meetings with local government departments so that businessmen can pursue business activities both here and in India,’’ said Kulwant Singh, IBPC president.

Singh said after Modi’s visit, the first by an Indian premier since Indira Gandhi came here 34 years ago, the UAE has committed to giving a 30 per cent boost to trade relations. “We hope to touch the $100 billion mark soon. Yes, as things stand today, trade relations are tilted in favour of the UAE, but since Modi’s visit, this equation is set to change,’’ Singh told Financial Chronicle.

According to Singh, key UAE investment in India is going to be in infrastructure. Along with it, the UAE is looking at technology, education, oil and gas, tourism, affordable housing and 100 smart cities, all of which could do with technological assistance from the advanced Gulf region.

Anurag Bhushan, India's consul general to Dubai and a keen golfer, believes the business equation between the two sides is set to get a boost. "This year has been particularly great. India is the fastest growing large economy in the world and the UAE is seeing a vibrant phase of economic growth. Just recently we had a meeting of the joint Indo-UAE economic forum, which was inaugurated by Indian finance minister Arun Jaitley. Top investors across the region participated.

"Before that MoS for finance Nirmala Sitharaman attended a series of meetings. Of course, nothing was bigger than the prime minister's visit here. Almost $75 billion worth of investment are under discussion between the two countries,'' he told Financial Chronicle.

The consul general believes the Indo-UAE relationship, with years of people-to-people and centuries of culture ties behind it, will now be driven by economy and sectors like energy, infrastructure, roads and agriculture are priority areas.

Asked about the impact of the crude oil slump on this bilateral relationship, Bhushan said they are assessing what its final impact would be but "the UAE economy is among the most diversified economies in the region and they have a lot many driving factors than just crude oil.''

Would India's ease of doing business come in the way of a more robust UAE investment engagement in India? Said Bhushan; "There is no hiding the fact that there is lot of ground to cover in terms of ease of doing business. The 'make in India' programme announced by the prime minister and every action, which this government has taken is to drive this agenda. This year, the ease of doing business index, which basically covered only a few months of this government, has improved quite drastically. Whenever the next ranking comes, I am hoping that there will be even further improvement. As the prime minister said the target is not only to go below hundred but well below hundred, around 50 or so. ''

Nowhere was this bonhomie more apparent than in the Golf Day on November 29, attended by top Indian businessmen who have links to the UAE. Ten teams and 40 players, including IBPC members participated.

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Modi's Moscow visit likely to propel free trade agreement talks

The Hindu Business Line,

December 7, 2015: India and Russia are likely to announce commencement of formal negotiations on a free trade agreement (FTA) when Prime Minister Narendra Modi meets Russian President Vladimir Putin in Moscow later this month — a step that could strengthen bilateral trade ties that have languished over the past two decades.

A joint study group (JSG), set up earlier this year to examine the feasibility of an FTA between India and the Eurasian Economic Union (EEU) — comprising Russia, Belarus, Armenia, Kyrgyzstan, and Kazakhstan — has been asked to expedite its work and submit its report before the Prime Minister's visit so that appropriate announcements can be made during the tour, a Commerce Ministry official told Business Line.

"Although the Indians and Russians are separately preparing their inputs for the JSG report, there are indications that both sides would favour an FTA provided some vulnerable sectors are taken care of. The inputs would be combined in a single document and presented to the leaders," the official said.

Modi will visit Moscow on December 24- 25 for the 16th India-Russian annual summit talks with President Vladimir Putin. Established in January this year, the EEU offers India access to a huge market with a population of over 180 million with a joint GDP of an estimated $ 2.7 trillion.

"With India's traditional markets such as the US, the EU and Japan facing continued economic uncertainty, it is vital for India to explore alternative markets. The EEU offers a wonderful opportunity for the country's exporters and investors to diversify, and we are trying to grab it," the official said. Since India's exports to the EEU countries is less than $ 3 billion annually — with over $ 2 billion exported to Russia alone — and is just a small fraction of the region's total imports, there is a huge potential of growth.

According to exporters' body FIEO, India stands to gain substantially in areas such as pharmaceuticals, agriculture products, fertilisers, leather, and oil and gas if an FTA, formally called a comprehensive economic cooperation agreement, is signed with the EEU.

"As the EEU aims to set up a common pharmaceuticals zone, India's generic exporters could have easy access to the entire region," the official said. With Russia continuing its ban against European Union farm imports, Indian exporters stand a chance to increase their shipments of dairy and meat items.

India's relation with other members of the bloc is also reasonably smooth, the official added. ONGC Videsh Ltd has been invited by Kazakhstan to explore its Abai bloc for energy resources, while India has also signed a deal with Belarus to supply 500 tonnes of potash fertiliser.

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India Sets the Ball Rolling for Trade Pacts with Iran

Kirtika Suneja, Economic Times

New Delhi, 1 December 2015: India has evinced interest in signing a preferential trade agreement with Iran once international sanctions on the Persian Gulf nation are lifted.

This will be India's first trade agreement with a country in West Asia and offer it a foothold to tap other markets in the region.

"We have a good relationship with Iran. It is a good market for us in the long term," a senior commerce department official told ET on condition of anonymity. "So, a preferential trade pact makes sense and we are interested. We are still at a conceptual stage on this."

The official said by conceptual stage he means that both the parties have shown interest in signing the agreement but no negotiations have begun. The official said Iran is also preparing for the agreement once it comes out of the sanctions.

"Iran is working towards WTO accession. In the build up to that, they have shown interest. There are no negotiations at present. From India's perspective, the sooner the better that we sign an agreement," the official said.

This is a logical step forward in Delhi's trade relations with Tehran, which has accorded India priority status for trade and investment in acknowledgement of its support during the hard times when the country was reeling under tough US and European Union-imposed economic and military sanctions on it.

Iran is looking at cooperation in agro-processing, IT, steel and hotels/tourism with India, while India plans to invest Rs 2 lakh crore in Iran's Chabahar port and develop a gas-based urea manufacturing plant there.

In 2014-15, India's exports to Iran stood at $4.17 billion while imports amounted to $8.95 billion, an increase from $1.44 billion and $7.61 billion, respectively, in 200607. India has been exporting automobile components, tools, motors and chemicals to Iran besides Basmati rice, sugar and other agricultural commodities. It imports mainly oil from Iran.

In October, industry chamber Assocham said an India-Iran trade agreement will help India expand the volume of exports to Iran, particularly of pharma, iron and steel, auto components. Also, Iran could serve as an outlet for Indian goods to countries in Central Asia and Afghanistan.

"Iran is a good country to sign a trade agreement with because it will open up the entire West Asia market for us," said Ajay Sahai, director-general of the Federation of Indian Export Organisations.

Sahai said in such a scenario, as per FIEO analysis, exporters would expect greater market access in sectors such as agriculture, pharma, chemicals, paper and paper products , synthetic textiles , garments , iron and steel products, aluminium products, two-wheelers, auto components, electrical machinery and parts, mechanical machinery and parts, writing instruments, gems and jewellery.

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Free trade pacts: India to move away from 'zero- duty' model

Amiti Sen, The Hindu Business Line,

December 10, 2015: India will move away from a 'zero- duty' model in future free trade agreements (FTAs) it negotiates as it is not very comfortable with arrangements where tariffs have to be eliminated.

"We are doing some restructuring on how we negotiate. Territorial Joint Secretaries have been asked to examine how to fast- track potential trade agreements in a manner that India is comfortable with. We are not very comfortable with zero and this is a clear signal we are giving to our trade partners," a Commerce Ministry official told Business Line.

India is examining possible FTAs with a host of countries, including Russia, Canada, Peru, Chile, Iran, New Zealand, Australia and the European Union. "The idea is to either not move to zero duties on any item in such pacts or keep such items to the bare minimum," the official said.

Where it is a legacy of the past and commitments have been made, it would not be possible to backtrack, the official said.

“We have already agreed to zero duties for a substantial number of items in our FTAs with Japan and Korea and the ASEAN. In the Regional Comprehensive Economic Partnership (RCEP) structure, too, the architecture is towards zero. So, those are the givens that we can’t do much about,” the official said.

For both Japan and South Korea, tariffs have to be eliminated by India on about 70 per cent of tariff lines over 10 years of implementation. In the RCEP being negotiated, New Delhi has agreed to eliminate duties on more than 40 per cent of items with China — the country Indian industry is most apprehensive about.

The Prime Minister’s Office and the Finance Ministry, too, support the strategy of moving

India is examining possible FTAs with a host of countries, including Russia, Canada, Peru, Chile, Iran, New Zealand, Australia and the European Union, away from zero duties. “The overall thinking in the government is that the FTAs should be structured such that the Indian industry and farmers should not have major issues with it,” the official added.

Low utilisation

Interestingly, despite India signing a large number of FTAs with individual countries and groups, industry is yet to utilise them properly. A study carried out by the Commerce Ministry earlier this year showed that Indian exporters preferred the normal route for exports to FTA partner countries, paying higher duties, rather than using the FTA route and paying lower duties as they found procedures difficult to comprehend.

According to estimates, the utilisation rate of India’s FTAs varies between 5 per cent and 25 per cent — which is one of the lowest in Asia.

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To boost textile exports, govt. to renew focus on segments already doing well

Banikinkar Pattanayak, The Financial Express

New Delhi, December 3 2015: To boost exports in the textile and clothing sector, the government is likely to renew focus on some of the segments that are already doing relatively well so that India's dominance is further entrenched in those areas, according to official sources.

The Centre is also seeking to make it more attractive for exporters to tap markets with immense potential for outbound shipments of textile and clothing items, notably Africa, to widen the geographical spread of the export market and reduce dependence on the developed world — mainly the US and the EU — and China to somewhat beat any slowdown in these markets, they added.

While the country's total exports contracted for an eleventh straight month through October, overall textile and clothing exports — which also include those of handicrafts and carpets — put up a somewhat better show. “Amidst the gloom, the textile and clothing sector not just managed to beat a global slowdown but also rose a tad,” textile secretary Sanjay Kumar Panda told FE.

According to the latest data, overall textile and garment exports rose 0.6% to almost $18 billion in the first half of the current fiscal from a year before, while the country's overall exports plunged by 17.6% during the period. Consequently, the share of such textile and clothing exports in the country's overall exports have risen to 13.5% in the April-September period this fiscal from 11.1% a year before. The textile ministry will further intensify focus on segments like handicrafts that have witnessed good growth in exports and have immense employment potential, Panda said.

Both the textile and the commerce ministries are engaged in formulating new strategies to further boost exports in the sector, also because it is the largest employment provider after agriculture, accounting for some 45 million jobs.

Moreover, the need to tap new markets has arisen more than ever, as China's economy is set for a prolonged slowdown and the developed world is still struggling with a fragile recovery. While China is the biggest market for textiles, accounting for over 70% of India’s cotton and 40% of yarn supplies, the US and the EU are the largest markets for Indian apparel, making up for roughly 65% of our garment exports.

Although it wouldn't be easy to reduce the dependence on such markets meaningfully in the near future and remain unaffected to any slowdown there, given the scale of exports to these nations, the diversification to Africa will help India in the long run, said the officials.

Panda said to promote textile exports in new markets, the government has raised support to outbound shipments of more textile products under the Merchandise Exports from India Scheme (MEIS). Most of the textile and garment items, which were earlier not availing much of a benefit, are now granted 3% duty credit scrip under the MEIS to tap markets such as those in Africa, he added.

Recently, the government introduced 110 new tariff lines, including textile, telecom and electronic items, in the MEIS and increased the duty benefit rates or the country coverage, or both, for 2228 existing tariff lines. The commerce ministry's move to partially tweak the MEIS came after the finance ministry had agreed to raise the allocation for the scheme to Rs 21,000 crore for the current fiscal from Rs 18,000 crore announced earlier.

Under the MEIS, the government provides exporters duty credit scrip at 2%, 3% and 5% of their export turnover, depending upon the product and the country, as envisaged in the foreign trade policy 2015-20. The scrip can be transferred or used for payment of a number of duties, including the basic customs duty.

Similarly, higher support has been granted to certain textile products, many of which are manufactured by MSMEs. Even readymade garments and handmade woolen shawls have been offered more support, while additional countries have been covered for selected leather products, iron, steel, and base metals.

India's merchandise exports have recorded contraction in each month since December 2014, as a crash in commodity prices and a global slowdown hurt shipments of petroleum products, iron ore, and engineering goods.

Cotton fabrics — both woven and knitted — and made ups to markets such as Africa now enjoy benefits such as the duty credit scrip benefits. According to TEXPROCIL chair man RK Dalmia, cotton fabrics exports could rise 1015% annually and India can offer products at competitive prices.

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Nov. gold imports said to double on price slump

The Financial Express

December 3 2015: Gold imports by India, the world’s second biggest consumer, more than doubled in November as a slump in global prices to a five-year low stoked demand amid the peak festival and wedding seasons.

Overseas purchases last month climbed to 101 tonne from 45 tonne in October, two finance ministry officials said, asking not to be identified citing government rules. Imports dropped 22% to 655 tonne in the eight months through November from 841 tonne a year earlier, they said.

Gold prices slid to a five-year low in November and are set for a third year of declines on expectations the first US rate increase since 2006 will strengthen the dollar and reduce the appeal of the yellow metal.

Demand usually peaks in the final quarter in India, with gifting during festivals, and culminates with the start of the wedding season in November.

Finance ministry spokesman D S Malik declined to comment on imports. The commerce ministry separately compiles and publishes gold data that differs from the finance ministry data.

Prices may drop below $900 an ounce in 2016 as higher US interest rates and Treasury yields provide better avenues of investment, ABN Amro Bank said in a report on December 1. Lower supply and healthy jewellery demand should support prices in 2017, it said.

Bullion for immediate delivery traded at $1,067.19 an ounce as of 6.08 pm in Mumbai. The metal dropped on November 27 to $1,052.83, its lowest level sinceFebruary2010.Futuresin Mumbai, down 6% this year, was trading at Rs 25,113 per 10 grams.

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Government slaps anti-dumping duty on stainless steel

Business Standard**,**

Mumbai, December 12, 2015: The Centre on Friday imposed an anti-dumping duty ranging from five to 57 per cent on import of cold-rolled flat products of stainless steel for five years.

In a notification, the Central Board of Excise and Customs said the duty has been imposed on China, South Korea, the US, South Africa, Thailand and Taiwan, besides the European Union.

A review with regard to the imports of cold rolled flat products of stainless steel was initiated in April 2014, the notification noted.

The highest duty has been levied on steel imports from China at 57.39 per cent, followed by the European Union at 52.56 per cent. Imports from Thailand will have the least duty imposition of 4.58 per cent.

China, the world's largest consumer and producer of the commodity, has been dumping various grades and varieties of steel across the globe on the back of surplus supply. This might be the why China attracted the highest anti-dumping duty.

The government's decision comes in the wake of rising incidence of dumping hampering the performance of domestic industry and with steel prices on a decline.

The total production of stainless steel in India stood at three million tonnes (mt) in 2013-14 from 0.5 mt in 1994-95, according to the Indian Stainless Steel Development Association.

"We do not see much benefit for most large primary steel producers from this duty imposition as most producers are not into stainless steel production in any big way," said an analyst with a local brokerage. Among listed companies, Jindal Stainless and Steel Authority of India has presence in the stainless steel segment.

Since the past few months, the government has taken several steps to curtail cheap steel imports into India. It has already levied customs duty on select steel products; in September, it imposed 20 per cent provisional safeguard duty on a specific hot-rolled imported steel product, for which domestic steel producers are seeking an extension.

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Oilmeal exports down 41% on low demand

The Hindu Business Line,

December 5, 2015: Oilmeal exports dipped 41 per cent in November to 1.12 lakh tonnes (lt.) against 1.89 lt. in the same period last year.

The sharp fall in export was attributed to disparity in prices with shipments from India costing more than that of competing countries, said the Solvent Extractors Association of India in a statement on Friday.

In the first eight months of this fiscal, exports were down 38 per cent at 8.95 lt.

Export of soya meal hit a record low of 55,889 tonnes in the first eight months of this financial year against 2.50 lt. logged in the same period last year. Similarly, rapeseed meal export also was reduced to one- third over last year.

The industry is passing through tough time and many plants have either shut down or operating at very low capacity due to shrinking margins. The capacity utilisation of these oil mills are at the lowest level, said BV Mehta, Director, SEA.

The high soya bean prices and fall in profit margin has led to lower soya bean crushing and fall in edible oil supply and meal export, he said.

Besides disparity in prices, export to Japan, Iran, Thailand, Indonesia, Taiwan and Vietnam dipped due to intense competition from China and Argentina. India also lost Vietnam market for meal as it enhanced soya bean crushing by importing bean from other countries, said SEA.

Iran shifted soya meal buying from India to other origins after sanctions were lifted. Currently, India is out priced by $ 100 a tonne against other origins in Iranian market, said the association. Japan was big importer of Indian non- GMO soya meal. It, however, now started using genetically modified soyameal from other countries, SEA added.

South Korea was a major importer of oilmeal from India. Between April- November oilmeal export to South Korea was reported at 5.76 lt. (5.68 lt.) and it consisted of 2.53 lt of rapeseed meal, 3.22 lt. of castor meal and 905 tonnes of soya meal.

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Agri. ministry proposes further 5% hike in import duty on edible oil

The Financial Express

New Delhi, December 5, 2015: The agriculture ministry has proposed further hike in import duty of edible oils by 5% in a bid to protect the interest of farmers.

In September, the government had raised import duty on crude edible oils to 12.5% from 7.5%, while the duty on refined edible oils was increased to 20% from 15%.

“Farmers have been affected due to rise in import of edible oils. We have proposed the finance ministry to consider 5% increase in import duty from the current level,” a senior agriculture ministry official said.

The ministry has proposed increase in import duty on crude edible oils to 17.5% and on refined edible oils to 25% from the existing level, the official said.

The proposal has been moved following several demands from state governments, especially Andhra Pradesh, as well as from the industry body Solvent Extractors' Association (SEA).

As per the ministry's data, area sown to oilseeds remained down at 57.08 lakh hectare till last week of the ongoing rabi season that started from October, as against 65.73 lakh hectare in the year-ago period.

SEA has demanded an import duty hike on crude oil to 25% and that of refined oil to 45% to protect the interest of crushers and also local farmers to sustain their interest in oilseed cultivation.

The country's edible oil imports rose by 24% to 14.42 million tonne in the 2014-15 oil year that ended in October due to fall in international prices, SEA data said.

About 60% of India's annual edible oil demand of 18-19 million tonne is met through import, mostly from Malaysia and Indonesia.

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'Coal imports will continue to decline this fiscal'

The Financial Express

New Delhi, December 14, 2015: Coal imports will continue to decline this fiscal due to "unprecedented increase" in output of the fossil fuel by state-owned Coal India.

"Imports will continue to come down (in the ongoing fiscal)," coal secretary Anil Swarup said.

The drop in imports can be attributed to "unprecedented increase in coal production by CIL", he added.

Swarup had earlier said in a tweet that coal imports in November dropped to 11.6 million tonnes (MT) against 22.6 MT in the same month of last year.

"Consequent to a record production by Coal India, import of coal comes down for fifth successive month. Down by 8.9% during April-November," Swarup tweeted.

"Coal imports come down from 136.6 million tonnes in April-November (2014) to 119.9 (MT) in 2015. In value ter ms, down from Rs 68,822 cr to Rs 54,607 cr," he said in another tweet.

CIL's production increased by 8.8% during the April-November period, of the current fiscal (2015-16), on year-on-year basis.

Production was up by almost 26 MT during April-November 2015 compared to the same period previous fiscal, a company official said.

CIL produced 321.38 MT of coal during April-November, 2015-16 as against 295.40 MT in the year ago period.

The state-owned firm, which accounts for over 80% of the domestic coal production, is eying to 1 billion tonnes production by 2020.

Power and coal minister Piyush Goyal had said last month that coal shortages will be a thing of the past and India will not need to import dry fuel by 2017, except to meet requirements of power plants located near coastal areas. India had imported 212.103 million tonnes of coal worth over Rs 1 lakh crore last fiscal.

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Job creation unlikely to pick up soon, courtesy weak exports

Prashant Kn. Anda, Mint

December 11, 2015: A revival in job creation at India's manufacturing and export-oriented sectors is unlikely soon because of a prolonged contraction of exports.

The number of jobs fell by a net 43,000 in the three months ended 30 June from the previous quarter, the worst since the same quarter of 2009, according to the 26th quarterly employment survey conducted by the labour ministry.

India's merchandise exports contracted for the 11th consecutive month in October as shipments of petroleum products continued to decline on lower crude oil prices, and external demand remained weak amid a tepid global economic recovery, according to commerce ministry data.

In October, exports contracted 17.5% from a year ago to $21.3 billion, while the imports shrank 21.2% to $31.1 billion, reported on 16 November.

The last time the exports registered growth was in November 2014 when they expanded 7.27%.

The impact of falling shipments on the jobs market may continue to be felt in subsequent labour bureau surveys. Job creation in manufacturing and export-oriented firms was at a six-year low in April-June 2015.

64,000 -43,000

117,000

83,000

168,000*

Of the 43,000 net fall in jobs, export-oriented firms reported a decline of 26,000.

During the same quarter, merchandise exports in India contracted 16.75% year-on-year to $66.7 billion, according to the commerce ministry data.

When quick quarterly employment survey was started in October-December 2008 by the labour bureau at the peak of the global economic crisis, Indian factories reported a net decrease in employment of 500,000 jobs.

226,000

207,000

315,000

497,000

640,000

The quick quarterly survey was started then to gauge the impact of global economic crisis on India's job market. The subsequent quarter (January-March 2009) witnessed a "net decrease in employment" by 117,000, as per the labour ministry data.

Since then, the labour bureau that functions under the labour ministry has been surveying eight key sectors of textiles, automobiles, leather, metals, gems and jewellery, transport, information technology (IT)/business process outsourcing (BPO), and handloom/powerloom sectors.

In April-June 2015, textiles sector jobs decreased by 17,000 and automobile industry jobs by 18,000. Similarly, IT/BPO sector jobs went down by 5,000, handloom jobs by 6,000, gems and jewellery by 3,000 and transport jobs by 2,000, according to the 26th quarterly survey.

The metal sector did not add any new jobs and the leather sector created 8,000 new jobs.

What is surprising is employment in the textiles and IT/BPO sectors, which has been the lead job creators in the past one year, slumped in April-June, reported on 9 December.

According to Sandeep Kanwar, chief executive officer at Gurgaon-based business consultancy firm Paradigm Business Advisory, job creation, an outcome of new projects and investments, and economic growth move in tandem.

“Big manufacturing industry promoters are waiting to get a clearer picture on GST (goods and services tax) after which more investment will happen. Since, projects and investments are on hold, job creation is sluggish in the export- and manufacturing-oriented companies,” said Kanwar. Scientific

advancement in healthcare has allowed human beings to double their life spans and effectively address lethal diseases such as malaria, cholera and the plague that have in the past wiped out entire civilizations. While there is no disagreement among policymakers on the importance of healthcare, a key area of debate relates to the relative role of the government and the market in the provision and financing of healthcare.

The position of the market purist is that since people can buy all the services that they want, the invisible hand of the market will produce the best possible outcomes. If some people do not have enough money, the purist would argue that the government needs only to tax the rich and transfer cash to the poor so that they too are able to freely participate in the market for healthcare services. In their view, any other intervention using the heavy hand of the government will only serve to make everybody less happy than they could have been if they were left alone.

Early on, it becomes clear that markets, however well-functioning, do not by design have the ability to provide public goods such as a well-functioning legal system or a pest control programme, which have the general characteristic that it is not possible to deny access to individuals who choose not to pay for them and whose consumption by one does not reduce its availability for another.

As a result, even market purists modified their original position to also include the financing and provision of public goods as a legitimate part of government intervention in the economy. In the context of healthcare, this meant that the provision of services, such as good pest control, sewerage systems, and water purification systems, could be included within the purview of government health expenditures over and beyond cash transfers to low-income families. However, the purists forgot that for the market to work even for other types of goods, a number of conditions need to be satisfied. Most notably, consumers must have the knowledge and the state of mind to be able to make informed choices, have consumer sovereignty and not let others affect their preferences easily, have the time and resources to shop for alternatives, and those choices exist in the market. It does not take an Economics PhD to figure out that many of these conditions are not satisfied in most situations related to healthcare. Besides, how often are prices and quality known, before patients have to make their choices? Further, recent studies have shown we as human beings do not worry about the future as much as we rationally should (hyperbolic preferences) and that we are unable to fully comprehend both, our own health status, particularly in the context of non-acute diseases, such as diabetes and high blood pressure, and the complex advances in the science of healthcare, which even as we speak, continue to happen at a faster and faster pace.

We all know that despite being in the best of health, there is a possibility that any one of us could have a serious accident or have a mutation in our genes resulting in cancer. Medical science knows how to treat these rare diseases but the treatments are very expensive and can lead to catastrophic levels of expenditures for families. The mechanism of health insurance offers an obvious market-based solution. In some cases, a health insurance agency might also play a role to fill the knowledge gap between the provider and the patient.

The purist view is that since such a solution is available and individuals are free to purchase it, no intervention by the government is necessary. However, because as human beings we characteristically undervalue insurance when we are healthy, there is an inadequate demand for such voluntary insurance. And, even if people demanded it, the market worked against them because insurers worked hard to exclude those who needed insurance the most.

A view, therefore, began to gain currency that the government needed to intervene either to require that everybody buy such insurance or to use some of its tax resources to do this for the poor instead of handing over the amount to them as direct cash benefit transfers. However, while this does address some of the problems, it does not by itself result in a good health system design without the benefit of several other complementary interventions which change the manner in which healthcare is purchased and how providers are paid. And, don't forget, the invisible hand works only in so far as price serves as the signal to direct resource allocation. For that to happen, the price has to be set at or near the cost of production.

Unfortunately, asymmetry of information between providers and patients give providers significant monopoly power, if left unregulated, to set prices way above cost. Further, providers have the ability to influence patient preferences by recommending them more quantity and more intensive treatment than clinically justified (supplier induced demand), leading to waste and inefficiency, and ultimately, they are paid for by the patients. Governments have every role and responsibility to set the right price for both providers and consumers in these situations.

Given all of these features of healthcare, it is now clear to all countries, including almost entirely free-market based economies such as the US, that policymaking based on a simplistic understanding of the role of the government and that of the functioning of markets is likely to lead countries seriously astray and result in equilibria that are neither efficient nor welfare maximizing.

However, it is not the case that the only alternatives to market fundamentalism are full financing of the healthcare system from general tax revenues or the full provision of all healthcare by the government. Each country and, for large countries like India and China, each region within a country, would have to

carefully think through its unique situation and find answers to these complex questions in a manner that best suits its environment, culture and resources. It is gratifying to observe that countries as different as the Philippines, Ghana, Thailand, Indonesia, Kenya and Kazakhstan have started down this journey and are in the process of putting in place the pillars of a sound health system, which combine the role of the government and the free market in a thoughtful way.

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