INDIA'S TRADE NEWS AND VIEWS

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The race to make progress on farm trade negotiations ahead of the year-end WTO ministerial conference entered a new stretch today, as the chair announced the start of ambassador-level talks on issues…

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Foreign Trade Policy to be announced early April
Business Line (The Hindu)

New Delhi, 14 March 2013: The annual Foreign Trade Policy is likely to be announced in the beginning of April soon after the Commerce Department finalises incentives and facilitative measures to boost exports.

“On March 31 we will have the provisional numbers (for exports and imports in 2012-13). I will wait for that. Soon thereafter the FTP will be announced,” Minister for Commerce and Industry Anand Sharma told reporters after consulting representatives from exporters’ bodies FIEO and AEPC on the policy. The Government is looking at ways to increase exports through the FTP to bridge the growing deficits in the trade and the current accounts and bring the balance of payments under control.

“The next fiscal will be a better year. But it (increase in exports) will not happen just like that. Exporters need to be properly incentivised. Transaction costs have to be reduced. Banks should come up with PCFA dollar credit at 4-5 per cent as we cannot operate with interest rates of 12-13 per cent,” FIEO President Rafeeque Ahmed said.

Exports in 2012-13 are expected to be around $300 billion, about the same level as last year. The poor performance is being largely attributed to slowdown in the Western markets, especially the US, the EU and also to some extent Japan.

The concessions that are announced in the FTP should have a validity for at least three years as there has to be continuity in policy for exporters to take advantage of it, Apparel Export Promotion Council Chairman A. Sakthivel said.

The Commerce Department is examining a number of proposals from the industry that includes extending direct cash incentives to exporters of a larger number of products to targeted markets. Efforts are also on to convince the Finance Ministry to include more sectors in the interest subvention scheme being offered to exporters. The scheme gives a two per cent discount on interest rate charged by banks to exporters from select labour-intensive sectors.

A number of concessions for special economic zones will also be announced as part of the FTP, the Commerce Secretary had said earlier this week. This could include reduction in tax burden for both units and developers, relaxation in minimum area requirement for SEZs and some export incentives.

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Three-pronged plan to up exports
The Telegraph

New Delhi, 23 March 2013: The government is likely to offer short-term incentives, simplify procedures and reduce transaction costs to boost exports, which are likely to fall short of the target this fiscal and further widen the trade deficit.

"We are looking at the number (exports) and what is very disturbing and challenging is that we have not even reached where we were before (in the last fiscal) at $306 billion," commerce minister Anand Sharma, who chaired the Board of Trade (BoT) meeting today, said. He added that the trade deficit was likely to widen to $193-196 billion this fiscal.

The BoT has representation from business associations and trade bodies such as the Engineering Export Promotion Council and the Federation of Indian Export Organisations (Fieo).

Representatives from the ministries of finance, external affairs and micro and small and medium enterprises attended the meeting. It will give suggestions for the annual supplement to the foreign trade policy (2009-2014) to be unveiled in the first week of April.

Fieo president Rafeeque Ahmed said, "As we are much away from our targets fixed for 2012-13, we need to revisit our strategy for imparting competitiveness to exports while simultaneously pursuing aggressive marketing to realise better exports in 2013-14."

Sharma said, "Interest subvention was being provided to all SMEs and a substantial part of engineering has got the benefit. We are seriously considering how to strengthen it. I hope on dollar credit, we will be able to make some progress in disbursement."

He added that the downturn and limited availability of resources had made it difficult for the government to offer stimulus packages. "So, we have to think of some new ways, how to enhance productivity, how to remain competitive, and also to ensure that our presence grows."

CII president Adi Godrej pressed for the reduction in credit cost. "The cost of export credit is in the range of 11-12 per cent, which is much higher than competing countries in Southeast Asia, where it is around 5-6 per cent," he said.

The foreign trade policy will focus on sectors that constitute the bulk of shipments such as engineering, gems and jewellery, textiles and leather.

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Rs 2k-cr sops likely for exporters in policy review
Nayanima Basu, Business Standard

New Delhi, 23 March 2013: The government intends to give an incentive package worth Rs 1,500-2,000 crore as part of the annual review of the Foreign Trade Policy (FTP) 2009-2014.

Exports are set to register a decline this financial year, compared to last year. Lower costs for credit, full rebate on duties and taxes and reduction in transaction costs are some of the top items in the government's agenda for the supplement to the FTP, to be announced in the first week of April.

Exports have been in rough waters since the financial downturn in developed markets started in 2008. However, shipments from India were still able to register a positive year-on-year growth. This will be the first financial year since the recession when exports would see a fall compared to the previous year.

"We are looking at the (export) numbers and what is very disturbing and challenging is that we have not even reached where we were before (in 2011-12), $306 billion," Commerce and Industry Minister Anand Sharma said during the Board of Trade meeting on Friday.

In 2012-13, he said, the trade deficit might reach a record level of $193-196 billion. In FY12, it was $185 billion. "This is not a small number. Every institution must ensure faster movement," said Sharma.

As part of the Rs 2,000-crore package, the government was expected to enhance the duty drawback rates by at least three per cent, a senior official told Business Standard.

In the Budget for 2013-14, the government has allocated Rs 4,413 crore for export promotion, of which Rs 2,897 crore is non-plan expenditure and Rs 1,516 crore is plan expenditure.

"Exporters had been facing major loses ever since the government withdrew the DEPB (Duty Entitlement Passbook Scheme) and replaced it with duty drawback rates. Exporters are losing almost two per cent of

their export value," said Sanjay Budhia, chairman of the Confederation of Indian Industry's National Committee on Exports and Imports and managing director of the Kolkata-based Patton Group.

Under the DEPB, discontinued with effect from October 1, 2011, exporters were compensated for the Customs duty they paid on shipments.

Besides, the government is expected to give incentives for the engineering and textiles sectors, which have seen a massive fall this year, in the form in interest subvention. During April-January, export of engineering products, gems and jewellery, textiles and petroleum products declined by four per cent, 10 per cent, eight per cent and four per cent, respectively, due to a massive slowing of demand in the American and European markets.

"We have asked the government to introduce a new scheme of increasing garment exports to a level of $30 billion in the next three years, by allowing man-made fabric and cotton speciality fabrics at a flat five per cent customs duty on only 10 per cent of export performance realised in the previous year on garments. This way, we will be able to regain the lost market share and secure jobs," said A Sakthivel, chairman, Apparel Export Promotion Council.

During April 2012-February 2013, exports reached $266 billion, representing a four per cent fall over the $277 billion achieved in the corresponding period of the previous year. Hence, to reach last year's figure of $305 billion of total exports, these would in March alone have to be close to $40 billion.

Last year, during the FTP review, the government had actually set an export target of $350 billion for 2012-13.

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Govt Sitting on Rs 2,000cr Export Refund Since Jan
The Economic Times

19 March 2013: The government has not paid back around Rs 2000 crores to exporting firms since January under an incentive scheme, claim irate exporters, accusing the tax authorities of going slow on refunds in their desperation to meet the fiscal deficit target.

"The government has withheld duty drawback refunds across sectors for the past 45 days to shore up its revenues for the fiscal," said Ajay Sahai, Director General and CEO, Federation of Indian Export Organization.

The Commerce Ministry and Directorate General of Foreign Trade have written to the revenue department in the ministry of finance to urgently address the issue, a government official told ET. The duty drawback scheme refers to the refund of taxes imposed on inputs used to manufacture goods that are subsequently exported. The objective of the scheme is to ensure that local levies do not make goods manufactured in India uncompetitive in the international markets.

Speedy refunds ensure that the money of the exporter is not locked up for a long time, thereby making it easier for him for to manage his cash flows and working capital requirements.

India's cumulative exports for the 11 months of the current fiscal declined by 4 % to $265.95 billion and are nowhere near the $360 billion target that was set for the fiscal. The government is expected to announce some sops to boost exports, which form a key part of its strategy to rein in the current account deficit, in the next month's foreign trade policy.

But for now, controlling the fiscal deficit appears to have taken precedence over exports and current account deficit.

The government is under tremendous pressure to stick to revised 5.2% fiscal deficit target as any slippage here could have a negative impact on the country's sovereign debt rating. Several measures taken by the tax authorities such as raising demands on multinational companies on transfer pricing issues as well as frequent warnings issued to taxpayers are also seen as part of a strategy to muster higher tax collections and lower fiscal deficit. Fiscal consolidation has been at the top of P Chidambaram's agenda since he took over as finance minister last year.

He had promised to keep the fiscal deficit at 5.3% of GDP against private forecasts of near 6%.The revised estimates peg fiscal deficit for the year at 5.2%, just a tad over the 5.1% estimated in the budget. Chidambaram has said the fiscal deficit could be lower when final numbers come in.

A tax official admitted that refunds were being held back but added that this was usual towards the end of the financial year. But exporters say that in a year that exports were plunging, the government should have been more proactive. Sectors with high working capital requirements such as textiles, engineering and pharmaceuticals are particularly feeling the pinch because of the delay in refunds.

"Engineering exports require high working capital, and the finance ministry has withheld the duty drawbacks since January, said Suranjan Gupta, additional executive director, engineering export promotion council (EEPC). The amount of withheld duty drawbacks for the engineering sector stands at approximately Rs750 crore- Rs1,000 crore.

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Finmin eases stand on SEZs, more sops likely
Gireesh Chandra Prasad, The Financial Express

New Delhi, 15 March 2013: Marking a policy shift, the finance ministry has dropped its long-standing objection to further liberalisation of the special economic zone (SEZ) scheme. It is likely to give its stamp of approval for the relaxations of the SEZ policy, slated to be announced by commerce minister Anand Sharma in the upcoming review of foreign trade policy (FTP) to rekindle investor interest in these tax-free enclaves.

Whether or not a differential (lower) rate of minimum alternate tax (MAT) for SEZ developers and units could find mention in finance minister P Chidambaram's reply to Budget discussions in Parliament next month, other proposed relaxations like lowering the minimum processing area requirement for uni- and multi-product SEZs and allowing use of SEZ "social infrastructure" by consumers outside these zones would be endorsed by the finance ministry. Officials who told FE about this also said the focus on revenue would now remain largely limited to checking any abuse of the tax benefits for SEZs and plug "such leakages".

This is a significant departure from the finance ministry's earlier stand that the relaxations in SEZ norms proposed by Sharma were a subterfuge for the private sector to grab more land. When the proposals were first made by Sharma, the finance ministry wanted to know how many investors who had acquired land at below-market price with state backing have actually built SEZs. North Block's reluctance to ease the norms, mainly due to instances of abuse of tax concessions, have now clearly made way for urgent measures with safeguards to revive the economy.

The industry had been claiming that the imposition of an 18.5% MAT on SEZ developers and units as well as the 15% dividend distribution tax on developers have made projects unattractive for investors. The finance minister will take a call on these direct tax matters in consultation with the Central Board of Direct Taxes (CBDT), said an official.

The changes that Sharma may announce in the FTP include easing the minimum area requirement for specific as well as multi-product SEZs, land contiguity norms and opening up the social infrastructure like schools, hospitals and convention centres meant for use by SEZ employees to people outside the SEZ too. These steps would help in making SEZ projects more viable for investors.

The finance ministry has not only consented to most of the proposals made by Sharma but also agreed to streamline procedures to ensure that the entire incidence of indirect taxes like customs, service tax and excise duty on the raw materials and services that go into export production will be refunded without any hassles to the industry. The philosophy is to ensure export produce are not taxed. Whether it is done through exemption or duty drawback is a matter of procedure, explained an official privy to the discussions between the finance and commerce ministries.

"Revenue foregone is not a consideration for us. The purpose of the SEZ scheme is to facilitate economic growth, job creation and setting up of infrastructure that would integrate India's economy with the rest of the world," said a finance ministry official, who asked not to be named. The ministry's emphasis is now shifting from collecting taxes to fund welfare schemes for the poor to facilitating economic development that would render them less dependent on state benefits. Sources said that the revenue department already agreed last month to some relaxations in line with the new thinking. This includes allowing software developers in SEZs to set up disaster data recovery centres at SEZs in other geographical regions to back up their largest resource, digital data.

Chidambaram had said after presenting his Budget 2013-14 that he would announce more measures, particularly on indirect taxes, when he replies to the parliamentary debate on the Finance Bill. The minister also said he and his Cabinet colleague Sharma were on the same page on the need for measures to boost exports, which would lower the current account deficit.

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Let's export our way out of trouble
M. Rafeeque Ahmed, Business Line (The Hindu)

25 March 2013: CAD (current account deficit) is the buzzword these days. A CAD of 5.4 per cent in the second quarter of the current fiscal is reminiscent of the 1991 crisis when we were faced with a rising trade deficit, high inflation and the Gulf War.

The trade deficit of over $182 billion in first eleven months of the current fiscal, inflation above 7 per cent and the crisis in West Asia are conditions akin to 1991. However, our economy is far more robust and in a position to meet such challenges.

With forex reserves of over $290 billion (sufficient to cover about eight months' imports), and with encouraging inflows through FII, FDI, ECB (external commercial borrowings) and private transfers, we are not faced with any immediate threat.

Nevertheless, sustaining such a high CAD will render the economy vulnerable to global challenges. It is clear that the main culprit for rising CAD is the merchandise trade deficit; in services as well as on capital account, we have a comfortable surplus.

Given the inelastic nature of India's imports, augmenting exports is the only option available for managing the CAD (the only option, perhaps, on the import side is curtailing gold imports through high tariff). Fortunately, the Government as well as economists are on the same side on this matter.

Manufacturing Exports Hit

Exports must act as drivers of the economy. If the Indian economy has clocked over 7 per cent GDP growth in the last decade, much of the same was contributed by a CAGR of over 20 per cent in exports in the same period. The fact is that Indian exports and the economy are intertwined.

Manufacturing holds the key to India's exports growth. This is because the share of manufactured products is increasing in the global trade basket. Overall exports suffered on account of decline in exports of main manufactured products, such as engineering, gems and jewellery, petroleum and textiles. These four sectors contribute to about three-quarters of India's exports.

Contraction in global demand, rising manufacturing cost and fall in global commodity prices have affected exports. Making manufacturing competitive should be the focus. The National Manufacturing Policy (NMP) and National Manufacturing Investment Zones (NMIZ) should add to competitive manufacturing.

However, let us also seek export-oriented FDI, which brings both technology and access to markets. Another challenge that confronts manufacturing is getting a skilled or semi-skilled workforce.

Market Opportunities

Unlike China, we have not been able to mobilise a workforce from rural India due to lack of skill. The National Skill Development Mission has taken the lead in imparting and upgrading skill, but there has to be a greater synergy between manufacturing needs and skill development.

Exports are equally affected by macro-economic variables such as inflation, world demand, non-tariff barriers and exchange rate. Except for the last factor, the rest are not favourable to exports. However, the global demand seems to be increasing.

The real-estate market in the US just saw its largest restorative growth since 2006 and the unemployment rate in the US declined to 7.8 per cent with the creation of 2,32,000 new jobs in February. The deficits of some European counties are becoming smaller. And the economies in Greece and Spain are recovering slightly.

The economic growth of MIST countries (Mexico, Indonesia, South Korea and Turkey) is on the rise. Since exports this fiscal would be lower than last fiscal, we need to attempt a 35 per cent growth in 2013-14. This is an ambitious but achievable target, provided the right mix of policies is in place.

Exports can be made competitive through lower cost of credit, full rebate on duties and taxes, reduction in transaction costs and better infrastructure to reduce the delivery cycle. However, aggressive marketing plays a pivotal role.

We have to be visible in the markets to get better returns. In a phase of contracted demand, return may take a longer period. Our demand for an 'Export Development Fund' emanates from this logic, coupled with the fact that a majority of exporters hardly have the financial wherewithal to meet the requirements of aggressive marketing. A fund with a corpus of 0.5-1 per cent of exports can be a gamechanger.

India is a global leader in IT, yet we are struggling with a complete electronic data interchange module for agencies involved in exports and imports. A little progress has been made, yet it is tardy and probably reflects the lack of will. A single window for exports, coupled with electronic flow of documents among the agencies concerned, will reduce the transaction cost by 2-3 per cent. If that happens, a saving of $6-10 billion will be achieved in exports with no cost to exchequer.

We, simultaneously, need to build on future pillars of exports which could be brands, high-technology products, e–commerce and countries or regions with potential such as Iran, China and Africa.

We need to exploit the opportunities in Iran for increasing exports of pharma, gems and jewellery, auto components and white goods, besides agriculture commodities.

The rising manufacturing cost in China, shifting of industries from coastal cities to distant landlocked regions, shortage of working population and a continuously appreciating currency have started compelling China to shut down manufacturing in high labour intensive products, opening an opportunity for imports from India. However, a close look at India's export profile with focus on value-addition will hold the key.

Destination Africa

Africa has emerged as an ideal region both for exports and investment. Consumer spending will double in Africa in the next 10 years and 75 per cent of countries in Africa will have an average per capita income of over $1,000. There is a growing resentment against China, which needs to be exploited by us. Efforts of all agencies should concentrate on Africa.

Let us set up a mega store such as the Dragon Mall in Dubai which is spread over a km and displays all products manufactured in China. African buyers do not visit China for procurement of goods and instead place their order in Dubai.

If we provide similar exposure for Indian products at any place in Africa, it will be a huge support for Indian exports.

Let us not miss the bus again and allow South-East Asian countries to overtake us.

(The author is President, FIEO.)

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BRICS Seek to Cement Position in Global Economic Landscape
Bridges Weekly Trade News Digest, Volume 17, Number 11

27 March 2013: Leaders from Brazil, Russia, India, China, and South Africa - collectively known as the BRICS - formally announced today their plans to launch a new development bank, in what analysts say is a move to reduce the group's dependence on the Bretton Woods institutions. The two-day meet, held in Durban, South Africa, also raised issues such as the impact of developed country monetary policy on trade, and the importance of the next WTO chief being from a developing country.

The 26-27 March gathering - the fifth in as many years - led to the Thekwini Declaration, named after the municipality that includes Durban and its surrounding towns. The event marked the first time that the summit was held in Africa.

The final document outlines the importance of cementing the BRICS alliance further: aside from sharing an acronym, the five emerging economies have often found it difficult to reach common ground on various topics, and have varying political and economic characteristics. For instance, the inclusion of South Africa into the group just two years ago had been greeted with scepticism by some observers, as some noted that its size as an economy does not match up with its counterparts in the group.

"We aim at progressively developing BRICS into a full-fledged mechanism of current and long-term coordination on a wide range of key issues of the world economy and politics," the final statement said, adding that today's global governance architecture is run by institutions that were established during a different era.

"We meet during a critical time where stronger South-South trade is more compelling, with the most

dynamic emerging economies leading a structural shift in the global economy," South African President Jacob Zuma said during the event.

The BRICS together account for approximately a quarter of global GDP and 40 percent of the world's population.

BRICS agree to establish development bank, disagree on details

The highlight of the two-day proceedings was the long-awaited announcement of whether the BRICS would be establishing their own development bank, after the group's finance ministers were tasked last year with evaluating the idea's feasibility. The goal, leaders said at the time, would be for the bank to "[mobilise] resources for infrastructure and sustainable development projects in BRICS and other emerging economies and developing countries."

The planned development bank "is feasible and viable," leaders confirmed in a statement on Wednesday. Such a bank would "supplement the existing efforts of multilateral and regional financial institutions for global growth and development."

However, officials speaking earlier during the summit admitted that various key details remain to be worked out before the proposed bank can become fully operational - a process that is expected to take years. For instance, disagreements have already surfaced among the BRICS on the specifics of the bank's mandate, and how exactly the institution would be financed.

While members ahead of the gathering had said that the five countries would together contribute a total of US$50 billion of capital into the proposed institution, that number has reportedly been scaled back, and how much each individual member would give was also left unclear. Where the bank will be located was similarly left undecided during this week's meeting.

The proposed development bank is widely being seen as an effort by the BRICS to limit their reliance on the World Bank and International Monetary Fund (IMF). The five-country group has long argued that the two international finance institutions need a substantial overhaul with regards to their governance structure - a stance that BRICS leaders reiterated in Wednesday's communiqué.

Some analysts suggest that establishing their own bank could also allow the BRICS to place added pressure on existing international organisations - such as the IMF and World Bank - to give them more weight in decision-making processes.

The plans for a BRICS development bank have so far been welcomed by the World Bank. "Establishing a development bank is a significant undertaking," the Washington-based institution said in a statement. "The World Bank will stand steady and work closely to partner with regional development banks in a bid to enhance the effectiveness of our collective work."

Trade

With regards to trade, the final statement focused largely on the ongoing preparations for the WTO's upcoming ministerial conference, which is scheduled for 3-6 December in the Indonesian island of Bali. The global trade body's 159 members are currently trying to negotiate a small package of deliverables from the broader Doha Round of trade talks in time for the high-level event, after the overall discussions were formally declared at an impasse in late 2011.

"We are committed to [ensuring] that new proposals and approaches to the Doha Round negotiations will reinforce the core principles and the developmental mandate of the Doha Round," BRICS leaders said. "We look forward to significant and meaningful deliverables that are balanced and address key development concerns of the poorest and most vulnerable WTO members."

The ongoing race to replace WTO Director-General Pascal Lamy, who steps down from his post at the global trade body in August, was also referred to in the final communiqué. BRICS leaders stressed that his successor will need to show a "commitment to multilateralism and to enhancing the effectiveness of the WTO, including through a commitment to support efforts that will lead to an expeditious conclusion of the [Doha Round]."

In addition, the new global trade chief should be from a developing country, the five leaders said, though they stopped short of jointly backing a particular nominee. Of the nine candidates currently lobbying for the WTO role, eight of them are from members that are self-designated as developing countries, and one of them - Brazilian WTO Ambassador Roberto Carvalho de Azevêdo - is from a BRICS country.

A separate statement by BRICS trade ministers released on Tuesday gave additional details on the group's concerns for the multilateral trading system. For one, it reiterated the group's worry over "initiatives that might undermine the coherence of the Doha Development Agenda and that deviate from the principles of multilateralism," in an apparent reference to some efforts - such as the discussions among 21 WTO members over a possible plurilateral deal on services- that are being pursued among subsets of the global trade body's membership.

In addition, the WTO's "single undertaking" principle, and the development mandate of the negotiations, must be respected, trade ministers said, as the global trade body continues its efforts to move the Doha talks forward.

Rich country monetary policy draws fire

Developed country monetary policy also came under scrutiny during the Durban gathering. Central banks in the US, EU, and Japan have faced criticism from some trading partners in recent months over their decisions to undertake additional rounds of monetary easing, which have sparked fears of a "global currency war."

Many have argued that the moves by these central banks can create exchange rate misalignments that can effectively make developed countries' exports more competitive than those of their trading partners. Advanced economies, meanwhile, have noted that these efforts are aimed not toward bettering their terms of trade, but at advancing domestic policy objectives such as reducing unemployment or fighting deflation.

"Central banks in advanced economies have responded with unconventional monetary policy actions which have increased global liquidity," the BRICS leaders said.

"While this may be consistent with domestic monetary policy mandates, major central banks should avoid the unintended consequences of these actions in the form of increased volatility of capital flows, currencies, and commodity prices, which may have negative growth effects on other economies, in particular developing countries."

Foreign reserves, currency swaps

In another move ostensibly aimed at reducing dependency on the IMF in a crisis, the five-member group agreed to establish a "BRICS contingent reserve arrangement" - essentially an exchange pool of foreign reserves aimed at ensuring financial stability and dealing with short-term liquidity problems that might arise. The idea was first tabled in April 2011.

Earlier this week, Brazil and China inked a deal that would allow them to conduct up to US$30 billion of trade in their local currencies, rather than having to use the dollar or the euro as they have done in the past. The deal would be valid for the next three years.

ICTSD reporting.

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Building it brick by brick
B. S. Prakash, Business Line (The Hindu)

25 March 2013: When they come together at Durban, the South African city that has hosted mega conferences of hundreds of countries in the past, the small but significant group of five leaders from Brazil, Russia, India, China, and the host country will be completing their first round of summit meetings. South Africa, itself a late entrant into BRICS in 2011, is conscious of what the event means to it, a demonstration to its own people and also to the rest of Africa about it belonging to a select transcontinental group: new, rich in promise and potential, and worthy of attention. True to its political tradition of solidarity with the rest of Africa, South Africa as the host is also leveraging the event for a focus on all of the continent. Predictably the theme of the summit chosen by the host is "BRICS and Africa — partnership for development, integration and industrialisation." The African Union is being invited as a guest. Interestingly, the President of Egypt is also expected.

Diplomatic Perspective

Apart from the symbolism and the ceremony, after five years of evolution, how does one see BRICS as a grouping? What does it bring to the countries that are members? What does it convey to the countries that are outside it, to the G-8, the original rich man's club, to other groupings? Here is a diplomatic practitioner's perspective based on some experience of summits hitherto.

It is by now well recognised that some factors underlying the creation a decade ago of a clever acronym BRIC (without South Africa at that stage) have changed. The BRIC 'brand' was the invention of an investment and marketing guru Jim O Neill of Goldman Sachs. At a period of financial crisis and economic collapse in the affluent West, he was looking to identify countries with high growth, rising demand in markets, and attractive yield for investments. In the buoyant period of over 8-9 per cent growth in China and India and more modest but still robust growth in Brazil and Russia, the logo of BRIC as an investment destination was attractive. Today, seen from this solely macro-economic perspective, the reality is different. There are questions about the growth trajectories in India and Brazil to name only two; pointers to others that are growing faster such as Mexico, Turkey or Indonesia, and larger uncertainties about the economic scenario. BRICS sceptics, not confined to the West, but also in our countries thus ask legitimate questions about the salience of the grouping.

But to focus only on the micro or even macro economic issues is to miss the point that BRICS has moved beyond that bandwidth. With it adopting the character of a 'forum' with leaders meeting at the summit and others — foreign, finance and trade ministers, national security advisers, apex business organisations, academics, bankers — on the sidelines, it is acquiring an identity as a different kind of mini multilateral platform. What is its evolving identity, then?

Some features are easy to see. BRICS countries are all large, though largeness in size or population is a relative attribute. But together they constitute 40 per cent of the world's population, 25 per cent of its land size and over 25 per cent of the global GDP and thus by any standards have collective weight. Secondly, though Mexico, South Korea, and Turkey have also shown remarkable growth, they are members or aligned to the rich man's club of OECD and have identity and interests with the developed world. Broadly speaking, BRICS countries regard themselves as developing (Russia being an exception) and it is still a fact that the perspectives of the two groups are different on many international issues. (The G-20, another mechanism, is a framework that brings together both).

Third, the BRICS countries are conscious — although they may not proclaim it — that the convergence in their political and security interests is limited, and hence are not likely to spend too much time on these issues. Two countries are already permanent members of the Security Council (China and Russia), and India and Brazil are aspirants; two are acknowledged nuclear powers and India is a claimant, and there are other divergences on strategic issues. All leaders are sensitive to these differences and the summits take place despite these divergences, and not to resolve them. Notwithstanding, with regard to some international issues, there can be commonality of approaches and hence the expectation that they may look at Syria, Iran or the Palestinian issue in a nuanced way. BRICS leaders are also careful not to see or, in any way, project their forum as adversarial to the U.S. or the West. That simplistic and headline grabbing approach is only that of lazy commentators, both in the West and in our own.

Within the establishments of BRICS countries, it is recognised that BRICS is essentially a work in progress. The expectations are modest and pragmatic. It will be fair to say that the one-to-one meetings between the partners, all of who are important, are a value in itself during the summits. BRICS does create an opportunity, for example, for our Prime Minister to meet for the first time, the new Chinese leader, Xi Jinping, in an intimate setting. Beyond this collateral advantage, BRICS may also help share thinking on medium term global governance issues. Current examples are the reform of the IMF and the World Bank, a greater say for countries with our capacities in such institutions, state of WTO or climate change negotiations and such agendas. There may not be complete identity of views on these issues, but given their profiles and resource endowments, a certain empathy among them is to be expected.

Substantive Specifics

Looking at the forthcoming summit in Durban, some substantive specifics may be noted. Engagement with Africa is important individually for India, China and Brazil though their priority regions and models for cooperation have been different. It will be interesting to see the competitive and the cooperative dimensions come into play when they look at Africa collectively. The idea of a BRICS bank, first discussed in Delhi, is being examined at technical levels, but it may receive further encouragement. A notable achievement already is the BRICS network of research institutions to pool together the intellectual capital, easier to design than the pooling of financial capital.

Finally, for South Africa, Brazil and India, there is also the interesting question of how to shape another forum of their own, IBSA, which brings together the three large and vibrant democracies from the three continents of Africa, Latin America and Asia. BRICS and IBSA have overlapping but distinct memberships and identities and the three countries need to think of what they can do together that is different from BRICS. This is also an issue that India will have to address as it will host the IBSA process later in the year.

(B.S. Prakash is a former Ambassador, currently a visiting Professor at Jamia Milia University and a contributor to Gateway House: Indian Council on Global Relations)

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Trade with Brazil grew 10-fold in last decade
Huma Siddiqui, The Financial Express

New Delhi, 23 March 2013: Brazil's trade with India has witnessed a 10-fold increase in the last decade with exports worth $5.04 billion and imports of $5.58 billion, and is expected to reach $15 billion by 2015.

"These numbers include $2 billion in export of diesel and $3.4 billion Indian import of crude oil. So in 2012, $5.4 billion or 50% is on account of oil trade out of the total $10.6 billion. Crude oil, sugar and soya made up 76% of India's imports from Brazil," an official in the Indian embassy in Brazil told FE. "The good news is that the increase in pharmaceutical, fertilisers and chemicals exports to Brazil from

India, which together is now close to $1 billion. Auto components and electrical and mechanical equipment have also seen good growth, so have textiles and fibre exports. While oil trade has different dynamics, rest of the products have seen good growth," the official added.

Brazil's ambassador to India, Carlos Duarte has at various fora highlighted the growing cooperation between the two developing powers in various fields including agriculture, science and technology, energy, education, defence and environment.

According to former ambassador R Viswanathan:, "India's trade with Brazil 20 years ago in 1992 was just $177 million. Then 10 years back, in 2002, it was $1.2 billion, with India's exports to Brazil declining in 2012 to $5.04 billion dollars from $6 billion in 2011."

Current data indicate that 41% of India's exports ($2.1 billion) in 2012 were diesel exported by Reliance and the fall in India's exports in 2012 is due to the 33% decline in exports of the fuel.

The former diplomat went on to add, "The second biggest export was chemicals and pharmaceuticals which amounted to $697 million. The third largest export item was polyester yarn — $225 million. Auto parts exports were $106 million.

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India, Africa revise 2015 trade target upwards to $100 bn
PTI

New Delhi, 18 March 2013: Notwithstanding the gloomy global economic environment, India and Africa today revised upwards their bilateral trade target for 2015 to US$ 100 billion.

The decision to revise the target by US$ 10 was taken here at the India-Africa Ministers Round Table conference chaired by Commerce, Industry & Textiles Anand Sharma.

He conveyed to the visiting ministers that despite the gloomy global environment, where there has been a contraction of trade, and with India's own trade contracting with major trading blocks, US$ 100 billion trade by 2015 is achievable.

"We are upwardly revising the target to at least US$ 100 billion by 2015...We may end up achieving it by the end of 2014 if we continue working together in the same spirit in which we have been working," said an official release quoting Sharma.

Trade between India and Africa totalled US$ 70 billion in 2011-12.

The Indian investments in Africa are now close to US$ 50 billion, Sharma said.

He informed further that India has taken a decision to open dialogue with the Common Market for Eastern and Southern Africa (COMESA), the largest economic group in Africa.

A Joint Study Group for examining the feasibility of a Free Trade Agreement between India and COMESA has been set up. Besides, the Preferential Trade Agreement talks with Southern African Customs Union (SACU) countries are underway.

The developments made by India-Africa Business Council (IABC) were also discussed.

Sharma expressed the hope that the new economic partnership will present India and the African countries with substantial opportunities to increase trade and investment activities, enhance market access

and develop greater competitiveness by leveraging their respective strength.

He said India has approved expansion of the Technical Assistance Program on cotton for Africa to cover Mini-Mission III (development of Market yards) and Mini Mission IV (development of cotton ginning and pressing factories) to be implemented by Ministry of Textiles.

African countries were also asked to avail the facilities of the Duty Free Tariff Preference Scheme, announced by India for the Least Developed Countries (LDCs).

Under the Scheme, India grants duty-free access on 85 per cent of tariff lines and preferential access on 9 per cent of tariff lines, covering 92.5 per cent of global exports of all LDCs.

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Pak to give MFN status to India by June-July: Commerce Secretary
Nayanima Basu, Business Standard

New Delhi, 15 March 2013: The ministry of commerce and industry on Thursday said Pakistan was likely to grant the most favoured nation (MFN) status to India in June-July, when the commerce secretary-level talks are due. By then, the elections in Pakistan would be over and a new government will take charge. Pakistan was supposed to grant full MFN trade status to India in December 2012, but it deferred the decision.

“Hopefully by June-July, a new government will assume office in Pakistan and I am sure that the first priority of the new government would be giving the (MFN) status,” said Commerce Secretary S R Rao, while addressing a conference on India-Pakistan trade organised by Icrier.

Commerce secretaries from India and Pakistan are expected to meet to take stock on the progress made in trade normalisation between the two neighbours. The MFN issue is expected to figure prominently then.

Last year, it was decided that Pakistan would expand the number of items traded though the Attari-Wagah border from the current 137, while India would reduce the number of items in the sensitive list under the Safta (South Asian Free Trade Area) agreement and allow more goods from Pakistan. However, nothing concrete has taken place so far.

“We will bring down the sensitive list to 100 tariff lines soon, out of which 75 tariff lines will have agricultural goods while the remaining 25 will consist tobacco and liquor items. Our peak tariffs have already come down to 5 per cent,” said Rao.

At present, there are 614 items that are under the Safta sensitive list. These cannot be imported from any of the South Asian countries.

Rao added that the agreement on relaxing the visa regime for Pakistan businessmen, which was signed last September, would be notified soon.

“There is already an understanding between India’s home ministry and Pakistan’s interior ministry that they will make it (relaxed visa regime) happen. The agreement to this effect has been reached and signed in September 2012. What remains now is the issuance of notifications from both sides. But some unfortunate incident on the border happened and the system went out of sync. The notifications are awaited,” he added.

Bilateral trade is at $1.9 billion with India’s exports to Pakistan reaching $1.5 billion and imports totalling $401 million in 2011-12, according to the commerce ministry. According to a research by Icrier, the two-way trade soared nearly nine times between 2000 and 2011.

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India, EU negotiators set to iron out BTIA hurdles
ENS Economic Bureau

New Delhi, 22 March 2013: India and the European Union (EU) chief negotiators are meeting tomorrow in Brussels to carry forward the bilateral free trade agreement and iron out critical issues before the ministerial-level talks begin in April.

The Broad based Trade and Investment agreement (BTIA), which is being negotiated since 2007 and has missed several deadlines, will not only reduce tariffs on goods, and liberalise services and investment provisions, it will also open the 27-nation bloc for the Indian exports.

"The chief negotiators of both sides will meet in Brussels on March 22 and March 23 to carry forward the negotiations," a statement issued by the commerce ministry said. The ministerial-level talks will start from April 15, an official said.

Commerce and industry minister Anand Sharma expressed hope for early conclusion of the BTIA and said, "Offer on the table is very strong and largely we have meeting of mind."

He said that both the sides should focus on the big picture and the benefits that will accrue out of the agreement. Moreover, he added that it will send a positive message to the global economy.

The officials in the ministry said that focus is on conclusion of the agreement before the general elections in India next year. European Commission presidential elections are also due next year.

The two sides have not been able to conclude the negotiations due to differences on the level of opening of the market.

India has been seeking single visa for its professionals on short-term contractual visits to the European Union while the EU has been asking for significant reduction in customs duty on cars, wines and spirits on their exports to India.

The two-way trade stood at $110 billion in 2011. India has already implemented comprehensive free trade agreements with countries including Japan, Malaysia and South Korea.

Meanwhile, Sharma also met Hugo Swire, British minister of state, foreign and commonwealth, today and apprised him about emerging investment opportunities in India, including developing integrated industrial townships, especially in proposed Chennai-Bangalore Industrial Corridor Project.

The ministers agreed to move forward in exploring the possibilities in advanced manufacturing.

During 2012, the bilateral trade between India and the UK grew 28 per cent to $16 billion over the previous year. However, the two-way trade has witnessed a declining trend during April-January of the 2012-13 fiscal.

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Pact Pill For Thai Trade
The Telegraph

Kolkata, 15 March 2013: A comprehensive free trade agreement (FTA) between India and Thailand, likely to be concluded within three months, will increase bilateral trade to $14 billion by 2014 from

around $8.6 billion in 2012.

The two countries have already implemented an early harvest scheme as part of the framework agreement to establish a free trade area.

Thailand has sought Indian investments in tourism, hospitality and food processing.

"There were 82 items mentioned in the early harvest scheme. In the second level of negotiation, we would like to include some professional services, refrigerators and other electronic items. They are being negotiated. We will like to see the negotiations conclude in the next three months," said Nalinee Taveesin, Thailand's trade representative and minister at the Prime Minister's office.

She was speaking at a session organised by the Indian Chamber of Commerce here today.

India exports gems and jewellery, metal ores, chemicals, machinery, vegetables, electrical household appliances and pharmaceutical products to Thailand.

Major imports from that country include chemicals, polymers of ethylene, auto components, rubber and iron and steel.

Between April 2000 and January 2012, the Southeast Asian nation invested $94.76 million in India, which constituted 0.06 per cent of the total foreign direct investment inflows.

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Egypt seeks to double trade with India, attract more investments
Business Line (The Hindu)

New Delhi, 20 March 2013: Egypt wants to double its trade with India in the next few years from the current $5.4 billion and has invited more investments from the country in areas such as energy, agriculture, bio-technology and information technology.

Egyptian President Mohamed Morsi, in an interaction with Indian industry here, promised investors all the required facilities and a conducive investment environment in his country.

"One of our focus areas is attracting foreign direct investment. Both countries can cooperate in areas like ICT, space science, energy, agriculture and nano technology," Morsi said at an event organised by industry chambers FICCI, CII and Assocham on Wednesday.

The Egyptian President is on a four-day visit to India and is heading a high-level delegation comprising key ministers and business leaders.

The trade surge between India and Egypt has emboldened the Government to set up more ambitious goal of doubling this volume within the coming few years, Morsi said, adding that his country could start importing grains from India.

Speaking to the media on the sidelines of the event, Commerce and Industry Minister Anand Sharma said India was in talks with Egypt for exporting wheat, but the terms were yet to be decided.

Sharma said at the event that he would urge Indian companies to look at Egypt more seriously and invest in various sectors. "Indian companies can also partner with Egyptian firms in sectors like infrastructure, biotechnology, energy and pharmaceuticals," he said.

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India asks Egypt to scrap penal duties on cotton yarn
Amiti Sen, Business Line (The Hindu)

New Delhi, March 15: India has submitted an unofficial notice to Egypt seeking removal of "wrongful'' penal duties imposed on cotton yarn imported from the country as it flouted World Trade Organisation (WTO) rules.

The 'non-paper' given to Cairo by New Delhi on safeguard duties imposed on cotton yarn last year is intended to serve as a warning that India may drag the matter to the WTO if corrective action is not taken soon, a Commerce Department official told *Business Line*.

Usually 'no paper' is meant to be a warning for harsher steps to follow.

Egypt is a significant buyer of Indian cotton yarn ranking fourth after China, Bangladesh and South Korea. In the January-October 2012 period, cotton yarn worth $130 million was exported to Egypt by India.

The imposition of safeguard duties – which are penal duties imposed in addition to customs duties to check surge in imports – has made Indian cotton yarn uncompetitive in the Egyptian market, Indian exporters of cotton yarn allege.

"Export of cotton yarn from India to Egypt may not be huge compared to total exports, but with growing protectionism across the world it is important to send out a signal that India is not going to take things lying down," a senior industry official from a leading textile body said.

Interestingly, Turkey withdrew similar penal duties on Indian cotton yarn late last year after India threatened to file a dispute with the WTO.

"We hope Egypt takes our non-paper seriously and acts. Hauling the country to the WTO is something that we would not want to do enthusiastically as Egypt is going through its own political and economic turmoil. But we also have our own industry's interests to protect," the official added.

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India, China sell cotton stocks to soften global prices
Mayank Bhardwaj and Lewa Pardomuan, Reuters

New Delhi/Singapore, 20 March 2013: India will sell cotton to local buyers from government stockpiles, joining China as the world's top two consumers try to cushion domestic textile mills against soaring costs.

The sales by China and India, also the two leading producers, should ease tight supplies and help cool global prices that have soared 20 percent this year on strong demand - partly because of the Asian giants' hoarding.

China, the world's largest consumer, is expected to sell about 3 million tonnes of cotton this year from state reserves of around 10 million tonnes, Terry Townsend, executive director of international farm group ICAC, said on Wednesday.

"We expect China stocks at the end of the season will be down to 7 million tonnes," Townsend told Reuters in an interview in Singapore.

In India, an official at the partly state-run National Agricultural Cooperative Marketing Federation said a

decision was being taken on stock sales that should take place from April.

Earlier, replying to a query on whether the cotton Corporation of India would sell stocks in the open market, Trade Minister Anand Sharma said: "That will happen."

Both India and China have bought domestic production to guarantee returns for their farmers, but the move appears to have backfired, squeezing profits for textile mills as prices have surged.

Domestic prices in China are 50 percent above world prices, while in India they are roughly on par, against a usual discount of around 5 to 7 cents per pound.

China's stockpiling is expected to gobble up more than half the world's cotton surplus - even though it should be a record - by the end of the crop year in July, according to the U.S. Department of Agriculture.

Investment from speculators on expectations of continued hefty purchases from China helped push U.S. cotton futures to a one-year high of 93.93 cents a pound last week, but they remain well below their record above $2.20 a pound hit in March 2011.

Cotton on ICE Futures U.S. fell on Wednesday as fears the release of government stocks could hamper demand.

"This reminds people that there is still cotton that could potentially come onto the market," said Peter Egli, director of risk management for Plexus Cotton Ltd, a British-based medium-sized merchant.

The most-active May cotton contract on ICE was down 0.81 cent, or 0.89 percent, at 90.22 cents a lb at 11:23 a.m. EDT (1523 GMT).

Merchants and mills in the United States, the world's largest cotton exporter, said physical supplies have tightened recently due to continued strong export demand even as futures prices have rallied.

"The current price level is supported only by this reserve policy of China," ICAC's Townsend said. "If the reserve did not exist, prices today would be around 60 or 70 cents a pound."

While the USDA expects an annual rise of 4 percent in cotton consumption in the year to July 2013, that would still be 12 percent below its peak in 2005/06, due in part to high prices that have made cotton less competitive.

"Cotton needs to come down to around 70 or 80 cents a pound to be competitive with polyester," Townsend added.

India will sell cotton from stocks of 2.5 million bales (425,000 tonnes) out of a crop expected to total 33 million bales in the year to Sept. 30, 2013. Domestic mills normally use about 26 million to 27 million bales.

"This move will support the industry and stabilize prices, restricting any further rise," S. Dinakaran, joint managing director of Sambandam Spinning Mills said, adding that private traders might then also sell stocks to pre-empt price falls.

He expected prices to drop by around 1,000 rupees per candy from current spot prices for the most commonly traded Shankar-6 variety of 38,500-39,200 rupees per candy of 356 kg. Spot prices hit a record high around 62,000 rupees in March 2011.

Both countries could also import to help tame domestic prices.

China could double volumes approved to nearly 1.7 million tonnes from April, according to trade sources, favoring mills that sell their textiles for export.

India will also turn to imports, which could jump about two-thirds in 2012/13, according to the Confederation of Indian Textile Industries.

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Redefine wheat export policy
Tejinder Narang, Business Line (The Hindu)

13 March 2013: There are three macro-models of wheat export approved by the Government. But none of these is supportive of accelerating shipments to accomplish export of 8-10 million tonnes (MT) in 2013-14 due to shifting market conditions.

These policies are as follows: The first entails export of 4.5 MT of FCI stocks of the 2012-13 crop through three PSUs, namely, PEC, STC, MMTC against international tenders, operationalised in August 2012. The second, declared on March 7, 2013, says private traders can export 5.0 MT of FCI wheat shipments of the oldest crop of 2011-12. The third, notified in September 2011, says that an unspecified quantity can be exported by the private/public sector from the open market. Indian wheat is competing against itself in the international market under these three schemes. But beyond May-June 2013, all three alternatives will substantially outprice the world's falling prices. India needs to rework its pricing strategy.

PSU Tenders

Tenders of 4.1 MT have been issued since August 2012, and 3 MT approved in the price range of $296–328.00 fob/ tonne (average $310). An amount of 2.3 MT has been shipped and the balance 0.7 MT is pending for shipment, as of mid-March 2013.

But now a stalemate has been reached in an otherwise efficient implementation through PSUs. The internal guidelines of the Government advise a minimum export price (MEP) of $300/tonne (net realisation to FCI is approximately Rs 14,025 (or $255) after deducting rail freight and shipping cost/PSUs expenses from $300).

The Government, for the last six months, was comfortable in deciding tenders so long as "export" market was stable and "rising", or relatively bullish. When the trend reversed in the second half of February 2013 to "falling" mode, uneasiness set in. The Government is "long" with 30 MT of wheat and 44 MT is to come in the next three months.

Normally, traders go "short" in descending trade. Risk is hedged in futures exchanges. But that is not the case with the FCI or Government. If it has opted to trade in commodities, it has to take an immediate call and be astute in bearish conditions, to salvage some realisation from sunk investment.

In end February and early March 2013, bids of 400,000 tonnes were rejected by authorities, either because the offers were below $300; even if some bids were above $ 300, they were below their expectations and thus ignored. Price discovery through a tendered process — that is marked to the market — is negated. Now 4,00,000 tonnes is re-tendered, which may again attract lower values in bearish market with shipments deferred till end-April or early May 2013. Lower price realisation can be explained, but explaining rejection of offers made at the best market prices and then re-contracting them at lower prices can be a more difficult task.

On March 8-9 soft red winter (SRW) wheat of US — the cheapest origin today — for April-May delivery was $283 fob/tonne — almost $20/tonne down in one month. The US Department of Agriculture report of March 8, 2013, projects exports from Russia, Ukraine and Kazakhstan at 28 MT in July 2013-June 2014. Black sea cargoes for "August" delivery (new crop) are traded at $250 fob/tonne. It is therefore incumbent on authorities to accept bids below $300 /MT even if it means revisiting earlier policy decision.

Private Export of FCI Stocks

This scheme envisages 5 MT exports of 2011-12 in the next three months. With harvesting of 2013-14 commencing April 2013, wheat of 2011-12 will be three years old. This is also an admission/confirmation that three-year-old stocks are available in the country.

Though it is a prudent initiative to liquidate the oldest (2011-12) stock, its price needs to be attuned downwards and cannot be equated to 2012-13 and 2013-14 grains.

Normally, old crop is discounted by $20-30 per tonne per year. Five million tonnes cannot be shipped out in three months due to the logistical constraints of rail cars and berthing and loading facilities at the ports. The minimum release price announced by the Centre of Rs 14,800 per tonne ex-Punjab includes 14.5 per cent local tax, which translates into $315-320/tonne fob depending upon the dollar/rupee rate. Tradable fob value "abroad" till "end March" is $280 (Rs 15,400 per tonne) and subsequently $260 (Rs 14,300) or even lower. The existing floor price is not a workable option.

No country today, not even China, can dictate or define global supply or demand conditions, weather variations, speculative positions, currency movements and local politics, but it is up to trading nations to take advantage of this matrix mix. The world market does not permit recovery of unreasonable taxes imposed by the Punjab Government. A revenue of Rs 7,500 crore ($1.4 billion) can be generated by dispatching 5 MT at a market-friendly release price.

Open Market Exports

An export of 2 MT has been achieved under this route since September 2011. From April onwards, private players are monitoring developments in Uttar Pradesh, Madhya Pradesh, and Rajasthan to economise on freight cost and work on an MSP of Rs 13,500 per tonne.

This translates into an fob of $290.00 for delivery in April-May shipments. Deals of 1-1.5 MT may take place under this policy. If a steep decline in world wheat prices continues, open market operations will be unviable after May-June 2013.

The annual supply of wheat is 92-93 MT against domestic use of 76-78 MT. The Commission of Agriculture Costs and Prices has suggested Rs 13,500/tonne ex-Punjab as floor price for export and that efficiency of farmers should not blunted by the irrational tax structure in Punjab.

A carrying cost of $50/tonne per annum and "presumptive losses" for maintaining huge inventory should all be considered to redefine "flexible pricing" linked with international market movements.

A sum of Rs 15,000 crore ($2.8 billion) can be generated by exporting 10 MT from FCI's stocks to reduce current and fiscal deficits. If domestic and international values remain misaligned, the US, Australia or Black Sea countries will gain the upper hand.

All policy pronouncements might remain on paper. The FCI will continue to be saddled with old perishable stocks with lack of storage for the new crop.

(The author is a grains trade analyst.)

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Manipur to ban import and sale of food packets from Myanmar
Business Line (The Hindu)

Imphal, 18 March 2013: The Manipur Health Minister Phugzathang Tonsing announced on Sunday that the government will soon ban import and sale of food packets from Myanmar since these items do not have manufacturing details, including the expiry date.

Undisclosed ingredients

Mr. Tonsing said the undisclosed ingredients may be harmful to the consumers. Following some instances of sickness among children, the authorities in Nagaland had banned sale of these food items. These food packets, including tinned fish, chicken and beef, have heavy demand in the North Eastern States.

Smuggled for distribution

Though the food packets are not included in the approved list of legalised border trade, Indian traders have been smuggling them to Manipur for distribution to other States. Various medicines are also illegally smuggled.

The Manipur government had already banned the sale and consumption of smokeless tobacco products.

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Amul wants protection for dairy farmers
Anand, Business Line (The Hindu)

27 March 2013: Amul, the iconic milk brand of the country's largest dairy co-operative, Gujarat Cooperative Milk Marketing Federation (GCMMF), on Tuesday, urged the Union Commerce Ministry to take care of farmers' interests while negotiating the proposed free trade agreement with the European Union. It urged the Government to have a re-look at the proposed EU-India FTA.

Import duty

Amul strongly opposed for providing any advantage in import duty on certain dairy products. R.S. Sodhi, Managing Director of GCMMF that which markets Amul, has written to the Union Minister of Commerce along these lines recently.

In a statement here, Amul said it is important to note that the EU does not permit import of dairy products from India in the name of SPS (Sanitary and Phyto Sanitary) measures, saying that Indian milch animals are not maintained, according to the EU standards and, hence, the dairy products are not safe for consumption.

Interestingly EU also subsidises its milk farmers by giving various incentives on export of their dairy products which actually make their products cheaper than the cost.

EU wants to export such subsidised dairy products to India, without giving access to the Indian dairy products to its own market which has a large NRI population, he said.

GI protection

The EU demands also reveal that it wants protection of some of the cheeses such as Gouda, Feta and Emmenthal under the Geographical Indication (GI) protection, meaning that Indian cheese producers cannot give such names to their cheese.

At the same time, the EU wants to sell Indian ethnic products such as paneer and lassi in their own market without giving any similar protection to India.

It is also noteworthy that in areas where India is richer, for example in traditional knowledge such as Ayurvedic medicine and genetic resources such as neem, the EU is refusing to take the measures to stop bio-piracy (i.e., protect biological resources by patenting them without paying royalties).

Essentially, Sodhi said, the EU is asking India to give more monopoly protection in the areas (GIs) where it has more intellectual property.

This will cost Indian consumers (who have to pay higher prices) and Indian producers (who will no longer be able to clearly identify their products and so are highly likely to lose sales) who are already in nascent stage of agro food processing industry.

He pointed out that the EU is actually anticipating a huge market opportunity in India once the comprehensive FTA is ratified. India needs to be “extremely cautious” at this approach of the EU to ensure that the country’s interests are not hampered.

Sodhi requested the Ministry to take up the matter ‘very strongly’ against this protection, especially when majority of 80 millions Indian farmers (many of whom are marginal and landless) are very much dependent on milk business by keeping one or two cattle which provide their daily livelihood.

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BDR Seeks Compulsory Licence for Cancer Generic
Divya Rajagopal, The Economic Times

Mumbai, 19 March 2013: A small Mumbai-based pharma firm has applied for a compulsory licence (CL) for an anti-cancer drug patented by American drug giant Bristol-Myers Squibb (BMS), a move that is likely to intensify the battle between domestic and foreign firms over the controversial facility.

A BDR Pharma executive on Monday said that the firm has applied to sell a generic version of BMS's patented anticancer drug Dasatanib at a much-lower price through compulsory licensing."Yes, we have filed for CL and our main goal is affordability for Indians suffering from the disease and making it available to all patients," Dharmesh Shah, MD, BDR Pharma, told ET.

BDR wants to sell the drug at.8,100 against BMS's price of.1,60,000 for a month's dosage.

CL is a provision under the Trade Related Intellectual Property Rights (TRIPS) programme of the WTO, which permits governments to allow generic companies to produce patented drugs without the consent of the patent holder.

India is a signatory to TRIPS and has provided the facility of compulsory licensing in its laws.

CL became controversial in India after Hyderabad-based Natco Pharma got permission last year from the patent office to sell cheaper versions of German drugmaker Bayer's kidney cancer drug Sorafenib.

Bayer had strongly argued against CLs saying such a move is against India's adoption of strong patent-protection laws.

However, Intellectual Property Appellate Board (IPAB) in March ruled in favour of Natco's CL.

Multinational companies, which have always complained against the lack of patent protection in India, say they are being robbed of millions of dollars in revenue through CL.

They add that the patient-protection programmes run by many foreign companies ensure availability of cheap drugs, but this is disputed by patient groups in the country which say the cost of drugs still remains high.

Compulsory licensing, according to them, reduces the cost of drugs and is needed in a country where many poor patients don't have access to affordable healthcare.

BDR says that it has filed for CL under Section 84 of the Indian Patent Act.

Under this section, a company can file for CL three years after the patent has been granted for a specific drug.

The application will now be reviewed by the government and there is no certainty that a CL will be granted.

The patent office will have to examine all issues such as the affordability of drugs and whether the patent has worked in the territory of India.

Last week, the world's largest drugmaker Pfizer complained about the growing "anti-IP developments in India" in a representation to a US House of Committee on Trade."Despite being a member of the WTO and an important global trading partner, India has systematically failed to interpret and apply its IP laws in a manner consistent with recognised global standards.

We have seen a growing trend of anti-IP developments in India and this is creating a significant uncertainty in the market and negatively impacting our industry and Pfizer," Roy Waldron, chief intellectual property counsel, Pfizer, had said.

BMS did not respond to the email query sent by ET.

BMS has tried to ward off generic rivals to drug such as Natco and Hetero Drugs by suing them.

Shamnad Basheer of Spicy IP, the blog which first broke this news on Monday, says this application is an encouraging move and might set the ball rolling for other companies to explore the CL route."Many of us were worried that after Natco, no other company would file for compulsory licence, considering the long legal tussle that comes with this issue," says Basheer.

Big Cos Dissent

MNCs have complained about lack of patent protection in India, saying they are robbed of millions of dollars in revenue through CL. MNCs claim that many foreign cos ensure availability of cheap drugs.

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U.S. groups criticize India drug, tech, farm policies
Doug Palmer, Reuters News

Washington, 13 March 2013: U.S. industry groups on Wednesday called for the United States to increase pressure on India to reform high-tech, agricultural and pharmaceutical policies they said block U.S. exports and damage patent rights.

"India has essentially created a protectionist regime that harms U.S. job creators" in favor of the country's generic drug manufacturers, Roy Waldron, chief intellectual property counsel for Pfizer, said in testimony to the House of Representative Ways and Means trade subcommittee.

Waldron complained that last year India revoked Pfizer's patent for a cancer medicine, Sutent, "to allow Indian generic companies to manufacture and sell generic copies."

India also abuses compulsory licenses, which governments are supposed to use in limited circumstances to suspend drug patents, for the benefit of its domestic firms, he said.

Waldron urged U.S. government officials to vigorously pursue those concerns in direct talks with India and to "review all available policy tools" to pressure the world's largest democracy to better protect U.S. intellectual property.

The hearing comes as U.S. trade benefits for India are up for renewal under the Generalized System of Preferences program, which waives duties on thousands of goods from developing countries to help them create jobs.

"I want to ensure that U.S. job creators can compete there on a level playing field," said Representative Devin Nunes of California, the Republican chairman of the Ways and Means trade subcommittee, noting India's market of 1.2 billion people should offer huge potential for U.S. companies.

WTO Option

India is the largest recipient of benefits under the GSP program, which expires on July 31. It exported $3.7 billion worth of goods to the United States under the program in 2011, or roughly one-tenth of its total exports to the United States.

It does make sense to examine whether India should be removed from the GSP program given its growth in recent years, but it might be a mistake to portray that as an effort to punish the country, said Arvind Subramanian, a senior fellow at the Peterson Institute for International Economics.

"I would be a little hesitant about using that" since the move is probably not strong enough to change India's behavior, but would be seen in New Delhi as trade retaliation and damage the United States diplomatically, Subramanian said.

A better but more time-consuming option would be challenging more of India's policies at the World Trade Organization in the hope of winning rulings that would increase pressure on the government to reform, he said.

Last month, the U.S. Trade Representative's office filed a WTO case against elements of India's national solar energy program that it said discriminated against foreign producers in violation of a global trade rule.

It has also challenged India's restrictions on U.S. poultry in a case that is to be decided by the end of this year.

Procurement Pains

Meanwhile, U.S. technology companies are frustrated by Indian government procurement policies that favor Indian electronics products over foreign, Dean Garfield, president of the Information Technology Industry Council, told the panel.

"The PMA (preferential market access) policy certainly does not bode well for our industry, threatening to shut us out of a significant portion of the Indian ICT (Information and communications technology) market," Garfield said.

U.S. companies are also disappointed that India is sitting on the sidelines in talks in Geneva aimed at expanding the 1996 Information Technology Agreement, which eliminated duties on scores of high-tech goods, he said.

India also has steep agricultural tariffs and regulatory barriers that keep out many U.S. farm exports, said Allen Johnson, a former U.S. chief agricultural trade negotiator.

Last year, India's agricultural exports to the United States topped $5 billion, a ten-fold increase since 1995, Johnson said. In comparison, U.S. farm exports to India last year were only $900 million, well below their potential, he said.

India's reluctance to reduce its farm tariffs has frustrated the United States in the long-stalled Doha round of world trade talks, Johnson said.

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'Reconsider decision to drag India to WTO on solar energy'
PTI

Washington, 20 March 2013: A dozen odd eminent American and international organisations have asked the US to reconsider its decision to drag India to WTO over solar energy policy.

In a letter to US Trade Representative (USTR) today, these organisations have said that dragging India to World Trade Organisation (WTO) related to local content in solar panels would not only undercut New Delhi's effort to reduce poverty, but also detrimental to developing a solar energy industry.

"We are troubled that climate policy may increasingly be determined by the WTO and similar arenas based on unfair or inappropriate trade law, rather than on climate science and the real world necessities of building a green economy," these organisations told the USTR.

"We urge the United States to agree to a solution that allows India to support and build its domestic solar industry, just as we do at home," said the letter signed by 12 organisations.

The organisations are 350.org, Action Aid USA, Center for Biological Diversity, Center for Food Safety, Center for International Environmental Law, Earth Day Network, EcoEquity, Friends of the Earth US, Global Exchange, Greenpeace USA, Institute for Policy Studies, Global Economy Project and Sierra Club.

Regarding the case brought by the US at WTO challenging domestic content rules and subsidies in India's national solar programme, the Jawaharlal Nehru National Solar Mission (JNNSM), the letter said challenging this programme undercuts India's efforts to pursue appropriate economic development and reduce poverty and to take urgently needed steps to tackle the pressing and shared challenge of climate change.

"We understand that the Office of the US Trade Representative is concerned about the expansion of India's domestic content rules to thin film solar technologies, which currently comprise the majority of US solar exports to India," it said.

While it is critical to support and build a US solar industry, the development of US solar industry should not come at the expense of India's ability to develop its solar industry, the organisations added.

"Domestic content rules have been a vital policy tool used to foster, nurture, and grow new industries throughout history and can be used today to build and support renewable energy industries.

Particularly in the context of the substantial challenges posed by climate change-- most recently highlighted by President Barack Obama in his inaugural and State of the Union addresses--it is critical that countries have every tool at their disposal to transition to clean renewable sources of energy, such as wind and solar power," the letter said.

India's ability to grow a domestic solar industry is critical for several vital reasons, the organisations said in the letter.

"First, the development of a viable domestic renewable energy industry is a way to increase the share of the energy market available to renewable energy. Currently, the energy market in India, and the financing available to it, is dedicated to fossil fuels.

"The use of domestic content rules can play an important role in developing a domestic solar industry and in diversifying the country's energy portfolio," it said.

"Second, domestic content rules can increase political support for clean energy programmes by generating local benefits such as new investment opportunities and green jobs.

"Ensuring that a significant proportion of these benefits remain in India is critical not only to addressing climate change, but to reducing poverty in India," the letter said.

"Finally, and most important, the ability of India to grow a domestic solar industry is critical to global efforts to tackle climate change. Our global climate will remain in danger if only some countries develop renewable energy industries while others continue to rely on fossil fuels.

"In order to avoid catastrophic climate impacts, all countries must urgently be investing in renewable energy technologies," it said.

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US doublespeak on solar sops bared
The Times of India

New Delhi, 18 March 2013: The US has dragged India to the World Trade Organization for its scheme to incentivize locally made solar cells, but an analysis shows that there are at least half-a-dozen American states that offer additional sops to equipment made or assembled within their jurisdiction.

The Jawaharlal Nehru Solar Mission (JNSM) requires investors to use locally-made solar modules and source 30% of the inputs from domestic sources, which the US has opposed.

It has also protested against the local manufacturing clause in telecom equipment as well, another issue which may be headed to the WTO's dispute panel.

But US states continue to incentivize local content.

For instance, the Self-Generation Incentive Program offers an additional 20% bonus for California-supplied products.

Similarly, Washington's Renewable Energy Cost Recovery Incentive Payment Program offers higher incentive to locally manufactured equipment.

New Jersey's Clean Energy Program offers an additional upfront incentive to encourage projects that use renewable energy systems or components manufactured or assembled in the state.

An additional $0.25 per watt (of capacity) is available for projects using NJ-manufactured or NJ-assembled equipment, such as inverters, solar PV modules, wind turbines or blades or sustainable biomass system components, says a 2009 document.

In Texas, Austin Energy's Solar PV Program, qualifying equipment that is manufactured or assembled in the utility's service area can earn higher incentive.

There is a similar benefit from CPS Energy, another electricity utility in the state.

The others on that list include Oregon and Massachusetts, said industry players but the information could not be located on the official websites of these states.
"WTO rules cover federal and sub-federal level incentives and subsidies," said Biswajit Dhar, director General of Research & Information Systems, a think tank.

Indian officials did not comment on the issue but from all available indications, New Delhi may confront US officials during a discussion at the WTO's dispute settlement body on Wednesday and Thursday, where the two trading partners are meeting to thrash out a solution to avoid a confrontation.

Officials said a part of the solar energy flows into the grid and helps meet the Millennium Development Goals on improvement in basic standards of living of the poor.

Of the 2.11 lakh mega watt energy in the country, less than 1,500 MW is produces via JNSM.

Double Standards?

US has traditionally preferred local goods through Buy American, Buy America laws. California, Washington, New Jersey, Texas, Oregon and Massachusetts offer sops for green energy goods made in these states.

The Indian government maintained there is nothing wrong with Jawaharlal Nehru Solar Mission.

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India to skip talks on expanding ITA scope
The Hindu

New Delhi, 14 March 2013: India, and some other World Trade Organisation (WTO) members who are part of the Information Technology Agreement (ITA) group, have decided not to join negotiations on broadening the scope of the ITA — citing protection of national interest.

Officials in the Commerce and Industry Ministry said that some signatories of the ITA such as the U.S., the European Union and Japan had proposed a broadening of the scope and product coverage of the ITA

(it is being referred as ITA-2), on which customs duty would be bound at zero.

They said the proponents of ITA expansion had also prepared a consolidated list of IT products on which tariff reduction was being sought. These discussions were at a preliminary stage in the WTO, they added.

“India’s experience with the ITA-1 has not been encouraging as it has almost wiped out the IT industry from India. After examining the matter in consultation with the nodal Ministry i.e. Department of Electronics and Information Technology and other stakeholders, it has been decided, for the present, not to join the negotiations as it will not be in our national interest,” a senior Ministry official said.

Stating that India was an active participant in WTO trade negotiations, officials in the Commerce Ministry said that the U.S., Australia, EU, Canada, Costa Rica, Japan, South Korea, New Zealand, Hong Kong, Taiwan, Chile, Colombia, Switzerland, Pakistan, Peru, Norway, Panama, Mexico, Israel, Turkey and Iceland had been exploring a `plurilateral approach’ to a services agreement also known as International Services Agreement (ISA).

This group had held several rounds of discussions to finalise the architecture and modality of the proposed agreement.

“India is not part of these discussions, and these discussions are not part of the WTO Doha Round process,” the official said.

The ITA negotiations have been threatened by the reluctance of many members, including India, thereby defeating the concept of broader participation.

‘Our experience with the ITA-1 has not been encouraging’.

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India ready for trade facilitation deal at WTO: Govt
Siddharth, The Times of India

New Delhi, 26 March 2013: India is willing to negotiate an agreement over trade facilitation at the World Trade Organization (WTO), provided the developed countries agree to its demand for talks on food security, a critical issue for poorer and even emerging economies.

"We will agree to trade facilitation as much as we can but accommodation of food security is essential. We are prepared to discuss the details on food security," said a government official.

In fact, the government is trying to get other BRICS members on the same platform with commerce & industry minister Anand Sharma expected to raise the issue during the trade ministers' meeting in Durban on Tuesday.

India is keen that the interests of the developing countries are not sidestepped by the US and the European Union since talks on the main Doha Round issues — agriculture, non-agricultural market access and services — are on the backburner , while the WTO leadership is pursuing a consensus on an Early Harvest Scheme at the Bali ministerial meeting scheduled for December.

Apart from trade facilitation and food security, the developing countries are in favour of having monitoring mechanisms and tariff rate quotas (TRQs) for farm products in the Early Harvest Scheme. In fact, the proposal on administration of TRQs, which means imports above a specified threshold face a higher import duty, was moved by Brazil.

Brazil, India, China and South Africa seem to be on the same page regarding some of the other issues being pushed by the US and EU. For instance, they are not part of the negotiations on an International Services Agreement as it does not cover easier access for professionals. Similarly, with the proposed Information Technology Agreement, India has opted out of talks.

New Delhi has concerns over inclusion of 21st century issues that are being pushed by the developed countries, which include trade and its relationship with currency, climate change, energy security and food security.

Even other BRICS members would have concerns over some of the topics. For instance, China may not be party to any talks on currency, while Russia could have reservations on energy security.

"The developed countries are trying to push the core issues such as agriculture and industrial goods out of the agenda and shift the focus on new issues. They have started demanding greater concessions from emerging economies , which essentially leave developing countries with a disproportionate burden of poverty," said a senior Indian government official.

Conditional approach

India unwilling to negotiate services, IT agreement in its present form. It fears that US and EU will push to link trade talks with currency, energy and food security, climate change and avoid core Doha Round issues such as farm and industry Bali ministerial agenda may include trade facilitation, food security, tariff rate quotas and 28 issues from Doha Round. Anand Sharma to pitch for common strategy for Bali during BRICS meet.

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WTO Farm Trade Talks Enter New Stretch
Bridges Weekly Trade News Digest, Volume 17, Number 11

27 March 2013: The race to make progress on farm trade negotiations ahead of the year-end WTO ministerial conference entered a new stretch today, as the chair announced the start of ambassador-level talks on issues that members believe could be agreed at the December meeting in Bali, Indonesia.

A proposal to ease farm subsidy rules on food stockholding purchases in developing countries will take centre stage, trade sources said, following several weeks of technical talks among delegates on how such schemes currently function in practice. The proposal was first tabled by the G-33 group of developing countries with large populations of smallholder farmers.

However, negotiators were also believed to be putting the finishing touches on a new proposal on export subsidies and related measures, led by the G-20 developing country coalition that favours reform of developed country agriculture. Trade sources said that technical talks on the submission were continuing within the group this afternoon, ahead of Thursday meeting among heads of delegation that is due to approve the final version.

Food stockholding: members ready to begin talking

The chair of the farm trade talks, New Zealand ambassador John Adank, told negotiators today that a new phase of talks would now start matching “knowledge about the existing policies with different elements of the proposal.” The ambassador-level meetings would therefore raise both technical and political questions, he said.

“The substantive discussion of the proposal is only beginning,” warned the chair, who told officials that WTO members were “not yet close to agreement.”

Trade sources told Bridges that the chair was expected to report back on any progress in the consultations at the next meeting of the Trade Negotiations Committee (TNC), scheduled for two weeks' time. The TNC is tasked with the overall Doha discussions.

A number of developed countries have expressed concerns that the proposal could effectively allow countries to provide unlimited amounts of market price support to be included in the WTO's "green box" - where farm subsidies are exempt from any cap or ceiling on the grounds that they cause no more than minimal trade distortion.

Some of those speaking at Wednesday morning's negotiating meeting favoured first examining whether existing rules would still allow WTO members to achieve their food security goals.

Developing countries have also said they are worried that the G-33 proposal could potentially undermine their own poor producers if subsidised food stockpiles end up being released onto world markets, or if their own exporters are no longer able to sell to countries operating the schemes. Some G-33 members are amongst those voicing concerns about how any new proposal should be crafted.

However, another G-33 trade official told Bridges they were still keen to see other groups table counter-proposals.

"Solutions could be from either side - from anybody," said the source.

Export competition: new proposal imminent

With the new G-20 proposal still being finalised, details remained sketchy as Bridges went to press. However, sources familiar with the submission said that it was aimed at galvanising further action without over-reaching the limits of what is achievable in the current political context.

The new proposal was therefore aimed at a "standstill and reduction, while pending the implementation of modalities on export competition," said one official, in a reference to the cuts to export subsidies and similar measures outlined in the draft Doha deal.

Along with the Cairns Group of agricultural exporters, the G-20 have continued to emphasise their desire to see progress in 2013 on export competition, in the wake of a decision by trade ministers to eliminate export subsidies and disciplines-related measures at the global trade body's conference in Hong Kong over seven years ago.

The EU - which has historically made heavy use of export subsidies - has indicated it is unwilling to eliminate this form of trade-distorting support in the absence of wider progress in the WTO's Doha Round. The US, which has used tools such as export credits and subsidised food aid to similar effect, is also opposed, trade sources said.

The move follows the release last week of a WTO study looking at the use of export competition measures, itself prompted by a proposal for new analysis on the topic that was put forward by the G-20 last October. The study is available online as document number TN/AG/S/27, along with another new study on export prohibitions and restrictions, available as TN/AG/S/28.

Members are also still expected to discuss a separate G-20 proposal on easing the administration of import quotas, trade sources said, although it was unclear when these discussions would take place. Japan, Korea, and the Dominican Republic expressed concerns about the G-20 proposal at the Wednesday morning meeting.

A small package or a big one?

Some trade officials expressed concern that progress on a possible Bali deal on trade facilitation - widely seen as the motor for the recently reinvigorated talks - was not moving fast enough to galvanise action in other areas, including agriculture.

“There’s huge divergence among members,” the source said, who cautioned that a more comprehensive package might actually be easier to achieve than the relatively low-ambition topics currently under discussion.

“A small package is much more difficult than a single undertaking,” the source wryly observed. Many trade observers have argued that a small package of measures is more manageable in the current political climate than the more comprehensive set of agreements envisaged under Doha.

In contrast, a developing country official warned that negotiators may again risk overloading the set of topics on which decisions would be required at Bali.

“The attempt to put more issues on the agenda… we’ve seen that at MC8 and MC7,” sighed the delegate, using negotiators’ short-hand for the WTO ministerial conferences held in 2011 and 2008, respectively.

ICTSD reporting.

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