INDIA'S TRADE NEWS AND VIEWS

1 August to 15 August 2013

Exports up by 11.6% in July, highest rate in almost 2 years
In a rare bright spot in an otherwise struggling economy, exports grew by 11.64 per cent in July, the most in nearly two years, while imports dipped by 6.2 per cent…

India has trade deficit with 80 countries: Anand Sharma
India had trade deficit with as many as 80 countries, including China, Australia and Iraq, in 2012-13, Parliament was informed today…

CAD pressure: Import duty on gold, silver hiked to 10%
The government announced yet another increase in the import duty on gold to a record 10 per cent and a hike in the excise duty on the yellow metal, in continuing efforts to choke demand for gold…

India unveils new steps to prop up troubled rupee
India unveiled additional measures aimed at attracting capital inflows to a weak economy and to control a wide current account deficit…

MEA asks commerce ministry to review FTAs, delay talks
The Ministry of External Affairs (MEA) had asked the Ministry of Commerce and Industry to review some of the key free trade agreements that India signed with Singapore, Japan, South Korea and Asean…

EU trade pact: India may suggest compromise deal on insurance
India may suggest a compromise formula on insurance to the EU for inclusion in the proposed bilateral Free Trade Agreement in case there is further delay in getting Parliament's approval for Insurance Bill…

SAFTA states agree on identifying, classifying non-tariff measures
South Asian countries on Thursday agreed to identify and classify non-tariff measures (NTMs) under four broader categories…

Australia to host second round of RCEP talks in September
The second round of negotiations for the Regional Comprehensive Economic Partnership, a mega trade agreement comprising 16 countries including India and China, is scheduled to take place in Australia…

Getting MFN status from Pakistan not priority for now: Khurshid
External Affairs Minister Salman Khurshid said securing 'most-favoured nation' (MFN) trade status from Pakistan wasn't a priority, unless ceasefire violations across the LoC were stopped…

A purpose for BRICS
At their fifth annual summit in April, the leaders of the BRICS nations - Brazil, Russia, India, China and South Africa - said they would build their own development bank. But the meeting was thin on details…

US lawmakers seek probe into India's trade policy
In an extraordinary step, a bipartisan group of influential US lawmakers from both the Senate & the House of Representatives have sought a "fact-finding investigation" into India's trade & industrial policies…

Scrutinising WTO compatibility of US immigration Bill: Khurshid
Minister of External Affairs Salman Khurshid told the Lok Sabha in a statement the Centre was examining whether the proposed US immigration Bill was compatible under WTO norms…

US to hike fees for generic drugmakers, Indian firms to be hit
Many Indian drugmakers will soon have to bear higher costs for sale of products in American markets, as the US health regulator FDA is hiking the fees for generic drugmakers by up to 48% from October…

GlaxoSmithKline loses cancer drug patent in India
MNCs, which often complain about India's stringent patent regime, have finally started using law to their own benefit...

High price may trip India's move to export 2 million tonnes wheat
The Government may find it difficult to sell two million tonnes (mt) of wheat to overseas buyers at a floor price of $300 a tonne…

Onion prices make people cry, Delhi wants export ban

The prices of onions and vegetables, which have already sent the budgets of many homes in the national capital haywire, are expected to go sky high, vegetable vendors said here…

Coffee exports fall 4% in Jan-July to 0.22 mn tonnes

India's coffee exports have declined four per cent to 217,492 tonnes between January and July…

Cotton Corp allowed to export

For this cotton season (October-September) of 2012-13, the Centre has allowed exports by the Cotton Corporation of India (CCI)…

Apparel exports grow 12.13% in June

Apparel exports grew 12.13% in dollar terms and 16.87% in rupee terms in June to $1.240 billion and Rs7,239 crore, respectively…

Steel import norms eased

Aiming to give a push to the infrastructure sector, the government today allowed imports of steel for major industrial projects without quality certification…

Plan panel calls for restricting iron ore export

Stopping short of recommending a ban, the Planning Commission has asked the government to impose "quantitative restrictions" on exports of iron ore from the country…

U.N. Report Highlights Non-Tariff Barriers to Trade, Impacts on Developing Countries

The ability of countries to navigate and gain access to markets is growing increasingly difficult and complex amid the proliferation of non-tariff rules and regulations, according to a report by UNCTAD…

WTO, World Bank to Develop Services Trade Database

The World Bank and the WTO have agreed to jointly develop and maintain a database on trade in services, an area that is becoming increasingly important…

Solar issues at WTO: India treading cautiously this time

'Once bitten, twice shy', the Commerce Department wants to avoid fresh troubles at the World Trade Organization vis-à-vis India's solar energy projects…

Fact Sheet: India's Food Security Bill

Aim: The primary objective of the bill is to guarantee cheap food grain to nearly 70% of India's 1.2 billion people. The broader aim is to alleviate chronic hunger and poverty in India…

India to WTO: Enhance trade transparency, Customs cooperation

India has proposed that the Trade Facilitation Agreement being negotiated at the World Trade Organization should make it mandatory for Customs authorities to give exporters the option of taking back rejected consignments before destroying them…

Incoming WTO chief optimistic about Doha Round relaunch

Roberto Azevedo, the World Trade Organization (WTO)'s incoming chief, expressed optimism over relaunching the Doha Round talks…

Centre for WTO Studies, 7th Floor, IIFT Bhawan, B-21, Qutab Institutional Area, New Delhi - 110016
Tel: 91-11-26965124, 26965300, 26966360 Ext-725,710 Fax: 91-11-26853956 Email: cws@iift.ac.in
The Centre for WTO Studies was set up by the Department of Commerce, Government of India in 1999. The intent was to create an independent think tank with interest in trade in general and the WTO in particular. The Centre has been a part of the Indian Institute of Foreign Trade since November 2002. The Centre provides research and analytical support, and allied inputs to the Government for WTO and other trade negotiations. The Centre also has its own body of publications, and conducts outreach and capacity building programmes by organizing seminars, workshops, and subject specific meetings to disseminate its work, create awareness on recent trade topics and build consensus between stakeholders and policy makers.

Exports up by 11.6% in July, highest rate in almost 2 years
PTI

New Delhi, 12 August 2013: In a rare bright spot in an otherwise struggling economy, exports grew by 11.64 per cent in July, the most in nearly two years, while imports dipped by 6.2 per cent.

The trade deficit was unchanged from $12.2 billion in June, putting pressure on the current account deficit and the fluctuating rupee.

While exports soared to $25.83 billion in July, imports declined to $38.1 billion.

Gold and silver imports, which dipped by 34 per cent to $2.9 billion in July from $4.4 billion in the same period last year, helped to maintain the trade deficit at the June level.

Commerce Secretary S R Rao expressed hope that recently announced incentives, including a hike in the rate of interest subsidy, would help shipments to grow in the coming months.

"We do hope that these measures would help us in improving our export target performance in the coming months...Continuing interest in Africa, Latin America, Asean and Far East regions should be helping us (in increasing exports)," he told reporters here.

He said the country's exports should be "slightly" better than the previous fiscal when it touched $300.6 billion.

During April-July, exports grew by 1.72 per cent to $98.2 billion. Imports increased by 2.82 per cent to $160.7 billion during the period. The trade deficit during the first four months of this fiscal stood at $62.4 billion.

In May and June, shipments were in negative zone. In September 2011, exports were up by over 35 per cent.

India's economic growth fell to a decade's low of 5 per cent in fiscal 2012-13. The CAD touched a historic high of 4.8 per cent of GDP in 2012-13, mainly on account of import of gold and petroleum products. The rupee touched an all time low of 61.81 against the dollar last week.

[Back to top]

India has trade deficit with 80 countries: Anand Sharma
PTI

New Delhi, 5 August 2013: India had trade deficit with as many as 80 countries, including China, Australia and Iraq, in 2012-13, Parliament was informed today.

"India has a trade deficit with 80 countries in 2012-13. Top ten countries are China, Switzerland, Saudi Arabia, Iraq, Kuwait, Qatar, Venezuela, Nigeria, Australia, and Indonesia," Commerce and Industry Minister Anand Sharma said in a written reply to the Lok Sabha.

"Contribution of trade deficit of these ten countries to our trade deficit is 76.5 per cent," he said.

India's exports during 2012-13 stood at USD 300.3 billion, while imports aggregated at USD 491.9 billion. Trade deficit stood at USD 191.6 billion.

He said that the global economic crisis, the sovereign debt crisis in Europe and the slowdown in developed economies have adversely impacted demand for India's exports.

"The international prices of petroleum, fertilisers, gold, edible oil have increased. Their demand has also increased. These lead to a higher value of imports. As a result, the trade deficit has increased," he added.

Sharma said that the government has received various representations from trade bodies to give impetus to exports.

"Several steps have been taken to reduce trade deficit by imposing restrictions on import of gold," he added.

The government has recently announced to enhance rate of interest subsidy to 3 per cent from 2 per cent.

[Back to top]

CAD pressure: Import duty on gold, silver hiked to 10%
ENS Economic Bureau

New Delhi, 14 August 2013: The government announced yet another increase in the import duty on gold to a record 10 per cent and a hike in the excise duty on the yellow metal, in continuing efforts to choke demand for gold and help rein in the current account deficit.

Import duty on refined gold bars will now be 10 per cent compared to 8 per cent earlier, the third hike in the last eight months, while excise duty on gold bars will be 9 per cent against 7 per cent earlier. The government also raised on Tuesday the import duty on silver and platinum to 10 per cent, up from 6 per cent and 8 per cent respectively, revenue secretary Sumit Bose said.

With today's decision, while the government hopes to generate an additional revenue of Rs 4,830 crore, the price of gold is expected to go up as much as Rs 600 per 10 grams, according to bullion traders. It is expected that the move will bring down the import of the yellow metal, which rose from 205 metric tonnes in the April-July 2012-13 period to 383 metric tonnes during the same period in the current fiscal, registering 87 per cent jump. "Consequential adjustments in customs duties are being made on gold ore/concentrate, gold dore bar and silver dore bar. Thus, additional duty of customs (CVD) on gold dore bars and on gold ore/concentrate is being increased from 6 per cent to 8 per cent and on silver dore bar from 3 per cent to 7 per cent," Bose said.

Excise duty on silver it was hiked from 4 per cent to 8 per cent. Notifications regarding the duty hikes were laid in Parliament today.

Finance minister P Chidambaram had on Monday announced that steps would be taken to compress the demand of precious metals, oil and non-essential goods to contain CAD at $70 billion or 3.7 per cent of GDP in 2013-14. The CAD was $88.2 billion, 4.8 per cent of GDP, last fiscal. High CAD has hurt the rupee badly, making it the worst performing currency in Asia. The rupee had slipped to 61.80 to a dollar earlier in the month. Rupee closed at 61.19 a dollar on Tuesday.

Bullion traders said that though the move will help in reducing CAD by lowering demand for gold, a spurt in smuggling will follow. "The only fear is that this may make gold smuggling attractive again. Silver duty too has gone up but the absolute numbers are relatively small," Jayant Manglik, president retail distribution, Religare Securities Limited, said.

All the same, even though the duty hike coupled with rupee depreciation will make gold costlier, investors are likely to invest more in jewellery than bars with festive season around the corner, Reena Rohit, chief manager currencies and commodities, Angel Broking, said. In the long run, the dampening effect on domestic bullion market would be visible, she added.

India imported 845 metric tonnes gold in 2012-13, valued at Rs 2, 45,862 crore while the import of silver during the period was 1,963 metric tonnes valued at Rs 10,691 crore.

Worried over the yawning deficit in current account due to high import of gold and oil and falling exports, the government had raised import duty on standard gold to 8 per cent in June with a view to curb demand.

[Back to top]

India unveils new steps to prop up troubled rupee
Reuters

New Delhi, 12 August 2013: India unveiled additional measures late on Monday aimed at attracting capital inflows to a weak economy and to control a wide current account deficit that has contributed to a decline of some 12 percent by the rupee against the dollar since May.

Finance Minister P. Chidambaram said the measures will help contain the deficit at $70 billion for the fiscal year ending in March, or an estimated 3.7 percent of gross domestic product, well below the record 4.8 percent in the previous fiscal year.

He said the steps will bring in a total of $11 billion this fiscal year, pushing up his estimate of capital inflows for the year to $75 billion.

Following are the measures as announced by Chidambaram:

Gold

The government is looking to contain gold imports at 850 tonnes this fiscal year, after imports of 950 tonnes last year. This is likely to lower the import bill by $4 billion, he said.

Oil From Iran

The government is aiming to cut the oil import bill by $1.5 billion this fiscal year. It is also looking for ways to boost oil imports from Iran, which will result in dollar savings.

Sovereign Wealth Funds

Sovereign wealth funds (SWFs) will be allowed to invest in tax-free bonds floated by state-run infrastructure finance companies. The government has earmarked 30 percent of these bonds specifically for investment by SWFs.

Quasi-Sovereign Bonds

Indian Railway Finance Corp. Ltd. (IRFC), Power Finance Corp. (PFC) and India Infrastructure Finance Company Ltd. (IIFCL) will raise $4 billion from overseas via quasi-sovereign bonds to finance long term infrastructure. IRFC will raise $1 billion. PFC and IIFCL will raise $1.5 billion each, he said.

Import Restrictions

The government aims to reduce imports of non-essential import items such as fridges and TVs. Tariff notifications to reduce imports of these items are likely to be brought before parliament as early as Tuesday. Chidambaram expects some dollar savings from these tariff restrictions.

Overseas Corporate Borrowing

The Reserve Bank of India is expected to issue a circular by Tuesday to relax guidelines on borrowing by companies from overseas money markets, known as external commercial borrowing. Chidambaram says the relaxed guidelines will likely bring in extra $2 billion this fiscal year.

-Under the new guidelines, subsidiaries of multi-national companies in India will be allowed to raise money from their parent companies.
-Maintenance, repair, and operations facilities will be deemed a part of airport infrastructure.
-The government is talking to a number of private sector companies who have plans to raise money abroad.

Oil Company Finance

State-run oil companies will raise additional funds from offshore money markets and trade finance. This will fetch an extra $4 billion. Indian Oil (IOC) will raise $1.7 billion. Bharat Petroleum (BPCL) and Hindustan Petroleum (HPCL) will raise $1 billion each. An additional $250 billion will come from trade finance.

NRI *Deposits*

The Reserve bank of India will likely issue a circular about liberalizing deposit schemes for non-resident Indians by Tuesday. Chidambaram says this will likely bring in $1 billion.

-Under the new guidelines, incremental flows of deposits into Non-Resident Rupee Account Scheme (NRE)/Foreign Currency Account Scheme (FCNR) will be exempt from cash reserve ratio and statutory liquidity ratio requirements.
-Incremental flows will also be exempt from priority sector lending requirements.
-In FCNR (B) Accounts, interest rate will be deregulated on deposits with maturity of 3 years or more.

[Back to top]

MEA asks commerce ministry to review FTAs, delay talks
Nayanima Basu, Business Standard

New Delhi, 14 August 2013: The Ministry of External Affairs (MEA) had asked the Ministry of Commerce and Industry to review some of the key free trade agreements (FTAs) that India signed with Singapore, Japan, South Korea and the Association of Southeast Asian Nations (Asean), sources said, as India had failed to achieve the main objective of leveraging the services sector.

The MEA has also urged the commerce ministry to slow the pace of its negotiations for similar deals with Thailand, New Zealand and Canada, among others.

Ironically, it was the MEA which had spearheaded the signing of FTAs in an effort to promote economic diplomacy. India signed a number of agreements after talks for a global trade deal under the Doha Round failed to make any headway. Also, India had always been keen to gain greater market access for its professionals in the services sectors of various countries. This is because with India's stagnating manufacturing sector, it was not able to gain competitiveness in the export of high-end products.

However, in an effort to get more access under services trade in terms of greater movement of professionals such as doctors, nurses, accountants and teachers, India has received some "odd demands from other countries," according to a senior MEA official.

For example, under the proposed FTA with Thailand, it has demanded the opening of massage parlours and spas here because that is the country's main revenue earner. This has turned out to be one of the main stumbling blocks in the negotiations.

India had been in talks with Thailand to have an FTA since 2004, when both sides launched the 'Early Harvest Scheme' under which they have already abolished duties on 82 items.

On the other hand, the FTA route has also not helped India in augmenting its exports. Ironically, it is having large trade deficits with countries with which it has such agreements.

In 2011, India's trade in goods with its FTA partners was about 39 per cent of its total trade. This figure has not registered much change since 2006, according to CUTS- a Jaipur based think tank.

India is running a huge trade deficit with Japan even though both have signed a comprehensive economic partnership agreement (CEPA).

India's trade deficit with Japan was $3.6 billion in 2010-11 before the CEPA was implemented and it almost doubled in 2012-13 to $6.3 billion. Its exports to Japan in 2012-13 was $6.26 billion compared with imports of $12.50 billion.

In 2012-13, the country's total exports stood at $300.60 billion, down 1.76 per cent from 2011-12. The FTAs did not prove to be helpful in arresting the fall in exports with a slowdown of demand globally and the government was forced to revise the export target for this financial year to $350 billion from $500 billion earlier.

India is currently negotiating bilateral trade deals with the European Union, Canada, Israel, Australia, New Zealand, Africa and Chile.

[Back to top]

EU trade pact: India may suggest compromise deal on insurance
Amiti Sen, Business Line (The Hindu)

New Delhi, 7 August 2013: India may suggest a compromise formula on insurance to the EU for inclusion in the proposed bilateral Free Trade Agreement in case there is a further delay in getting Parliament's approval for the Insurance Bill. The Bill seeks to increase foreign direct investment cap in the sector to 49 per cent from the present 26 per cent.

Since the EU is insistent on including the insurance sector in the FTA, India could try to convince it to agree to a transitionary text which would commit both sides to engage on the issue once the Insurance Bill becomes an Act, a Commerce Department official told *Business Line*.

"If there are certain areas, like insurance and Government procurement, where things are stuck in Parliament, the deal need not get stuck because of it. We could have provisions within the FTA that would commit both sides to hold fruitful negotiations in nominated areas once the legislations get passed," the official said.

Although the UPA Government wants to place the pending Insurance Bill before Parliament during the on-going session, a belligerent BJP may make things difficult.

India and the EU are in the last round of negotiating an ambitious free trade agreement officially known as the Broad-based Trade & Investment Agreement. Once implemented, it would bring down tariffs on majority of industrial and farm goods traded between the two countries, open up the services sector and liberalise rules in a number of other areas like Government procurement.

The last mile negotiations are, however, proving to be the toughest with both sides refusing to budge from their stated position in a handful of areas stalling the talks.

While the EU does not want an agreement that does not include substantial liberalisation of insurance and Government procurement sectors, India has dug its heels over its condition that it be declared as a data secure country and that the commitments in opening up the services sector shouldn't come with stiff safeguards.

[Back to top]

SAFTA states agree on identifying, classifying non-tariff measures
Ashok Thapa, The Katmandu Post

Kathmandu, 2 August 2013: South Asian countries on Thursday agreed to identify and classify non-tariff measures (NTMs) under four broader categories.

With most of the member countries facing the same type of non-tariff measures, the meeting agreed to include all those barriers and make consorted actions to curb them.

The categories include infrastructure (related to transit and transportation), procedural (related to documents and export licensing and customs process), standardisation (related to labs and certifications) and Para Tariff Measures (PTMs). A special meeting of the Committee of Experts on NTMs and PTMs under the South Asian Free Trade Agreement (SAFTA) also agreed to hire a consultant to classify the NTMs. "The report presented by the consultant will enable us to see the real situation of NTMs-how much have they hindered the trade and how could they be solved," said Jib Raj Koirala who led the Nepali side at the meeting.

At the meeting, representatives from all member countries realised the need of customs reform, improvement of trade infrastructure, removal of visa barrier for business people, simplification in movement of goods as well as vehicles, and improved facilities for warehousing of trade goods to pave the way for greater trade within the region.

Koirala said Nepal, India, Pakistan and Bangladesh, which are considered dominant SAFTA countries in carrying out intra-regional exports, have pointed out similar nature of NTM-related notifications.

Other countries, Bhutan, Maldives, Afghanistan and Sri Lanka, however, did not report on specific types of non-tariff barriers as they have a meagre share in intra-regional exports.

Rameshor Pokharel, another Nepali representative at the meeting, said the meeting also agreed to make sure if the existing NTMs are compatible with the World Trade Organization (WTO) norms. "We are talking about a longer list of NTMs, but they might not be compatible to the WTO provisions," he said. "If such NTMs are found, they should be directly eliminated without further delay." He said the SAARC Secretariat will carry a study in this regard.

The meeting also agreed that the member countries would begin preparations to form a dispute settlement body. "At present, there is nobody to resolve the differences occurred in the process of intra-regional trade," said Pokharel, who is also the under secretary at the Ministry of Commerce and Supplies.

The agreements reached during the meeting, however, are not meant for direct implementation. The recommendations will be forwarded to the meeting of SAARC Ministerial Council and SAARC Expert Group to be held in Sri Lanka from August 21-23 for endorsement.

Stakeholders, however, said there is nothing new in the agreements. Trade expert Posh Raj Pandey termed the agreements "collective delay tactics". He said as the SAFTA already has aimed at abolishing the NTMs, the meeting was not supposed to forge the agreements on the same issue. "The meeting was supposed to come up with concrete actions that could immediately be implemented." He said the process of forwarding the agreements to the SAARC Ministerial Council and SAARC Expert Group meeting, and conducting the study would take more than two years at minimum.

[Back to top]

Australia to host second round of RCEP talks in September
PTI

New Delhi, 31 July 2013: The second round of negotiations for the Regional Comprehensive Economic Partnership, a mega trade agreement comprising 16 countries including India and China, is scheduled to take place in Australia in September.

During the East Asian Summit in Phnom Penh last year, leaders announced the launch of negotiations for Regional Comprehensive Economic Partnership (RCEP). The RCEP comprises China, India, Australia, New Zealand, Japan and South Korea, apart from the 10-member Asean.

"The negotiators already had one round and the second round of negotiations is scheduled in Australia in September," Commerce and Industry Minister Anand Sharma said here at CII's Asian Business Summit.

If implemented, it would be one of the most significant free trading blocs in the world.

Sharma said time has come for greater economic integration and cooperation as "greater regional cooperation is the reality of today's world".

CEOs and representatives of 15 top industry chambers from 12 Asian countries - China, Indonesia, India, Japan, Korea, Malaysia, Myanmar, Philippines, Singapore, Thailand, Vietnam and Taiwan - are participating in the Summit.

Replying to a question asked by a Representative from Indonesia on coal issue, Sharma said the government is in favour of long term supply agreements. "...we as the government are in favour of long term supply or purchase agreement and we would be encouraging and supportive of a public sector company, that this would be surely beneficial if there is both predictability and stability about the supply," he said.

On India-China bilateral trade, he said although the two-way commerce is healthy but it is mainly in favour of China, which is a "concern". He asked China to provide greater market access to Indian companies mainly in IT and pharmaceutical sectors.

He also sought Chinese investments in the proposed national investment and manufacturing zones (NIMZs). "We are moving at a good pace on NIMZs and that is where the opportunity lies... we have raised concerns on balanced trade. Huge trade deficit with China (about $40 billion) is not healthy at all and not conducive for trade," he said, adding in the next joint economic group meeting, all these matters would be discussed.

Further, he also said that IT investment region in Bengaluru would get all the benefits of NIMZs.

To promote manufacturing in the country, the government has proposed setting up NIMZs with a host of benefits, including exemption from capital gains tax.

[Back to top]

Getting MFN status from Pakistan not priority for now: Khurshid
Nayanima Basu, Business Standard

New Delhi, 14 August 2013: External Affairs Minister Salman Khurshid on Tuesday said securing 'most-favoured nation' (MFN) trade status from Pakistan wasn't a priority, unless ceasefire violations across the Line of Control (LoC) were stopped. He added India was in a state of "shock and anger" over the killing of Indian soldiers at the border with Pakistan.

"I am not saying MFN or trade has taken a backseat. There are other priorities today. Let us address those. There has to be peace and tranquility at the Line of Control. Reports emanating from the border every day are extremely distressing. It's no time for me to sound insensitive and start talking on issues other than the priorities that there must be safety and security for our citizens, that the ceasefire should not be violated and that we should have the satisfaction in which we can consider different dimensions of the dialogue process (with Pakistan)," Khurshid told Business Standard on the sidelines of a CUTS event here.

The minister's words come a day after Pakistan finance minister Ishaq Dar said there were no immediate plans to grant MFN status to India. Recently, the process of normalising trade relations between the two neighbours came to a complete halt, after India accused the Pakistani army of killing five Indian soldiers near the LoC last week. This was followed by a number of ceasefire violations.

Khurshid said last year, the Pakistan government had taken a decision on granting MFN status to India, but the new government led by Prime Minister Nawaz Sharif hadn't taken a decision on the matter yet. India had granted MFN status to Pakistan in 1996.

"This is not something that has one-way benefit to India. This will benefit their businessmen as well. So, they must convince their own businessmen that it's good for them. Right now, as you can see, there are more important things to attend to than MFN. There is a sense of disappointment and anger. The air needs to be cleared before we can start talking on other issues. There are many things that are half done, which are in the pipeline. Today is not the day. I think we first need to get back to normal. There are steps needed to be taken on Pakistan's side, before we can start addressing these issues," Khurshid said.

On the proposed talks between Prime Minister Manmohan Singh and Sharif on the sidelines of the United Nations meeting in New York next month, Khurshid said he had no idea whether the meeting would take place or not.

"I am not going to talk about it today. As I said, the priority is first ceasefire violations must stop. It is important we get peace and tranquility on the border. This is the highest priority. We have lost men on the border. We are still in a state of shock and in a state of grieving. We have no time to talk about what might happen in the future. When the time comes, I am sure that will be addressed. We are doing all we deem fit at the diplomatic level."

In January, trade talks between the two countries were hit when an incident of beheading of Indian soldiers near the LoC came to light. In February, an Indian soldier was killed in an exchange of gunfire at the border. However, business communities from both sides decided to carry the dialogue on trade and investment forward. The fact that a new government came to power in Pakistan led to optimism trade talks would be back on track, despite no concrete assurance on MFN status.

Congress leader Abhishek M Singhvi, who was present at the CUTS event, said India should stop lamenting on the fact that Pakistan hadn't granted India MFN status yet. Instead, it should make it imperative for Pakistan to grant the status by strengthening business ties with other Asian countries, he added.

Syed Akbaruddin, spokesperson in the ministry of external affairs, said it was natural for bilateral ties to be affected after the LoC incident.

[Back to top]

A purpose for BRICS
Jim ONeill, Business Standard

7 August 2013: At their fifth annual summit in April, the leaders of the BRICS nations - Brazil, Russia, India, China and South Africa - said they would build their own development bank. But the meeting was thin on details: No announcement about where the new bank would have its headquarters or how the institution would be funded. The vagueness suggests the new bank's true purpose hasn't been worked out. In a way, that's understandable, because the BRICS grouping is unusual. Even so, for this venture to succeed, the new bank will need a clear rationale.

One of the main reasons it has been difficult for them to cooperate is simply that they aren't much alike. Four of the five (the BRIC part of the group) are the world's largest emerging economies. Even this isn't much of a similarity, though: China is bigger than all the others put together. Its growth in effect creates a new India every couple of years, or a new South Africa every few months.

Putting size to one side, what else do they have in common? Not that much. Brazil, India and South Africa are democracies; China and Russia aren't. China and India are major commodity importers; Brazil, Russia and South Africa are major commodity exporters.

They also have very different levels of income and wealth. Russia's annual per capita income, adjusted for purchasing-power parity, is about $24,000; on the same basis, Brazil, China and South Africa have incomes of between $9,000 and $12,000; India is much poorer, at about $4,000.

I'm constantly reading that one country or another doesn't belong in the BRICS group. Having come up with the idea in the first place, I don't know whether to be amused or annoyed. The fact is, it's easy to make a case for excluding each one.

As time goes by, I see China as the real odd man out - not just because of its size but also because, despite the recent slowdown, it's the only one that so far this decade has met my expectations for growth.

In economic terms, South Africa really doesn't belong either - but the BRICS are a political grouping, not just an economic one. The membership requirement, you might say, is a compelling combination of economic potential and geopolitical weight. What's well worth debating, though, is whether the decision to set up a BRICS bank gives South Africa's leaders a new chance to explain its presence and make it count.

I ask myself why China is even interested in a bank - remembering that it already has the China Development Bank, which funds overseas investments judged by Beijing to be in China's economic or geopolitical interests. Here's my theory: China's leaders may see a BRICS bank as a low-risk rehearsal for the role they are fated to play, in due course, at the IMF and the World Bank and maybe even at the United Nations.

What's South Africa's purpose? Some of its policy makers tell me they aspire to act as go-between for the BRIC countries on one side and Africa - or least sub-Saharan Africa - on the other. That's fine, but they should be a bit more specific. South Africa has a well-developed financial sector, and the expertise and experience that go with it. Why not use this strength to fashion a role in drawing project-development money to the many needy countries to their north?

If they fail to do this, you can bet that other rapidly growing African countries, such as Nigeria (which before much longer will have a bigger economy than South Africa), will decide that the BRICS bank does little for them, and that South Africa can't serve as their BRICS representative.

So much for the motives of China and South Africa. For the group as a whole, the recent turmoil in Brazil, Turkey and other emerging economies suggests - or ought to - what the larger missing rationale should be.

The reasons for the protests in so many emerging economies are complex, of course, and differ from case to case, but I see two common factors. One: Fast-growing emerging economies have rapidly expanding middle classes. These people have gained from economic growth and are anxious to have more of the same. Two: This new middle class sees governments wasting public money on pet projects. They want investment in things that will make them proud and more prosperous, and that will keep up the attack on poverty.

How should governments respond? For many years at Goldman Sachs, I followed scores calculated by our research department for each of the emerging economies: A system of 18 variables that aimed to measure sustainable growth. For many large emerging economies, three areas stood out as vital for success.

First, governance - meaning better government as opposed to more. Second, education, including at the most basic levels. Third, access to modern technology. Governments that raise all three of these scores give their countries the best chance of escaping once and for all from the so-called middle-income trap.

So I have a suggestion for the new bank, once it's up and running. Set country-by-country targets for improving performance on each of these three measures over agreed periods. Make these scores the organising principle, and use them to guide capital allocation. If a BRICS development bank adopted a rationale such as this, used it to focus minds and then followed through with its decisions, it could do its members, and others as well, a power of good.

[Back to top]

US lawmakers seek probe into India’s trade policy
PTI

Washington, 4 August 2013: In an extraordinary step, a bipartisan group of influential US lawmakers from both the Senate and the House of Representatives have sought a "fact-finding investigation" into India's trade and industrial policies.

Noting in a letter that American exports to India are low given the size of its market, Congressional leaders asked the US International Trade Commission (ITC) to detail policies India has in place that restrict trade and violate intellectual property rights, as well as the effect they have on US exports, businesses and jobs.

The USITC has been asked to submit a report by November 30, 2014.

"We are writing to request that the Commission conduct an investigation regarding Indian industrial policies that discriminate against US imports and investment for the sake of supporting Indian domestic industries, and the effect that those barriers have on the US economy and US jobs," lawmakers wrote in a letter to Irving A Williamson, chairman, USITC.

The investigation allows the US government to better understand specific international trade issues and develop appropriate responses to address them.

"This investigation is completely warranted given India's systematic disregard for intellectual property protection standards," said Mark Elliot, co-chair of Alliance for Fair Trade with India (AFTI) executive vice president, Global Intellectual Property Center, US Chamber of Commerce.

Congressmen asked the Commission to provide an overview of trends and policies in India affecting trade and foreign direct investment in that country's agriculture, manufacturing and service sectors, as well as the overall business environment.

Following the letter, USITC will make detailed inquiries and will ultimately present a final report to the requesting committees.

[Back to top]

Scrutinising WTO compatibility of US immigration Bill: Khurshid
Business Standard

New Delhi, 8 August 2013**:** Minister of External Affairs Salman Khurshid on Wednesday told the Lok Sabha in a statement the Centre was examining whether the proposed US immigration Bill was compatible under World Trade Organization (WTO) norms, hinting at the possibility of taking up the matter at the organisation's disputes settlement body.

"The government is examining the Senate Bill with regard to its WTO compatibility. However, the matter can only be taken up before the WTO disputes settlement body once the Senate Bill becomes law," Khurshid said.

He also said while the proposed Bill would not affect Indian students planning for higher studies in that country, the Indian information technology firms had raised some concerns over some provisions related to "skilled non-immigrant visas. If brought into force, those provisions may place more onerous requirements on H1-B and L-1visa dependent firms, including higher wages, enhanced audit by US agencies, non-displacement guarantee/additional recruitment notice requirements and higher visa fees."

[Back to top]

US to hike fees for generic drugmakers, Indian firms to be hit
PTI

Washington, 11 August 2013: Many Indian drugmakers will soon have to bear higher costs for sale of products in American markets, as the US health regulator FDA is hiking the fees for generic drugmakers by up to 48 per cent from October.

India is the second largest drug exporter to the US, according to the Food and Drug Administration (FDA).

Indian drugmakers mostly specialise in manufacturing of generic versions of innovative drugs at a fraction of cost after their patent expiry and are estimated to command 10 per cent share in the USD 30-billion US generic drug market.

The US regulations require the companies to pay user fees to supplement the costs of reviewing generic drug applications and inspecting facilities.

However, the FDA's proposed hike in fees for generic drugmakers is expected to push up the overall costs for companies from India and other countries, including US itself.

The FDA said it is aware that industry is adjusting to the new requirements and fees, and it has minimised the increase in fees "as much as possible".

The increased fees have been published in the Federal Register - the official journal of the US government - would be effective from October 1, 2013. The fees would be reviewed after a year.

The new Abbreviated New Drug Application (ANDA) fee has been fixed at USD 63,860, which is around 24 per cent higher than the existing USD 51,520.

An ANDA contains data which when submitted to FDA's Center for Drug Evaluation and Research, Office of Generic Drugs, provides for the review and ultimate approval of a generic drug product.

Similarly, the Prior Approval Supplement (PAS) fees for fiscal year 2014 (from October 1, 2013 to September 30, 2014) has been hiked by 24 per cent to USD 31,930. The PAS application includes change to be made to approved products.

The steepest increase has been made in Drug Master File (DMF) fees, which has been hiked by 48 per cent to USD 31,460.

A DMF submission is required to be made to the USFDA to provide detailed information about facilities, processes, or articles used in the manufacturing, processing, packaging, and storing of one or more human drugs.

The annual facility fees for finished dosage forms (FDF) have been increased by about 25 per cent. The domestic FDF facility fee has been revised to $220,152 and foreign FDF facility fee to $235,152.

However, the FDA has lowered the annual active pharmaceutical ingredient (API) fees for both domestic and foreign API facilities.

FDA says that these fees help it reduce the backlog of pending applications, cut the average time required to review generic drug applications for safety, and improve the risk-based inspections.

[Back to top]

GlaxoSmithKline loses cancer drug patent in India
Reuters

Mumbai, 3 August 2013: MNCs, which often complain about India's stringent patent regime, have finally started using law to their own benefit. On Friday, the Intellectual Property Appellate Board (IPAB) revoked the patent for UK drug major GlaxoSmithKline's (GSK) anti-cancer drug Tykerb in its salt form. The court said that the drug failed to show significant improvement in the efficacy.

The Indian subsidiary of German drugmaker Fresenius Kabi moved the IPAB challenging the patent of lapatinib and lapatinib ditosylate salt, the key ingredient in Tykerb. The IPAB upheld the patent for lapatinib, but shot down the salt version of the ingredient.

Tykerb is used in the treatment of breast cancer and costs 4,160 for 10 tablets. The IPAB used the Novartis judgement as a benchmark to quash the patent for the salt form, citing Section 3d of the Indian Patents Act 2005, which deems any incremental innovation non-patentable.

"As regards the Section 3 (d) bar, the respondent's own statements and the expert's affidavit demonstrate that this invention cannot be held to have enhanced therapeutic efficacy," the IPAB said.

"We are pleased that the Intellectual Property Appellate Board (IPAB) in India has upheld our basic patent for the lapatinib compound, the active ingredient in Tykerb," a GSK spokesperson told ET.

"We are, however, disappointed that the IPAB has revoked our expiring patent for the lapatinib ditosylate salt. This latter ruling only relates to the lapatinib ditosylate salt patent in India and does not affect our basic patent for Tykerb or corresponding patents in other countries," it further added.

GSK has said that it still believes that the patent for the salt is valid and will consider appealing the case. The patent for Tykerb is valid till 2019, the company said.

This judgement comes at a time when India's patent laws are being severely criticised by MNCs which have been thwarted in their attempts to launch their patented drugs in India by the IPAB. The board has used Section 3 (d) of the Act to declare some drugs as not meeting the standards of the Act.

[Back to top]

High price may trip India's move to export 2 million tonnes wheat
Vishwanath Kulkarni, Business Line (The Hindu)

New Delhi, 9 August 2013: The Government may find it difficult to sell two million tonnes (mt) of wheat to overseas buyers at a floor price of $300 a tonne. This is because the prevailing price for comparable wheat in the Black Sea origin countries, such as Ukraine, is about $220 a tonne, some 27 per cent lower than the Indian price.

Trade analysts feel that India's latest move to sell more wheat to overseas buyers could put further pressure on global prices, which have softened considerably in the past few months on good harvest in key wheat growing regions of Black Sea origin countries, among others.

On Thursday, the Cabinet Committee on Economic Affairs approved the export of 20 lakh tonnes of wheat from the central pool stocks of Food Corporation of India (FCI) through the State-entities such as STC, PEC and MMTC. These exports are to be completed by March 31 next year.

The Government expects that export of two million tonnes would create space for storage of fresh foodgrains in FCI godowns. Besides helping earn additional revenue, the exports would also help FCI save the storage and handling costs of about Rs 25 crore for a lakh tonne, an official statement said. However, the pricing of wheat, which is not in sync with the global markets, may pose challenges for the Government to dispose the stocks that mainly belong to the earlier crop years. "The Government could have taken advantage of the decline in rupee to dispose of the old stocks," an analyst said.

Wheat exports have slowed down in recent months, as buyers mainly from the Far-East had switched over to the cheaper grain of comparable quality from the Black Sea origin. Total wheat exports in the current fiscal, so far, are estimated at about 2 mt.

As on August 1, wheat stocks with the Government stood at 40.37 mt, more than twice the buffer norm.

[Back to top]

Onion prices make people cry, Delhi wants export ban
IANS

New Delhi, 13 August 2013**:** The prices of onions and vegetables, which have already sent the budgets of many homes in the national capital haywire, are expected to go sky high, vegetable vendors said here. The Delhi government plans to seek a ban on onion export.

The price of onions in the wholesale market Tuesday was Rs.50 a kg, but in retail stores it ranged between Rs.60-80 a kg.

"There has been poor harvest of onions this year due to rain shortage in Maharashtra. Prices of onions will continue to rise. There is inadequate stock to meet demands," Ram Dhan, a vegetable wholesaler in Azadpur Sabzi Mandi, told IANS.

Hoarding by traders is also being blamed for the rise in prices but traders denied any wrongdoing.

"There has been no hoarding by us. We are just creating stocks so that we can meet the demand and supply. If we do not create stock right now, there will be months when the onion supply would be nil," said Mahendra Khuranna, owner of Jagriti Agro, a fruit and vegetable wholesaler in Sabzi Mandi. Delhi Food and Supplies Minister Haroon Yusuf said: "The chief minister (Sheila Dikshit) will write a letter to Agriculture Minister Sharad Pawar to stop the export of onion."

The spiralling prices of onion were deemed one of the factors which cost Bharatiya Janata Party (BJP) its government in Delhi in assembly election in 1998. Since then it has failed to return to power.

Women who manage households have been facing the greatest pinch as their budget has been greatly hit. "I used to buy three kg of onion for a week, but now I have cut down to one kg because the price has almost tripled," said Arati Negi, a 32-year-old homemaker.

"The overall price of vegetables has increased. Earlier, one could buy four-five different vegetables for a household of two people for Rs.150. But now, with onions selling at Rs.60-80, the budget has doubled. Onions will make people cry for real and it may actually turn out to be a poll issue," said Pallavi Majumdar, professor at Amity University.

"I bought onions in bulk last week only for Rs.40. Though at that time I felt I should not have bought so much, now it is proving to be a blessing in disguise," said Namrata Kapoor, who lives in a joint family. The Delhi government, which has already set up 350 onions vending stalls, has arranged 50 mobile vans to sell subsidised onions from Aug 17, said Yusuf.

The minister said the state government would also urge Maharashtra, Madhya Pradesh and Rajasthan - from where onions arrive in Delhi - to take action against hoarders.

The minister said the capital had a stock of 2,200 tonnes of onion and the people need not panic. Development Minister Raj Kumar Chauhan, who looks after the functioning of wholesale vegetable and fruit markets in the city, told reporters that they would punish hoarders.

The Delhi unit of BJP has announced a protest rally Wednesday from Ashoka Road in central Delhi to the chief minister's official residence at Motilal Nehru Marg, also in in central Delhi.

[Back to top]

Coffee exports fall 4% in Jan-July to 0.22 mn tonnes
Mahesh Kulkarni, Business Standard

Bangalore, 1 August 2013**:** India's coffee exports have declined four per cent to 217,492 tonnes between January and July, compared to 226,703 tonnes in the corresponding period last year. In value terms, Indian exporters earned Rs 3,210 crore, a fall of 4.5 per cent over the same period last year.

The unit value realisation was marginally lower at Rs 1,47,605 per tonne, compared to Rs 1,48,256 per tonne in the year ago period. In US dollar terms, the value of exports declined 11.36 per cent to $596.73 million as against $673.28 million in the corresponding period last year.

"Coffee exports are more or less in line with our expectations. We had projected a five-10 per cent drop in exports this year. The continued economic slump in western European countries, which is the major market for Indian coffee, has affected our exports. Also, the sharp drop in Arabica prices owing to a bumber crop in Brazil has added to the woes of exporters," Ramesh Rajah, president, Coffee Exporters Association of India said.

He said for the full year ending December 2013, India's exports would be 290,000 tonnes, a drop of six per cent over the previous year. In 2012, India exported 307,776 tonnes.

Arabica coffee has seen a drop of 15-20 per cent during the last six months from $1.50 a pound in January this year to $1.25 a pound presently. This was largely due to a bumper crop harvested by Brazil this year. "The exporters could not make much benefit out of rupee depreciation in the recent days as the prices also fell. However, the realisations from Robusta are likely to be better in the coming months," Rajah added.

Out of total exports, Indian origin coffee accounted for 174,700 tonnes, which is a decline of 10 per cent over the same period last year. Between January and July 2012, the country exported 194,228 tonnes of Indian origin coffee.

Coffee exporters from India import raw coffee and add value before re-exporting to various countries. During the first seven months of the current calendar year, India re-exported 42,792 tonnes, a growth of 31.7 per cent over the same period last year. Last year, the country re-exported 32,475 tonnes of coffee, which is mainly instant coffee.

India exports coffee to Italy, Germany, the Russian Federation, Belgium, Jordan, Slovenia and the United States among other countries. Italy is the largest market for Indian coffee and contributes 25.6 per cent of the total exports, followed by Germany, which contributes 10.7 per cent of the total exports.

For the first four months of the current financial year from April to July, India's coffee bean exports were down 6.6 per cent. The exports declined to 118,769 tonnes in the period as against 127,187 tonnes in the same period last financial year.

[Back to top]

Cotton Corp allowed to export

Rajesh Bhayani, Business Standard

Mumbai, 3 August 2013**:** For this cotton season (October-September) of 2012-13, the Centre has allowed exports by the Cotton Corporation of India (CCI). Typically, the corporation's role is limited to buying cotton from the market if prices fall below the minimum support price and stabilising the market by intervening when required.

Friday's announcement would make CCI cash-ready to procure new crop. Also, it would help secure foreign exchange at a time when the rupee is on a decline. And, farmers would get better prices, as exports would lead to a fall in carry-forward stocks.

CCI is understood to have stocks of 11,00,000 bales (one bale is 170 kg), which it isn't able to sell in the open market. In the foreign market, there is good demand for Indian cotton. However, as open market prices are higher, exports by private traders are unviable. CCI exports cotton at prices 15-20 per cent higher than its purchase cost.

Allowing CCI to export cotton is seen as a move to keep cotton prices high when the new crop starts coming to the market from October - if CCI doesn't have stocks, it would be ready to buy the new crop at high prices. Cotton prices are expected to rise in the open market from Saturday, owing to exports by CCI.

Arun Dalal, an Ahmedabad-based cotton broker, said, "Allowing CCI to export cotton is a good move. It would provide the corporation cash to procure new cotton, when the new season begins from October." At current prices, CCI could fetch $360 million in case it exports its entire stock.

[Back to top]

Apparel exports grow 12.13% in June
Financial Express

Chennai, 6 August 2013: Apparel exports grew 12.13% in dollar terms and 16.87% in rupee terms in June to $1.240 billion and Rs7,239 crore, respectively, as compared to $1.106 billion and Rs6,195 crore in the corresponding month last year.

Cumulatively (April-June 2013), the exports grew 11.11% in dollar terms and 14.85% in rupee terms, the Apparel Export Promotion Council (AEPC) said on Monday. A Sakthivel, chairman of the council, said in a statement that exports in dollar terms for the first three months of the current fiscal increased by 11% over the same period in the previous fiscal and reached $3.561billion. In rupee terms, exports increased by 15% during the first three months of the current fiscal to Rs19,918 crore as compared to R17,342 crore in April-June 2012-13, he added.

According to him, overall apparel imports by the US in January-May witnessed a 3.7% growth to $30.6 billion as compared to the same five months in 2012. Imports from India in January-May 2013 declined by.1% to $1.499 billion against $1.500 billion in January-May 2012.

In January-May 2013, India stood at the sixth position on the US garments importers' list. However, in May 2013, Indian exports grew 3.3% to $285 million over the same month of the previous year, he added. Of the total EU apparel imports of $32.8 billion for the January-May 2013 period (a decline of 6% over the same period of the previous year), India's export amounted to $2.5 billion, a decline of 1.1% as compared to the same period of the previous year, Sakthivel observed.

For the January-May 2013 period, Tur-key and Bangladesh were the only suppliers who registered increase in exports to the EU, while China and India registered declining exports. EU's apparel imports in 2012 were at $83.625 billion, with a decline of 12.3% over calender year 2011, and India's exports to the EU during 2012 were at $5.129 billion, a decline of 21% over 2011.

Meanwhile, the AEPC chairman, in his letter to the Union finance minister, has requested him to provide a separate chapter for interest rates in the export sector. He also said the garment export industry has been waiting for lowering of interest rates for long but nothing has happened.

[Back to top]

Steel import norms eased
PTI

New Delhi, 7 August 2013: Aiming to give a push to the infrastructure sector, the government today allowed imports of steel for major industrial projects without quality certification.

The Directorate General of Foreign Trade (DGFT) in a notification said the exemption shall be available to projects of not less than Rs 1,000 crore in infrastructure, petroleum, manufacturing products involving high end technologies, nuclear reactors, defence, chemical and petro-chemicals and fertiliser sectors.

"This provides an exemption to the import of steel and steel products for major industrial/infrastructure projects from the applicability of steel and steel products (quality control) second Order, 2012," it said.

The exemption is subject to a few conditions including quality certification from the recognised Quality Certifying Body of the country of origin.

The relaxation is allowed only to the actual users.

"Surplus, if any, cannot be disposed off in the domestic market without satisfying the quality standards as per steel and steel products (quality control) second order, 2012 applicable for the domestic steel industry," DGFT said.

The DGFT said that the importers availing such exemptions shall submit quarterly reports on details of type, quantity and value of steel/steel products to the Ministry of Steel and to the concerned regional authority of DGFT.

"The above exemption would be valid for two years from the date of this notification or until further orders, whichever is earlier," it added.

The easing import norms come amidst domestic steel manufacturers demanding government to hike duty on imports to prevent steel dumping in the country.

Budget 2013-14 had raised basic customs duty on non-alloy, flat-rolled steel from 5 per cent to 7.5 per cent. The excise duty was also hiked on the same time.

India's steel imports jumped by 69 per cent to 1.528 million tonnes in the first two months of the fiscal.

[Back to top]

Plan panel calls for restricting iron ore export
Priyadarshi Siddhanta, Indian Express

New Delhi, 10 August 2013: Stopping short of recommending a ban, the Planning Commission has asked the government to impose "quantitative restrictions" on exports of iron ore from the country. The suggestion is contrary to the government's aim to lower the financial barriers in exports of the mineral to help reduce the current account deficit.

The MB Shah Commission of Inquiry, set up by the Centre in November, 2010 has, in its recent interim report to the mines ministry on illegal mining in Goa and Orissa, has recommended that the government should ban exports of these ores from the country to save the mineral for the long-term raw material security of domestic steel industry. But the mines ministry in its comments has refused to endorse the suggestion saying that if exports are fully curbed then it may amount to violation of the country's Exim policy.

Refusing to agree with the ministry's views, the commission said in a note on July 10 to the Cabinet that exports of these minerals and appropriate measures needed to be initiated to contain the same. After the 2011 Supreme Court ban on exports of most categories, shipments of ore plunged to 18 million tonnes in 2012-13 from nearly 168 million tonnes in 2010-11. Before the ban, India was exporting iron ore worth over $7 billion.

Exports of iron ore has for long been a contentious issue between the mining and steel industry. While the miners want unabated exports of ore, the steel firms are opposed to allowing sale of the mineral overseas.

[Back to top]

U.N. Report Highlights Non-Tariff Barriers to Trade, Impacts on Developing Countries
WTO Reporter

14 August 2013: The ability of countries to navigate and gain access to markets is growing increasingly difficult and complex amid the proliferation of non-tariff rules and regulations, according to a report by the United Nation's Conference on Trade and Development (UNCTAD) released Aug. 12.

"Restrictive and distortionary effects of non-tariff measures [NTMs]" also may be systematically biased, although unintentionally so, against developing countries and low-income and least developed countries, according to the report, "Non-Tariff Measures to Trade: Economic and Policy Issues for Developing Countries."

Traditional trade policies such as tariffs and quotas no longer have a significant impact on restricting market access because tariffs on international trade are generally low, due in part to the General Agreement on Tariffs and Trade (GATT) and the prevalence of regional and bilateral preferential trade agreements, the report said. But the impact of non-tariff barriers to trade is harder to calculate.

"Regardless of whether NTMs are imposed (or implemented) with protectionist intent or to address legitimate market failures, NTMs are thought to have important restrictive and distortionary effects on international trade," the report said. "Unlike tariffs, NTM data are not merely numbers and their effect on international trade is often subtle, indirect and often very case-specific."

NTMs can include all policy-related trade costs incurred from production to final consumer, with the exclusion of tariffs, according to the report. Non-tariff and non-trade measures applied to imported and exported goods may include quotas, subsidies, trade deference measures, export restrictions and technical measures.

NTMs comprise a wider set of measures than non-tariff barriers (NTBs), which are "generally intended only as discriminatory non-tariff measures imposed by governments to favour domestic over foreign suppliers," the report said.

Technical Barriers to Trade

According to the data collected by the UN for the report, technical barriers to trade (TBTs) are "by far the most commonly used regulatory measures, with the average country imposing them on about 30 per cent of products and trade."

The UN studied data covering more than 5,000 different products in the Harmonized System (HS) classification for 30 developing countries plus the European Union and Japan.

The use of NTMs varies considerably across regions and between countries, according to the report. Within Africa, the United Republic of Tanzania and Senegal use NTMs substantially less than Egypt, Kenya or Uganda. In Latin America, use of NTMs by Argentina is double that of Chile or Paraguay. And in Asia, Bangladesh, the Syrian Arab Republic and the Philippines use NTMs much more than Cambodia or Indonesia, according to the report.

"Although this large variance may be due to some extent to different primary data collection methods, this is likely to explain only part of the difference, as a large variance is also found for Latin American countries," the report said.

Developing Countries Hit Harder

Developing countries often have a more limited capability or incur higher costs for meeting the requirements dictated by NTMs, according to the report. These countries have less advanced production process technology, weak trade-related infrastructure and inadequate export services.

Developing countries also have fewer resources to analyze and understand the nature and implications of the NTMs that their exports face, the report said. The collection of NTM data, which is not centralized, is a resource-intensive task.

Additionally, NTMs are frequently applied to product groups that are of particular export interest to developing countries and are products in which developing countries have a comparative advantage, the report said.

[Back to top]

WTO, World Bank to Develop Services Trade Database
ENP Newswire

7 August 2013: The World Bank and the WTO have agreed to jointly develop and maintain a database on trade in services, an area that is becoming increasingly important and yet for which little information is publicly available.

The joint database covers various sectors in more than 100 countries, such as financial, transportation, tourism, retail, telecommunications, and business services, including law and accounting.

The data are presented in four modules covering: members' commitments under the WTO's General Agreement on Trade in Services (GATS); commitments on trade in services in regional trade agreements; members' applied measures affecting trade in services; and services statistics. The first version of the database has just been launched, as part of the WTO's Integrated Trade Intelligence Portal (I-TIP) Services portal.

Policy makers, researchers, trade negotiators, and the general public can access the database for free. Policy transparency is a public good and a shared objective of both institutions. The World Bank makes trade data publicly available under the Open Data Initiative, as does the WTO with the I-TIP.

Transparency is particularly important in the dynamic area of trade in services because the regulatory framework is complex and little information is publicly available. Cross-border trade in services makes up one-fifth of all world trade, even without considering international transactions through foreign affiliates and the temporary movement of people.

This WTO-World Bank arrangement exploits synergies between both institutions. Among other things, the joint database combines WTO data, including those on legal commitments, trade policy reviews (TPRs) or trade monitoring reports with World Bank data on applied policies from the Services Trade Restrictions Database, which went public last year. Both institutions will work hard to make sure the joint database stays up to date and expands to cover more sectors and countries.

[Back to top]

Solar issues at WTO: India treading cautiously this time
Amiti Sen & Richa Mishra, Business Line (The Hindu)

New Delhi, 12 August 2013: 'Once bitten, twice shy', the Commerce Department wants to avoid fresh troubles at the World Trade Organization vis-à-vis India's solar energy projects.

With the US breathing down its neck for allowing the first phase of the project to have a heavy local-content norm, the Commerce Department wants to ensure that the provisions of the second phase are more aligned to the multilateral pact.

It wants the Ministry for New and Renewable Energy (MNRE) to share the draft of the bid documents for the next phase of the solar mission to ensure they are compatible with WTO norms. "The first time the MNRE did not share its first phase draft with us. But, this time, we have insisted that the draft be shown to us before finalisation as we have to face the music at the WTO," a senior Commerce Department official said.

The US has dragged India to the WTO for incorporating a local content requirement in the first phase of the Centre's Jawaharlal Nehru National Solar Mission which, it says, is in violation of the multilateral agency norms. The Mission, which seeks to promote the use of solar energy and build local capacities, made it mandatory under the first phase for all investors to use solar modules made in India and to source 30 per cent of the inputs locally.

The MNRE is to tender 750 MW of grid-connected solar photovoltaic projects that would help light over one lakh Indian houses. The grid-connected projects, expected to be tendered from April 1, are yet to be issued.

During Commerce and Industry Minister Anand Sharma's recent visit to the US, top officials, including the US Commerce Secretary and the US Trade Representative, spoke against the domestic content requirement envisaged in both the solar energy and telecom policies. The US has, so far, not showed any signs of setting up a WTO panel against India to judge its policies on sourcing.

An MNRE official said the general perception is that the US is still waiting for India to formally launch the second phase. "I think the US wants to see how much capacity the second phase leaves open and then react," the official said.

India's defence for making local buying compulsory in the first phase is that as the power will be purchased by an arm of public sector NTPC, it qualifies as a Government purchase, and is , hence, exempt from The Agreement on Trade Related Investment Measures (TRIMs) rules.

Unimpressed by this argument, the US Government is pushing India to make changes at the earliest in the second phase so that American companies can resume sale of thin films.

The US is, however, determined not to allow India to extend the domestic sourcing norm to solar thin films (exempt so far) in its second phase as American companies are major suppliers of these films for Indian solar projects.

[Back to top]

Fact Sheet: India's Food Security Bill
Preetika Rana, Dow Jones Global Equities News

7 August 2013: *Name:* The National Food Security Bill, 2013.

Aim: The primary objective of the bill is to guarantee cheap food grain to nearly 70% of India's 1.2 billion people. The broader aim is to alleviate chronic hunger and poverty in India.

Why it's important: India accounts for a third of the world's poor, the World Bank said earlier this year. Almost half of the country's children under five are classed as chronically malnourished, and more than a third of Indians aged 15 to 49 are undernourished, according to India's National Family Health Survey in 2006, the latest data available.

Who it affects: The bill, if passed, would provide subsidized food grain to 75% of India's estimated 833 million rural population and 50% of an estimated 377 million urban population.

Under the program, beneficiaries can get a total of five kilograms of subsidized rice, wheat and coarse grains a month. These can be bought at prices ranging from one to three rupees (approximately two to five U.S. cents) a kilogram, far cheaper than market rates of 20 to 25 rupees.

How it works: The state-run Food Corporation of India will distribute subsidized grains through a nationwide network of "fair price shops." In 2011, the latest year for which government data are available, the FCI ran more than 505,000 fair price shops in India.

Cost: The government says it will spend about $4 billion a year on the program.

Criticism: The bill has been criticized by opponents of the ruling Congress party and some food security analysts. Many see it as an attempt by the Congress party to woo poor and middle-class voters ahead of federal polls in 2014.

Analysts also question how the government plans to identify beneficiaries of the program. Under an existing food program, subsidized grain is provided to individuals earning less than the benchmark poverty line, set at 33 rupees (55 cents) a day in urban areas and 27 rupees (45 cents) a day in rural areas. The new bill doesn't spell out the groups that qualify as beneficiaries or how the government plans to identify them.

Food security experts have also raised concerns over distributing grains through a state-run channel riddled with irregularities and corruption. Under India's existing food program, as much as half of the grains procured by the government are siphoned off by middlemen before reaching their intended beneficiaries, according to a report by India's Planning Commission in 2005. Much of the subsidized food, experts say, ends up being sold illegally in markets rather than in fair price shops

Some economists also believe the bill would hurt the economy by worsening the fiscal deficit. Government expenditure on social spending widened India's budget deficit to 5.2% of gross domestic product last financial year.

What's next? In July, while Parliament was in recess, India's cabinet implemented the bill though an "ordinance," which is similar to an executive order in the U.S.

For the ordinance to continue as a law, both houses of Parliament must ratify it within six weeks from the start of the next parliamentary session, which in this case, began Monday.

The ordinance was tabled for discussion in the lower house or Lok Sabha on Monday. If passed, it will be debated in the Rajya Sabha, or the upper house. The ordinance needs to pass with a simple majority in both houses to continue as a law.

[Back to top]

India to WTO: Enhance trade transparency, Customs cooperation
Amiti Sen, Business Line (The Hindu)

New Delhi, 10 August 2013: India has proposed that the Trade Facilitation Agreement being negotiated at the World Trade Organisation should make it mandatory for Customs authorities to give exporters the option of taking back rejected consignments before destroying them.

“In the past India has faced problems in Europe when Customs authorities have destroyed rejected consignments without giving an opportunity to exporters to take them back. This is unfair and should be stopped,” a Commerce Department official told *Business Line*.

More Measures

The country has also submitted a second proposal on measures to be followed by all countries to enhance impartiality, non-discrimination, cooperation and transparency at the Customs.

The proposed Trade Facilitation Agreement, which seeks to make movement of goods across borders easier and cheaper, may be signed at the WTO ministerial meeting in December as part of a small package that members are trying to harvest.

With the on-going Doha Round of negotiations, launched more than a decade ago, deadlocked for several years, members are hopeful of signing pacts in a handful of areas including trade facilitation and food security.

While developed countries want developing countries to take on binding obligations to upgrade infrastructure at their Custom stations, India has been insisting on commitments to enhance cooperation between Custom authorities and transparency related to detention and testing procedures.

In its proposal to the WTO, India has said that a multilateral mechanism for exchange of information on customs matters should be established in identified cases of import and export where there is a reason to doubt truth and accuracy of the declaration file by a trader.

It has also submitted that countries should ensure transparency and impartial administration of import alerts, particularly in respect of the manner of their issuance and withdrawal.

In case of detention of imported goods for inspection, India wants the importer to be informed promptly. Traders should be provided an opportunity for a confirmatory test in case the result of a sample shows an adverse finding.

There should also be common border procedures and uniform forms and documents throughout the territory of a WTO member, India has proposed. Indian exporters face a lot of problems in Europe as standards and measures within the region differ from one country to the other.

[Back to top]

Incoming WTO chief optimistic about Doha Round relaunch
Xinhua

Rio De Janeiro, 6 August 2013: Roberto Azevedo, the World Trade Organization (WTO)'s incoming chief, expressed optimism Tuesday over relaunching the Doha Round talks.

It's possible to make progress on the issue, but a lot of dialogues will be needed, the WTO director-general-elect told business event here.

The upcoming WTO Bali Round of talks in December will offer a good opportunity to begin the relaunching effort, Azevedo said.

"Since 2008, there has been no attempt to talk about the impasse at Doha. It's time to start talking about it," he said.

The Doha Round of global trade talks, under the auspices of the WTO, were launched in 2001 in an effort to lower trade barriers around the world.

Azevedo said that the presence in negotiations of emerging countries as equals to the developed nations had changed the dynamics of talks.

Talks between the two blocs broke down in 2008 mainly due to differences on issues such as trade barriers and agricultural subsidies.

Azevedo stressed the importance of the Bali Round, saying that achieving a major multilateral agreement in Bali will demonstrate the WTO's significance to international trade, which will in turn help relaunch the Doha Round.

"We need to look at the talks in a broader, more strategic manner," he said.

Born in Brazil, Azevedo was elected to lead the WTO in May, defeating Mexico's candidate Herminio Blanco, and will take over from Pascal Lamy on September 1 for a four-year term.

[Back to top]