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The Centre for WTO Studies was set up by the Department of Commerce, Government of India in 1999. The intent was to create an independent think tank with interest in trade in general and the WTO in particular. The Centre has been a part of the Indian Institute of Foreign Trade since November 2002. The Centre provides research and analytical support, and allied inputs to the Government for WTO and other trade negotiations. The Centre also has its own body of publications, and conducts outreach and capacity building programmes by organizing seminars, workshops, and subject specific meetings to disseminate its work, create awareness on recent trade topics and build consensus between stakeholders and policy makers.

Cross-border e-commerce taking giant strides now
Sayan Chakraborty, Financial Express

Bangalore, 28 July 2014: India is fast catching up on cross-border e-commerce — export and import of goods through online channels — with the US, UK, Australia, China and Germany emerging as preferred business destinations.

Cross-border e-commerce in India has taken great strides to become three times the size of the $3.1-billion domestic e-commerce market. Driven by small and medium entrepreneurs who are tapping into overseas markets and the Indian consumer's appetite for electronic gadgets, it stood at $9.8 billion in 2013, poised to grow at a CAGR of 30%.

Indian merchants have curated a global clientele for niche Indian products, exporting ethnic wear, handicraft, leather fashion accessories and semi-precious jewellery, which account for $1.8 billion or over half the value of the domestic e-commerce market. Out of the $8-billion imports, bulk of the orders comprise gadgets like mobiles, laptops and internationally acclaimed books, revealed data provided by Delhi-based Federation of Indian Exports Organisation (FIEO).

"Since the Reserve Bank of India has raised the financial limit for online transactions from $3,000 to $10,000, we will see an increase in trading of hallmarked gold jewellery as well," said Ajay Sahai, director-general and CEO, FIEO.

The US, UK, Australia, Russia and Israel are major export destinations for Indian merchants taking the online route while China, Germany, Malaysia and Singapore are preferred import hubs.

According to Sahai, most of the medium and small entrepreneurs use global online marketplaces like eBay or Amazon to trade, while a handful have set up their individual online stores. The online marketplaces, however, account for about 95% of online exports in numbers and around 85% of the transaction value.

"Global online marketplaces are mainly used for retail sales. But, we export large volumes to whole-sellers through our own online store. Online is certainly a better route as it gives you a continuous flow of new customers. Besides, we save significantly on infrastructure costs," said Sandeep Mehrotra, owner of silverware manufacturer Progress Enterprises. "We sell goods worth R6-8 crore annually through e-commerce to international markets."

Sahai, however, said India has a long way to go before it catches up with the likes of China and the US in cross-border e-commerce exports. "China is already exporting goods worth $20 billion through outbound e-commerce, while the number for India is only $1.8 billion. The Centre should provide a seamless environment to realise the full potential of cross-border e-commerce," he saiz.

Indian merchants are enthused by the scope for growth, with the global cross-border e-commerce market poised to grow from $105 billion in 2013 to $307 billion in 2018. Around 15,000 Indian merchants are listed on eBay, exporting around 9 lakh products to 31 international markets. "Besides exports, consumers from over 2,638 cities in India are importing products from global eBay merchants from 141 countries," said Navin Mistry, head-retail exports, eBay India. He further added that around 36% exporters have recorded a growth rate of 20% while over 30% of the merchants have reported 21-40% growth.

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Textile policy aims to create 35 million more jobs, $300 billion exports
Economics Times

New Delhi, 29 July 2014: An expert panel constituted by the government today submitted the draft of the new National Textiles Policy, which aims to achieve US $ 300 billion exports by 2024-25, and creation of additional 35 million jobs by attracting investments.

The blueprint termed as the draft 'Vision, Strategy and Action Plan' to revitalize the textiles and apparel industry envisages an additional investment of US $ 120 billion. It was presented to Textiles Minister Santosh Gangwar by Chairman of the Expert Committee Ajay Shankar.

"The Expert Committee identified basic concerns in textiles sector and identified the national priorities in the form of a Vision & Strategy and the Action Plan for attaining the targets set out in the Vision for exports, investment and employment by the year 2024-25," an official release said.

"The Vision projects Indian textile and apparel exports to grow from USD 39 billion at present to USD 300 billion by the year 2024-25. This translates into additional investment required of the order of USD 120 billion and in the process around 35 million additional job creation is expected to take place," it added.

The key objectives of the new National Textiles Policy include developing a vision statement of the textile sector for the next decade to treble market share from the current 4 per cent in the next decade.

Keeping in view the various changes in the textile industry on the domestic and international fronts and the need for a road map for the textile & apparel industry, Ministry of Textiles had initiated the process of reviewing the National Textile Policy, 2000. Accordingly, an Expert Committee was constituted including leading industrialists from the textile sector to make fresh recommendations.

The draft Vision, Strategy & Action Plan for Indian Textiles & Apparels (2024) will be put up on the website of Textiles Ministry for inviting online comments/suggestions. It will also be discussed in the forthcoming meeting with state Textiles Ministers.

The draft Vision, Strategy & Action Plan for Indian Textiles & Apparels (2024) shall remain open for comments till August 18, 2014 after which feedback will be considered and a final Vision, Strategy & Action Plan would be finalised for seeking approval of Cabinet and adoption.

Government aims to formulate a new improved Textile Policy to address concerns of adequate skilled work force, labour reforms, attract investments in the textile sector, and to provide a future road map for the textile and clothing industry.

Starting today, Japan will issue multiple entry visas for short-term stay to Indians.

This was announced by the Japanese embassy here today. The decision was taken following the announcement by Prime Minister Shinzo Abe when he visited here this January that his "government would introduce multiple entry visas based on the recognition that enhancement of people to people exchanges is important to further broaden relations between Japan and India," the embassy said.

The multiple entry visa will be issued not only at the Japanese diplomatic missions in India but also at all the Japanese embassies and consulate generals overseas in light of a large number of Indian nationals living outside India, it said in a release.

It is expected that this will help increase the number of Indian tourists to Japan and improve convenience in business activities, thus further developing bilateral exchanges between the two countries.

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India seeks most favoured nation status from Pakistan
Mint

New Delhi, 28 July 2014: The Narendra Modi government is preparing to ask Pakistan to accord India the most-favoured nation (MFN) status for smoother trade ahead of a meeting of foreign secretaries in Islamabad on 25 August.

As India did not hesitate in granting the status to Pakistan in 1996, Pakistan should not have a problem with this, said a commerce ministry official. Pakistan is in the process of granting India non-discriminatory market access, which is less controversial. The previous United Progressive Alliance government did not have a problem with this nomenclature.

The tough stand by the new government comes days after it hardened its position at the World Trade Organization (WTO) on food security, setting the stage for a bitter blame game between developed and developing countries for unravelling a trade pact agreed to in December.

What could have also irked India is Islamabad's stance at the WTO not to back the proposal on food security moved by the India-led G-33 group of countries of which Pakistan is a member. The translation of most-favoured nation into Urdu (sabse pasandida mulk), Pakistan's official language, is also said to be a problem. "If Urdu (meaning) is important to them, then for us Hindi is also important," the commerce ministry official said, requesting anonymity.

Although Pakistan had agreed to grant MFN status during a secretary-level agreement in September 2012, it has since missed many deadlines. It has, however, moved from a so-called positive list trade regime to a negative list-based regime with India under which it does not allow imports of 1,209 items from India. MFN status will mean abolishing the negative list altogether while maintaining a list of prohibited items that cannot be imported.

Both countries have a preferential trading arrangement under the South Asia Free Trade Area (Safta) process. However, Pakistan has blocked some of these benefits to India through the negative list. It further restricts imports from India by allowing only 137 items through the land route via the Wagah-Attari border.

Although Pakistan may call it non-discriminatory market access at the bilateral level, when it notifies the status at the WTO, it needs to call it MFN since there is nothing like the former nomenclature at the multilateral trade body, said Ram Upendra Das, a professor at Research and Information System for Developing Countries. "While Pakistan has to ensure non-discrimination of Indian items to be imported under most-favoured nation route, it also has to give India preferential access to its market under Safta, which it has not done," Das said. In the recent meeting between the prime ministers of the two countries at the swearing-in ceremony of Prime Minister Modi on 27 May, "it was stated that the two countries could move immediately towards full trade normalization on the basis of the September 2012 roadmap worked out between the commerce secretaries of both countries", trade minister Nirmala Sitharaman said in a statement in the Rajya Sabha on Friday.

Sitharaman said that at present most of the trade between India and Pakistan is routed through either the United Arab Emirates or Singapore to the tune of $3 billion because of trade restrictions put by Pakistan.

If Pakistan grants MFN status to India, it will open up unhindered direct trade between the two countries and trade will take place at a significantly lower cost, which will also restore Pakistan's international commitment under the WTO of reciprocity in similar trading status, Sitharaman said. Total trade between the two countries stood at $2.7 billion in 2013-14. "Experts believe total bilateral trade can rise to the level of $10-12 billion in the years to come," Sitharaman said.

India and Pakistan resumed talks, derailed by the 2008 Mumbai terrorist attack, in 2011 and trade was seen as the main driver of the dialogue, with both countries announcing a series of measures to improve economic ties, including exchanges of trade delegations, India allowing Pakistan to invest in India, and signing a pact on liberalizing visa norms.
However, stepping up the pressure on Pakistan in the wake of the killing of Indian soldiers along the line of control border in Jammu and Kashmir by Pakistani troops last year, India put on hold the implementation of a liberalized visa pact.

Pakistan has shown an inclination to return to a composite dialogue, including the contentious issues of Kashmir as well as a liberalized trade regime. Pakistan trade minister Khurram Dastgir Khan, during his visit to India earlier this year, said normalization of trade with India would require a commitment from its government to maintain a stable and predictable relationship with Pakistan.

"The India-Pakistan composite dialogue is suspended even now," Khan had said. "Yes, we don't have to make the two conditional to each other, but ultimately these are parallel rails on which this train has to run. Occasionally, as of today, the trade part is running a little bit ahead of the political part, but eventually both have to progress together."

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India hopes to clinch deal with US on LNG during Modi visit
Amiti Sen/Richa Mishra, Business Line

New Delhi, 28 July 2014: Prime Minister Narendra Modi's persuasive skills will be put to test, when he visits the US which is to emerge as a major LNG exporter.

India is hoping that the US will agree to sell LNG to the country by exempting it from the requirement of a compulsory Free Trade Agreement (FTA) when Prime Minister Narendra Modi visits Washington DC in September.

"The issue is very much on the Prime Minister's agenda, and we have indications that the US is seriously considering the matter," a Government official told Business Line.

At present, the US gas is available to only those countries with which it has a Free Trade Agreement (FTA) and India does not have an FTA with the US.

Though two projects in the US, where GAIL (India) has stake, have been given special permission for future sourcing, New Delhi would prefer complete waiver from the existing conditions. India's confidence on getting the waiver emerges from a Bill recently introduced in the US Congress for speedy approval of export of natural gas to World Trade Organisation countries.

“The introduction of the Bill on export of natural gas early March was followed by the India-US Energy dialogue in New Delhi attended by US Energy Secretary Ernest Moniz where the matter was discussed at length,” the official said.

Since the US has a lot of natural gas to export and India would prove to be a big market, officials are hopeful that a deal could be on the anvil during Modi’s proposed visit.

The Indian-American business community in the US, which has sprung into action to make Modi’s visit to the country a success, believes that a deal on LNG is a low-hanging fruit.

“The two sides need to make a big announcement during Modi’s visit to lift the bilateral relationship that has gone a little downward (in the recent past). Since the Bill that could give India a waiver and allow US to sell it LNG is already there in the Congress, we are optimistic that something on this could be announced in September,” Sanjay Puri, Chairman, US India Political Action Committee, told Business Line during a recent visit to New Delhi.

LNG imports from the US are largely dependent on approvals from the Department of Energy, Federal Energy Regulation Commission and clearances from various departments of the US. Approval of Department of Energy is crucial as it pertains to export of LNG to countries which have a free trade agreement with the US and/or nations which have not signed FTA with the US but are not covered under any sanctions for trade relations.

GAIL pacts

GAIL was the first Asian company to have signed a long-term LNG sales and purchase agreement with Cheniere Energy Partners, LP (Cheniere) to procure 3.5 million tonne per annum of LNG from the latter’s Sabine Pass Terminal in Louisiana, US for a period of 20 years.

GAIL has also signed a Terminal Service Agreement with Dominion through GAIL Global (USA) LNG LLC for booking 2.3 million tonne annually liquefaction capacity in the Cove Point LNG liquefaction terminal project located at Lusby in Maryland.

As the agreements are on Freight on Board basis, GAIL is required to make its own arrangements for transportation of LNG from these terminals. The transportation of LNG is expected to begin from mid-2017.

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Nepal prepares to sign power trade deal with India
Economic Times

Kathmandu, 30 July 2014: Energy-starved Nepal is gearing to ink a major power trade deal with India during the upcoming visit by Prime Minister Narendra Modi, who will arrive here on Sunday on his first official visit.

Three major political parties of Nepal - the Nepali Congress, CPN-UML and UCPN (Maoist) - yesterday consented to the government's plan to sign Power Trade Agreement (PTA) with India during Modi's visit.

The meeting of senior leaders of major parties was called by Prime Minister Sushil Koirala to seek national consensus on the agenda to be discussed with the Indian Prime Minister during his two-day visit.

The meeting formed a three-member cross-party panel to finalise the contents of the PTA to be forwarded to the Indian side for approval, official sources said.

The three-member panel includes Finance Minister Ram Sharan Mahat, CPN-UML leader Bhim Rawal and UCPN-Maoist leader Narayankaji Shrestha.

The panel will finalise the text of the agreement with inputs from energy experts, according to Chiranjibi Nepal, Prime Minister's Economic Adviser.

The new PTA will get inputs from the PTA proposal sent by Nepal to India in 2010 and the Power Cooperation Agreement recently forwarded by India recently.

"Keeping national interests at the core and for mutual benefit, we have decided to sign a new power trade deal with India," UCPN-Maoist leaders Shrestha said.

"While signing the Power Trade Agreement with India, Nepal should keep its freedom to negotiate power trade with other countries as well," he said.

Former Energy Minister and senior leader of Rastriya Prajatantra Party (RPP) Prakash Chandra Lohani speaking at a separate programme said that Nepal should implement the 17-year-old Pancheshwor Hydropower Project pact reached with India.

"I myself as the Foreign Minister and current President of India, Pranab Mukherjee, who was the Minister for External Affairs had inked the agreement in 1996," he recalled.

The 7,000 MW project will be beneficial for both India and Nepal, he added.

During the three party meeting, Nepalese leaders also floated the idea of asking a middle-sized hydropower project from India as gift during Modi's visit.

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Basmati exports may lose steam on Iran’s duty hike
Vishwanath Kulkarni, Busniess Line

Bangalore, 30 July 2014: Basmati shipments are likely to see a slowdown in the near-term as Iran, the largest buyer of the Indian aromatic rice, has hiked the import duty to around 40 per cent from 22 per cent. Iran accounted for over a third of India’s basmati exports in value and about 40 per cent in quantity last year.

“There will definitely be an impact on our exports. We expect our shipments to come down by around 30-40 per cent to Iran this year,” said MP Jindal, President of All-India Rice Exporters Association. Iran has imposed a steep duty hike after a span of two years, Jindal, who is Chairman of Best Foods International, said.

The latest move by Iran is aimed at discouraging imports at this time of the year, when its domestic rice crop comes into the market. “We were expecting this duty hike. It may be a temporary measure and they may revert to the earlier levels by September-October,” an industry source said.

Growth in acreage

Farmers in the key basmati-growing of Punjab, Haryana, Uttar Pradesh and Madhya Pradesh are seen planting more of the fragrant variety this year in anticipation of better returns as prices had shot up by 30 per cent last year. Also, with more farmers seen adopting the newer variety – 1509 –- which yields more and consumes less water besides being pest resistant compared with 1121, basmati acreage and output is poised for a significant increase this year. Basmati was planted on some 19 lakh hectares last year.

Vijay Setia, Director at Chaman Lal Setia Exports, said the delayed rains this year was seen driving acreages of 1509 variety in Punjab and Haryana. Planting of 1509 will go on till mid-August and it is too early to assess the acreage.

Other markets

On the duty hike by Iran, Setia said the impact would not be significant as Indian exporters are not dependent solely on that market. "Every other market is growing for us. With the US resolving the tricyclazole pesticide residue recently, exports are likely to sustain momentum," Setia said.

Besides Iran, Saudi Arabia and Iraq were the other large buyers of Indian basmati last year. Also, countries such as US, Afghanistan and African nations such as Ghana, Nigeria, and Ivory Coast have been buying more of Indian basmati to cater to their growing demand.

Jai Oberoi, Associate Director at LT Foods Ltd, said the Iranian duty hike will certainly affect the exports, without quantifying the impact.

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Thailand to be top rice exporter again after poor rains in India
Financial Express

Mumbai/Bangkok,22 July 2014: Thailand is set to reclaim its status as the world's top rice exporter as weak monsoon rains curb India's crop, helping the Southeast Asian country's new military government offload bulging stockpiles.

Fewer Indian exports would allow Bangkok to win better prices for the grain that it has been selling at a huge discount, curbing losses on the stocks built up under a costly state intervention scheme. "It is a good opportunity for Thailand to manage its huge stocks at competitive prices," said Kiattisak Kallayasirivat, managing-director of Bangkok-based Novel Agritrading Co.

Thai rice prices flipped to a discount versus Vietnam grades for the first time in decades earlier this year as the previous Yingluck Shinawatra-led government aggressively sold from stockpiles. Prices have since risen to par or premiums after the junta stopped sales to inspect the quality of the rice pile.

Thailand plans to export 500,000-600,000 tonne of rice a month from August. At that rate, it will take about three years to sell the 18 million tonne built under the rice-buying scheme introduced by the Yingluck government that was ousted in May. "Thailand will be able to fetch higher prices now that we have concerns over supplies from India and better demand," a Singapore-based trader said. "The increase in price will reduce their losses to some extent."

The country sold 5% broken rice from its stocks for $360 per tonne, on a free on board (FOB) basis, earlier this year but now a similar variety of old-crop rice is being offered at around $395 per tonne.

This, however, is still short of the estimated cost of 22,000 baht ($680) per tonne that the ousted government incurred on buying paddy from farmers, milling and storage.

With poor rains cutting Indian supply, Thai rice exports could hit 10 million tonne this year, near a record 10.6 million tonne sold in 2011, said Duangporn Rodphaya, director general of Thai commerce ministry's department of foreign trade.

India toppled Thailand two years ago to become the world's top rice exporter as the intervention scheme priced Thai rice out of the export market and as Delhi lifted a four-year ban on non-basmati rice sales in 2011 to trim stocks.

But India's output could be hit this year as rains, crucial for the summer-sown rice crop, were 40% below average in the first six weeks of the June-September monsoon season.

Indian exports have already been slowing due to aggressive sales by Thailand and Vietnam, said BV Krishna Rao, managing director at Pattabhi Agro Foods Pvt, a leading non-basmati rice exporter in India.

In the June quarter, India exported 1 million tonnes of non-basmati rice, dealers estimated, down almost 30% on a year earlier. The country is offering 5% broken rice at around $425 per tonne FOB, up from $410-$415 last month.

Indian farmers had planted paddy on 8.64 million hectares as on July 11, compared to 11 million hectares a year ago.

In the year ended March 31, India exported a record 10.86 million tonne of rice. Rao from Pattabhi Agro estimates overseas sales will drop to 8 million tonne in 2014/15.

"Certainly, Thai exporters will gain from India's loss. The quantum depends on how monsoon pans out in next two months," said a New Delhi-based dealer with a global trading firm.

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Jewellery exports take a hit on bullion import regulations
Financial Express

New Delhi, 28 July 2014: Tax and regulatory restrictions on gold imports have adversely affected exports of jewellery and other finished products, rendering thousands jobless in the labour-intensive sector.

The recent decision by the Reserve Bank Of India (RBI) to allow more entities to import gold has somewhat eased supplies but it’s not enough to script a rebound in exports of finished gold products in a big way unless the government lifts all restrictions including the 10% customs duty, according to jewellers.

The import duty coupled with the RBI’s 80:20 rule have driven up raw material prices and dented India’s competitiveness in exports of jewellery, bars, coins and medallions. The RBI last year mandated that at least one-fifth of imported gold must be kept aside for re-exports, and no fresh tranche of imports by an agency would be allowed until 20% of the previous imported volume is exported after value addition, causing premiums to rise by up to 12% of the price overseas.

But while these restrictive measures failed to contain domestic demand, which rose 13% to 975 tonnes in 2013, they choked official gold imports and affected domestic jewellery manufacturing, which is employment-intensive.

Worse, exports of gold products crashed by 39.6% in the last fiscal to $11.04 billion from a year earlier, defeating the very purpose of imposing the 80:20 rule. Even in the first two months of this fiscal, gold product exports remained flat at $1.59 billion, against $1.56 billion a year ago and much lower than the 8.9% growth in overall exports.

Also, smuggling has picked up, while paperwork for sourcing the raw material through official channel has risen leading to complaints of harassment by customs officials.

Vijay Khanna, head of Delhi-based Khanna Jewellers, recently said: “I have got export orders for which I need 50 kg of gold to deliver on time. But my supplier Nova Scotia says the clearance for its gold consignment has been delayed by customs officials.”

“At the ground level, customs officials are taking time to act, which is causing inordinate delays to jewellers,” Gitanjali Group chairman Mehul Choksi told FE. So while the latest norms should help exports in the sense supply shortage is addressed in a somewhat restricted manner, the red tape should be reduced, Choksi said.

Most jewellers, who had to deplete their inventories to cater to high demand last year, especially due to restrictions on raw material imports, are lobbying hard for the lifting of these curbs this year as they need to replenish their stocks. The sharp rise in June gold imports is a pointer towards the requirement from jewellers ahead of the festival season.

Moreover, most jewellers found the 80:20 rule perturbing because exports of gold products were in any case much higher than 20% of the value of imported gold, even without factoring in making charges. “Our cost competitiveness in the export market was severely affected by the 10% import duty on the raw material when competing nations import the metal duty-free. So while domestic jewellers were struggling to cope with that, the RBI imposed the 80:20 rule, which drove up premiums significantly. Although the premiums have dropped now, supply fears haven't abated completely yet as the 80:20 rule is still effective,” said Sachin Kothari, director at Bullion India.

Jewellers said expectations that the new government could soon reduce import duty drastically and RBI's relaxed guidelines in May have driven down premium to a one-year low of $1-2 per ounce, down sharply from a record $160 per ounce in December last year. However, they warn if the government doesn't ease the curbs now, the premiums may start climbing again, further eroding cost competitiveness.

Suvankar Sen, executive director at Kolkata-headquartered Senco Gold, the largest jeweller in eastern India, said: “I expect exports to rise around August once Ramzaan is over, as during this period jewellery purchases are usually less in West Asia, our main market.”

However, fears of raw material crunch still persist. We have held back any expansion plan and are awaiting more clarity in the government position,” he added.

Ramesh Kalyanaraman, executive director at Kalyan Jewellers, said: “Although as a company, we are not facing any problem now in sourcing raw material, the abolition of the 80:20 rule will help a lot.”

Pankaj Parekh, vice-chairman of the Gems and Jewellery Export Promotion Council, questioned the RBI move. “When there is a prohibitive duty of 10% on imports, what is the need to impose the 80:20 rule? You don't force a patient to undergo both allopathy and homeopathy treatment at the same time,” he said.

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Gold imports dip by 25% in FY14
The Indian Express

New Delhi, 26 July 2014: Gold imports declined by 25 percent to 638 tonnes in FY14, with the phased hike in import duty on the precious metal causing a dip in demand.

The quantity of gold imported in 2012-13 was 845 tonnes and in 2011-12 it was 919 tonnes, minister of state for finance, Nirmala Sitharaman said in a written reply in the Lok Sabha.

During the April-June period of current fiscal, the quantum of gold import stood at 221 tonnes while in value terms it was Rs 54,792 crore. The value of gold imported was at Rs 2.28 lakh crore during 2011-12, Rs 2.45 lakh crore in FY13 and Rs 1.60 lakh crore in FY14.

Sitharaman said the cases of gold smuggling had gone up in 2013-14 at 2,441. In FY13 and FY12 the number of such cases stood at 869 and 500, respectively.

Following a sudden spurt in gold import in the beginning of 2013, the government had hiked import duty on the precious metal to 10 per cent in phases.

Also the government and the Reserve Bank imposed certain other import restrictions, including linking of imports to exports to prevent outgo of foreign exchange, adding to instances of smuggling.

Sitharaman said the Central Board of Excise and Customs (CBEC) has communicated to all field formations to keep a close watch on the trend of smuggling of gold. Other intelligence agencies, like the DRI are also keeping a close watch on gold smuggling, she added. High gold imports also pushed up the current account deficit as it rose to $88.2 billion or 4.7 per cent of GDP in FY13. Through import curbs, the CAD has been brought down to $32.4 billion or 1.7 per cent in FY14.

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Silver imports fall sharply in June
Business Standard

New Delhi, 18 July 2014: June saw a sharp rise in the import bill for gold, along with a fall in silver imports. In May last year, the Reserve bank of India directed banks not to import gold on a consignment basis, denting inflows in June. This year, there was some easing in the number of entities allowed to import. As a result, gold import surged to $3.1 billion in June, from $1.9 billion a year earlier.

As for silver, data from the Union ministry of commerce shows import declined by 53.4 per cent to $212.8 million (Rs 1,271 crore) from $457 mn (Rs 2,666 crore) in June last year. In volume, imports fell from 579 tonnes last June to 323 tonnes. During the period, international silver prices fell 5.7 per cent, from an average of $21.12 an ounce in June 2013 to $19.91/oz this June.

“Silver imports fell sharply in June due to overall weak sentiment in jewellery markets. Also, the manufacturing sector, which constitutes around two-third of consumption, is facing a slowdown, resulting in lower demand," said Suresh Hundia, managing director of Hundia Exports, one of the largest importers of silver.

Trade sources say silver import in the calendar year of 2013 was 5,819 tonnes, the highest ever. The previous high was in 2008, when the import was 5,048 tonnes. In this calendar year's first half, silver imports were 2,882 tonnes, against 2,980 tonnes last year, despite the fall in June. The 2014 import is expected to close at around 5,000 tonnes.

A Sudheesh Nambianath, senior analyst with GFMC Thomson Reuters, which tracks the bullion trade in India, said: "So far as gold is available in the market, silver import is likely to remain capped, as traders prefer to trade in gold."

The government was expected to cut the tariff on gold and there were also expectations of the import norms being relaxed. That has not happened. However, RBI permission to star trading houses for import of gold resulted in a higher June inflow. This, as mentioned earlier, seems to have hurt silver imports. The spot premium for gold has also fallen, another reason why gold availability will be better.

The Union finance minister has said till the current account deficit comes under control, restrictions on gold are likely to remain. However, supply has remained smooth and the premiums have also come down, now around $5 an ounce. On Friday, the spot market standard gold price in this city went up by Rs 80 for 10g to close at Rs 28,260 for 10g. Silver fell by Rs 480 a kg, to close at Rs 45,200 a kg.

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Rubber imports may match record as car sales climb
Business Standard

New Delhi, 20 July 2014: Natural rubber imports by India, the world's third-biggest consumer, may match a record this year after prices fell into a bear market and as rising car sales boost demand for tires, according to Apollo Tyres .

Purchases in the 12 months that began on April 1 may be similar to the all-time high of 324,467 tonnes a year earlier, said Sunam Sarkar, chief financial officer of India's second-biggest tiremaker by market value. The Gurgaon-based company imports 50 per cent of its requirements, he said.

Apollo, MRF and Ceat are among companies increasing imports as futures in Tokyo trade near a five-year low. Prices have slumped 63 per cent from a record high in 2011 and may extend losses as a global glut stretches into a fourth year, a Bloomberg survey showed on May 13. Tiremakers are benefiting from cheaper imports, helping them offset rising costs of raw materials made from crude oil, Sarkar said.

"Imports of natural rubber surged to these levels due to the price difference in the domestic and international markets," Sarkar said by e-mail on July 14. "The trend is likely to continue for the next few months of the monsoon as the tapping of rubber is very low" during the rainy season, keeping prices higher in the domestic market, he said. Overseas purchases jumped 65 per cent to 96,392 tonnes in the three months ended June from a year earlier, according to the state-run Rubber Board. Production climbed 11 per cent to 167,000 tonnes during the period, while consumption rose two per cent to 251,000 tonnes, board data show.

Global prices
"Apollo Tyres and MRF have significantly expanded their profitability in the past several quarters and

that happened in a sluggish scenario of the auto industry because of a decline in rubber prices overseas," said Tushar Pendharkar, a Mumbai-based strategist at Right Horizons Financial Services.

Prices in India averaged $2.41 a kg in the three months through June versus $2.04 in Tokyo, according to data compiled by Bloomberg. The benchmark RSS-4 grade in India fell 4.4 per cent in the April-June quarter and was at Rs 141.5 ($2.35) a kg on July 15, board data showed. Futures in Tokyo dropped 10 per cent during the same period and traded at ¥202.6 a kg on Friday. Prices tumbled to ¥190.3 on June 5, the lowest since September 2009.

Auto recovery

The auto industry, which represents 65 per cent of India's rubber demand, is poised for a recovery and margins of tire companies will continue to expand, Pendharkar said. Profit margins of Apollo Tyres are seen between seven per cent to nine per cent this year, he said. Pendharkar has a 'buy' rating on the company. Apollo reported a net income margin of 7.6 per cent in 2013-2014, according to data compiled by Bloomberg. The shares dropped 1.1 per cent to Rs 190.70 in Mumbai, paring gains this year to 78 per cent.

Annual car sales are headed for the first annual increase in three years as Asia's third-largest economy rebounds from near the weakest pace in a decade, according to the Society of Indian Automobile Manufacturers. Passenger vehicle sales, which include SUVs and vans, climbed 1.3 per cent in the April-June quarter to 615,322 units, according to data from the society.

"With the new government in place, there is already a positive sentiment across industries," Sarkar said. "The demand has already started improving for automobiles." India's economic growth will rebound under new Prime Minister Narendra Modi to 5.4 per cent in 2015 from near the slowest in a decade, according to a Bloomberg survey.

Consumption in India will climb 4.1 per cent to 1.01 million tonnes this year, according to the board. The nation buys rubber mainly from Thailand, Malaysia and Indonesia, and is the largest consumer after China and the US, according to the Association of Natural Rubber Producing Countries.

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Freeze NR import under advance licence, IRGA urges Centre
M Sarita Varma, Financial Express

Thiruvananthapuram, 22 July 2014: The Indian Rubber Growers Association (IRGA) has pleaded with commerce minister Nirmala Sitharaman to temporarily suspend import of natural rubber (NR) under the advance licence till domestic prices recover.

Distressed by the prolonged bear-hug in domestic prices of NR, the 12-lakh-strong rubber farming community has urged the Centre to increase import duty on all rubber goods (including tyres) to 8%. "We have also requested the ministry to revisit the norms for duty-free import of NR. Import should be restricted to the end-user. Ideally, beyond domestic requirement, the import duty of NR should be jacked up to 40%. It would support the one-crore people involved in rubber production and allied agri-business if the Centre would facilitate mandatory usage of rubberised bitumen in the country," Sibi Monipally, general secretary, IRGA, told FE.

Imports of NR have been growing, pushed by auto sector demand. During 2010-11, 1.91 lakh mt of NR was imported. In 2011-12 this was 2.14 lakh mt and in 2013-2014 about 3 lakh mt. In 2010-11, 2011-2012 and 2013-2014, duty free imports under advance licence were 71%, 70% and 65% respectively of total NR imports.

"In tune with the rising imports, Indian prices had fallen from R242 per kilo to R142 per kilo over two years. Domestic prices are fluctuating and the gap is widening with international price. This could impact the confidence of farmers, causing a retreat from rubber cultivation," says Monipally.

Production and consumption of NR in India is almost balanced, according to IRGA. The requirement by 2020 will be 15 lakh mt. To attain this output goal, farmers would need some policy support from the Centre, say growers.

Meanwhile, Jose K Mani, a Kerala Congress MP representing the rubber plantation belt, has requested the Centre to set up a rubber university in Kottayam, in view of the fact that carbon sequestration potential of rubber trees is greater than other species used in afforestation programmes.

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Ethanol-blended petrol to cut import bill by Rs. 18K crore
Anupama Airy, Hindustan Times

New Delhi, 28 July 2014: The NDA government is pushing for ethanol-blended petrol to become a reality, which could bring down India's oil import bill by an estimated Rs. 18,000 crore a year

Sources revealed that Prime Minister Narendra Modi, at a recent meeting, asked cabinet secretary Ajit Seth to meet petroleum ministry and food department officials to expedite the process of ethanol blending with petrol.

“The focus of this government is to bring down India's oil import bill,” a senior petroleum ministry official told HT. “Blending of ethanol with petrol will help bring down India's growing dependence on crude oil imports, which costs the country $150 billion or Rs. 9 lakh crore per annum.”

According to industry sources, the government can save anywhere up to $3 billion (Rs 18,000 crore) a year, by blending 10% ethanol with petrol.

Moreover, the government believes that sugarcane farmers are likely to benefit from the move as ethanol is a by-product of sugarcane. Farmers also feel that it could get them a good price for their crop.

In 2008, the government announced the National Policy on bio-fuels, mandating a phased implementation of blending ethanol with petrol in various states. However, the process has been delayed due to over-pricing and procurement issues.

In November 2012, the Cabinet Committee on Economic Affairs decided that 5% mandatory ethanol blending with petrol should be implemented across the country and achieved by June 2013. So far, oil marketing companies have managed to achieve only 1.37% blending.

Sugar industry officials said that in recent tenders floated by oil companies for procuring ethanol, they were not willing to pay the benchmark price and insisted on a delivered cost of Rs. 44 a litre, against the cost of Rs. 46 per litre.

Petroleum minister Dharmendra Pradhan had recently said that the cabinet would take a decision on mandatory blending of 10% ethanol with petrol. This would mean procuring over 2 billion litre of ethanol every year, an oil company official told HT.

The minister had earlier said that state governments have been asked to expedite clearances to ease the availability of ethanol for blending.

Ethanol is also used by the chemical, alcohol and spirits industries. Its cost to these industries also determines its cost to the oil companies.

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Poor quality imports give India a bad experience of LED lamps
S Shyamala ,Financial Chronicle

Chennai, 27 July 2014: LED technology is considered the way forward in lighting but low-cost and inferior-quality imported products are severely harming the segment, say industry players.

India needs to urgently formalise product standards and boost local production to popularise the product, they say.

“Customers have had a lot of bad experience because of poor Chinese imports. Industry players through ELCOMA (electric lamp and component manufacturers association) have been pushing for BIS standards for LED products. Earlier, CFLs took that route and it helped curb sales of poor-quality goods. We should follow the same path on LEDs,” said Arun Gupta, managing director of NTL Electronics, a Noida-based lighting components maker.

According to Frost & Sullivan, the LED lighting industry in India earned revenues of over $142.8 million in 2012 and it is expected to reach $1.2 billion in 2018. The growing interest in energy-efficient technology, green buildings and the urge to reduce energy bills have lent momentum for the B2B and B2C LED market in India.

Gupta said Indian consumers have burnt their fingers by buying cheap imported products. LED product failures have been high and, hence, the adoption continues to be low.

The huge reliance on LED imports as well as finished lighting products is a critical challenge for India, as insufficient demand is discouraging local manufacturers.

Government agencies such as the ministry for renewable energy and the bureau of energy efficiency have been trying to raise awareness of the benefits of LED technologies and even distributing free solar LED lanterns in some villages.

“It is a chicken-and-egg story. Manufacturers will produce locally when there is enough demand; customers will buy more when there is enough supply. The critical inflection point may come when prices go down further,” says Rajesh Kocchar, president of TISVA, the lighting brand of Usha International.

“For example, an LED lamp now costs Rs 500. The cost needs to go down by half to be affordable for the masses. LEDs will then achieve the expected growth in India,” Kocchar said

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EU ban on Indian mango may go if new packaging norms pass muster
Amiti Sen, Economic Times

New Delhi, 30 July 2014: The European Union will lift its ban on Indian mangoes and vegetables earlier than scheduled if its quality inspectors are satisfied with the new stringent packaging norms for perishables put in place by the country.

"A team of experts from the EU's Plant and Health Department will be in India in September to inspect our packaging facilities and mandatory inspection norms. Once they are satisfied that we are exporting high quality products packaged in sanitised conditions, the EU is expected to lift the existing ban on exports," a Commerce Ministry official told *Business Line*.

The 27-member bloc had imposed a ban on import of mangoes, bitter gourd, taro, egg plant and snake gourd from India in May this year, after insects were detected in some consignments.

The ban was imposed for 20 months till December 2015.

India, however, is of the view that the ban is not justified as the country has already put in place a stringent packaging and inspection norms that will ensure that all consignments are free of any contamination.

It is now mandatory for exports of all perishable items to the EU to be routed through pack-houses certified by the Agriculture and Processed Food Products Export Development Authority under the vigilance of plant protection inspectors.

While the ban has affected just about 5 per cent of India's total exports of perishables to the EU estimated at €400 million, officials say that such instances hurt the image of the country.

Commerce Secretary Rajeev Kher had earlier said that India was not considering dragging the EU to the World Trade Organisation over the ban, but hoped that the issue would be settled soon through mutual talks.

"India's Ambassador to Brussels has been in constant talks with EU officials to convince them to inspect the country's improved facilities and lift the ban," the official said.

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India-US solar issue: WTO sets up dispute panel
Huma Siddiqui, Financial Express

New Delhi, 18 July 2014: The WTO has set up a dispute settlement panel to examine a complaint by the US against India's domestic content requirements under the country's solar power programme, Parliament was informed today. "Since the consultations could not result into satisfactory outcome, on the request of the US, the Dispute Settlement Body established the WTO dispute panel in May. Once the panel is composed, the panel proceedings shall be finalised by the WTO secretariat," Commerce and Industry Minister Nirmala Sitharaman said in a written reply to the Lok Sabha.

The US has filed a complaint in the WTO against India's domestic content requirement (DCR) under the country's Jawaharlal Nehru National Solar Mission. The Minister said the US has claimed that the DCR violates WTO agreements such as national treatment principle and agreement on trade related investment measures.

On the issue, consultations were held with the US in March 2013 and March 2014 under the WTO's dispute settlement mechanism but no satisfactory result came out. India has an ambitious target of generating 20,000 megawatts of solar power by 2022.

"India is preparing the defence strategy based on WTO principles and jurisprudence," she said. The US has also dragged the country into WTO on certain measures of India related to import prohibition of poultry and poultry products from the country infected with avian influenza viral strains.
Similarly, India too has filed a complaint against the US in WTO on countervailing duty imposed by America on certain hot rolled carbon steel products of India. Besides, the Minister said, both the countries have raised certain issues at WTO SPS (sanitary and phytosanitary)/ TBT (Technical Barriers to Trade) committee meetings.

"The Indian side has raised the issue relating to fixing of maximum residual levels on basmati rice. The US side has raised the issues relating to food safety and standards regulation, toys and e-waste," she added.

Replying to another question, the Minister said the meeting of India-US Trade Policy Forum has not been held during the last three years. The US-India TPF is an inter-agency collaboration led by the USTR. It is the principal trade dialogue between the countries. It has five focus groups: Agriculture, Investment, Innovation and Creativity (intellectual property rights), Services, and Tariff and Non-Tariff Barriers.

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Govt starts dumping probe into chemical imported from China
Financial Express

New Delhi, 29 July 2014: The government has initiated a probe into alleged dumping of a chemical, used in paint industry, by China and Switzerland in the domestic market.

The move is aimed at helping guard domestic players from cheap imports.

The Directorate General of Anti-Dumping and Allied Duties (DGAD), an arm of the Commerce Ministry, has begun investigations into the matter.

In a notification, the DGAD has said that it has found a sufficient prima facie evidence of dumping of "Diketopyrrolo Pyrrole Pigment Red 254" from China and Switzerland.

It said the DGAD "hereby initiates an investigation into the alleged dumping and consequent injury to the domestic industry...To determine the existence, degree and effect of any alleged dumping and to recommend the amount of anti-dumping duty, which if levied would be adequate to remove the injury to the domestic industry".

The period of investigation is from January 2013 to December 2013.

However, for the purpose of analysing injury, the data of previous three years of 2010-2011, 2011-12 and 2012-13 would also be considered, it said.

After the probe, DGAD, if needed, will recommend an anti-dumping duty and the Finance Ministry will impose it.

Heubach Colour Pvt Ltd has filed the application before the DGAD alleging dumping of the chemical. Countries initiate an anti-dumping probe to determine whether their domestic industries have been hurt because of surge in cheap imports of any product. As a counter measure, they impose duties under the multilateral regime of the WTO.

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

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US Special 301 process on IPR a unilateral step: India
Financial Times

New Delhi, 31 July 2014: New Delhi on Wednesday alleged that Washington was taking a “unilateral measure” through the Special 301 process to create pressure on countries to accept Intellectual Property Rights (IPR) protection beyond WTO obligations.

In a written reply to the Rajya Sabha, commerce and industry minister Nirmala Sitharaman said the US had in its April 30 Special 301 report (an annual review of the global state of IPR protection and enforcement), had classified India as a ‘priority watch list country’.

“The Special 301 process is a unilateral measure taken by the

US under their Trade Act, 1974 to create pressure on countries to increase IPR protection beyond the Agreement on Trade Related IPRs,” Sitharaman said.

“It is an extra territorial application of the domestic law of a country and is not tenable under the overall WTO regime,” Sitharaman added.

The minister added that India has a well established legislative, administrative and judicial framework to safeguard IPRs, which meets its obligations under the TRIPS Agreement while utilising the flexibilities provided in the international regime to address its developmental concerns.

She said the concerns identified in Special 301 report are based on the inputs provided by the US industry on their perception of the level of protection provided by India to IPRs.

Issues that have been flagged in the report include concerns over the provision of section 3(d) of the Patent Act (which relates to non-patentability of inventions involving chemical forms that do not show increased efficacy), compulsory license (CL), inclusion of a statement relating to CL for green technologies in India’s National Manufacturing Policy and challenges relating to enforcement of IP Rights.

Section 3(d) of the Indian Patent Act 1970 does not allow patent to be granted to inventions involving new forms of a known substance unless it differs significantly in properties with regard to efficacy.

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WTO deal: India refuses to back down on Trade Facilitation Agreement
Asit Ranjan Mishra, Mint

New Delhi, 26 July 2014: India has proposed postponing the 31 July deadline for adopting the Trade Facilitation Agreement (TFA) in the World Trade Organization (WTO) until the issue of public stockholding for food security is resolved, setting the stage for a bitter faceoff between developed and developing economies at the multilateral talks.

Simultaneously, India has put on the WTO table a road map for a permanent solution by December to the issue that's crucial for developing countries.

India's permanent representative to WTO, Anjali Prasad, spelled out India's position at the general council meeting of WTO in Geneva on Friday. India is of the view that TFA must be implemented only as part of a single undertaking, including a permanent solution on food security, Prasad said.

The trade facilitation pact reached in Bali, Indonesia, last year is meant to simplify customs procedures, facilitate the speedy release of goods from ports and cut transaction costs—measures that could benefit rich nations more than developing countries such as India.

At the heart of the problem is a WTO rule that caps subsidies to farmers in developing countries at 10% of the total value of agricultural production, based on 1986-88 prices. Developing countries are complaining that the base year is now outdated and they need to be given leeway to stock enough foodgrains for food security of millions of their poor.

"The Bali outcomes were negotiated as a package and must be concluded as such. Timelines are important but we cannot afford to act in haste in the WTO ignoring the concerns expressed by members," Prasad said.

Prasad said there were already proposals on the table—reiterated recently in a fresh submission by the Group of 33 (G-33) developing countries on agriculture in WTO—on the basis of which discussion can begin immediately.

Elaborating on the suggestions India made at WTO, a senior commerce ministry official said: "We are asking the WTO to establish an institutional framework to find a permanent solution on food stockholding, hold special sessions of the agricultural committee frequently towards this goal, review progress in October in a general council meeting and finally arrive at a permanent solution by December-end."

The official spoke on condition of anonymity. The official said that on the basis of India's proposal, agreements on trade facilitation, agriculture as well as on issues of concern to LDCs (least developed countries) will be finalized by December, which will be in line with the principle of a single undertaking.

"We are committed for the Bali package, not for the Bali trade facilitation agreement only," the official said. The Indian cabinet approved the stand taken by the commerce ministry in a meeting on Thursday, the official added.

In a statement in the lower house of Parliament on Friday, trade minister Nirmala Sitharaman said India had taken the stand that until there was an "assurance and visible outcomes" which convince developing countries that WTO members will engage in negotiations with a commitment to find a permanent solution on public stockholding and all other Bali decisions, especially those related to the LDCs, "India would find it difficult to join the consensus on the Protocol of Amendment".

In Bali last year, after intense negotiations, India derived a promise from the developed countries that a permanent solution to the issue of public stockholding for food security will be found within four years and meanwhile, in a temporary arrangement, no country will drag the developing countries to dispute settlement forums in WTO if they breach the food subsidy limits.

India agreed to the TFA in return for the agreement on food security. While the then United Progressive Alliance government hailed it as a victory for developing countries, Bharatiya Janata Party leader and present finance minister Arun Jaitley had criticized the government for giving in to pressure from developed countries.

While developed countries are insisting that linking a permanent solution to food security with the TFA is unfair, developing countries like India are maintaining that they suspect developed countries will run away after they sign off on the TFA and will not be keen to come to the table for finding a solution to the food security issue.

Reuters reported that US ambassador Michael Punke warned in a speech to WTO on Friday that the Indian-led ultimatum to unravel the deal struck in Bali last December would end global trade reform efforts.

“Today, we are extremely discouraged that a small handful of members in this organization are ready to walk away from their commitments at Bali, to kill the Bali agreement, to kill the power of that good faith and goodwill we all shared, to flip the lights in this building back to dark,” Punke said.

The commerce ministry official cited above said that in the Bali package, nothing else was moving, while only the TFA is being put before the general council for adoption.

“Our stand is based on three principles of WTO—that development is at the core of the Doha round, everything to do with Doha round has to be completed as a single undertaking and that WTO functions on the basis of consensus. We are only showing them back their own rules,” the official added. On the implications of missing the 31 July deadline for TFA, the commerce ministry official said many deadlines had been missed before in WTO.

“Why they were worried about the deadline now? Why they were not worried about many deadlines missed for the Doha round?,” the official added.

The official said India is not reneging on any of its promises. “We are also interested in trade facilitation and have taken measures in the budget for all that developed countries want from us.”

The government has allocated large sums of money for development of ports and announced a single-window clearance mechanism for imports in the budget presented on 10 July, that will help it meet its commitments under the TFA, Mint reported on Wednesday India’s position of insisting on a single undertaking is justified because that has been the practice in international trade negotiations since the Uruguay round of multilateral trade negotiations, said Manoj Pant, a professor of economics at Jawaharlal Nehru University.

“A reasonable way out could be a mix of recalculation of base prices as well as a special differential treatment for developing countries to bring down their subsidy levels, say, in the next 10 years,” he added.

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TFA impasse: Roberto Azevedo puts World Trade Organisation members on two-day alert
Economic Times

New Delhi, 30 July 2014: WTO director-general Roberto Azevedo has put all members on a 48 hours notice asking them to be ready to meet anytime in a desperate last ditch effort to break the impasse.

There was no consensus reached at the Tuesday meeting of group coordinators called by Azevedo, who warned that there were deep concerns over the future of Doha round of negotiations.

With rich countries unwilling to renegotiate the timelines, and India not relenting on signing the protocol till the food security issue is also taken up, Azevedo will try to work out a middle ground to ensure the Bali trade deal remains alive.

Azevedo had called the meeting on Tuesday of all group coordinators to address concerns from members about the future of negotiations.

“This afternoon Director-General Azevedo met with the coordinators from 15 groups, representing a vast cross-section of the WTO Membership. The impasse on the Bali issues has raised deep concerns among WTO members on the future of Doha Round negotiations of which the 10 Bali agreements are a part," said Keith Rockwell, spokesperson, WTO.

This was a last minute meeting called by Azevedo after the two-day General Council meeting failed to arrive at a consensus with India strongly seeking deferment of the signing of TFA (trade facilitation agreement) protocol amendment till December 31.

It said by that time the entire Bali package including issues of food security could be delivered as a package. The legally binding TFA aims to provide seamless cross-border trade by easing cusoms procedure and red tape.

It needs to be ratified by July 2015. The agreement will come into force after two-third of members ratify it. In the Tuesday meeting, Azevedo briefed the coordinators on the state of play and outlined the steps he has taken so far and the actions he plans to take in the coming hours.

"He stressed that there are less than 48 hours to resolve the crisis and that all WTO members should be on call to meet on short notice," Rockwell added. The meeting could reconvene in the next two days only with discussion on trade facilitation protocol amendment only if any delegation comes forward with a proposal that may lead to consensus.

In case of no such movement by delegations by midnight 31 July the trade facilitation amendment protocol will be closed and the General Council would automatically be adjourned.

The US stand has dimmed chances of a breakthrough. The US ambassador to WTO Michael Punke had said, "It is no useto sugar coat the consequences of such action or to pretend that there would be business as usual in the aftermath. If the Bali package fails, there can be no post-Bali.

The signing of trade facilitation amendment protocol would mean immediate implementation of the Category A clauses of the TFA, and that of category B by July 31, 2015.

It is left to the countries to do the categorisation as convenient. India has maintained it was ready to carry out TFA as per the timeline and were working towards its ratification by July 31 next year.

India has only got the backing of a few countries, such as Bolivia, Cuba, Venezuela and African nations, whereas Pakistan, Indonesia, Brazil, China are opposing India's stance of blocking the deal.

In December 2013 at the Bali Ministerial India had agreed to the TFA pushed by the developed countries in return an interim relief to the developing countries through a peace clause that asked members not to take action on food stocking by governments till a permanent solution was found.

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John Kerry to focus on reviving ties with India
Elizabeth Roche , Mint

New Delhi, 30 July 2014: US secretary of state John Kerry arrived in Delhi on Wednesday for what are expected to be wide-ranging talks to help revive flagging ties with India. While an Indian official pointed to an agenda of "transformative initiatives", the US commerce secretary signalled the challenges ahead by criticising India's move to block a key global trade agreement. India and the US will explore transformative initiatives to propel their bilateral relations to the next level during the fifth round of their strategic dialogue, foreign ministry spokesman Syed Akbaruddin said.

In their talks spread over Thursday and Friday, the first face-to-face contact between senior officials of the Barack Obama administration and the new Indian government, foreign minister Sushma Swaraj and Kerry will aim to lay the ground for a productive visit by Prime Minister Narendra Modi to Washington in September. "This (the strategic dialogue) will be an opportunity to exchange ideas so that the US and India can work towards transformative initiatives during Prime Minister Modi's visit to Washington," Akbaruddin said. "We will work towards a successful visit by the Prime Minister in which we hope to have transformative ideas on the table to take the relationship to the next level."

India-US ties have been strained by many disputes, mostly recently by India's opposition to adopting a trade facilitation agreement (TFA) at the World Trade Organization (WTO). "We are very disappointed that India has taken a step back from its agreements that it made in December (last) at the WTO," US secretary of commerce Penny Pritzker said in an interview to the Press Trust of India news agency on Wednesday. "I am an optimist, I am hopeful that over the next couple of days there is some potential for resolution... I'm hopeful that even in the last remaining days India might find a way to come to a solution on this issue."

The TFA, drafted during a ministerial meeting at Bali, Indonesia, last December, has to be sealed by 31 July. But India is seeking guarantees on food security stockholdings for its hundreds of millions of poor as a precondition for passage of the pact. India has proposed postponing the deadline for adopting the TFA and putting on the WTO table a road map for a solution by December to the food security issue, crucial to developing countries.

Pritzker is scheduled to meet trade minister Nirmala Sitharaman on Thursday. Besides the TFA and WTO, India's intellectual property rights regime and the issue of a long-pending bilateral investment treaty could also come up for discussion, government officials said. In a written reply to the Rajya Sabha on Wednesday, Sitharaman criticised the US for taking a "unilateral measure" to press countries to accept intellectual property rights (IPR) protection beyond WTO obligations.

The US Special 301 report, an annual review of the global state of IPR protection and enforcement, has classified India as a priority watch-list country. The report is "an extra territorial application of the domestic law of a country and is not tenable under the overall WTO regime," Sitharaman said. Another prickly issue that could come up at the talks on Thursday concerns allegations that the US National Security Agency snooped on targets in India, including figures in the Bharatiya Janata Party (BJP) when it was in opposition. India had earlier protested when reports came out that its UN mission in New York and embassy in Washington were spied upon.

Both sides are looking to revitalise ties that have been strained by a string of disputes after warming since 2000. Analysts in India also point a finger at the Obama administration's pre-occupation with several global crises for its sagging interest in reanimating ties with India. On Wednesday, Akbaruddin, focussing on the positives, said India-US ties were in a "stage of stable and mature growth".

Subjects on the agenda for the Swaraj-Kerry talks include security, energy, trade and investment, human resources development and regional and international issues. During his visit, Kerry will also meet with India's national security advisor Ajit Doval, finance and defence minister Arun Jaitely and call on Prime Minister Modi.

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A solution for the WTO
Arvind Subramanian , Busniess Standard

29 July 2014: India is threatening to block the World Trade Organization (WTO)'s trade facilitation agreement (TFA) reached at Bali last year unless its agricultural policies are permanently excluded from multilateral scrutiny. Is the objective - on agriculture - valid? Are the tactics - blocking Bali - sensible?

The short answers, elaborated below, are, respectively: yes, supporting agriculture is valid, but no, the tactic may be less so.

Objectives: preserving agricultural policies

India wants to head off potential challenges by its trading partners to its policy of minimum support prices (MSPs) for rice and wheat, which could potentially breach India's obligations undertaken in the Uruguay Round. There, India agreed to limit support to farmers via domestic subsidies (called "aggregate measurement of support", or AMS). Trading partners also want India to curtail any potential exporting of excess food stocks at subsidised prices.

The root of the problem is the gap between the structure of India's polices and the structure of its WTO obligations. This gap owes to a sharp rise in world agricultural prices since 2007, combined with a major expansion of India's domestic commitment to subsidise consumers of foodstuffs.

India's agricultural policies used to consist of protecting farmers via tariffs and subsidising consumers via the public distribution system. India provided little support for farmers via the MSPs, which remained well below international prices until very recently.

The Uruguay Round essentially codified these policies, giving India leeway to raise tariffs on rice to between 70 and 80 per cent and on wheat 100 per cent without breaching the WTO obligations. The generous freedom to protect farmers via tariffs that India had obtained and the fact that India at that time had few domestic subsidies led it and other developing countries to pay less attention to their obligations on domestic subsidies, which were set at a relatively constricting 10 per cent of output.

Advanced countries, by contrast, had tighter obligations on tariffs, which they had to reduce by 36 per cent from levels that were generally lower than that for developing countries. They were also obliged to reduce export subsidies by 36 per cent. But they were allowed more space to support their farmers via domestic subsidies reflected in smaller reductions (only 20 per cent) in their domestic subsidies.

When the food-price shock hit the world, the focus in India and elsewhere shifted dramatically from the producer to the consumer. India slashed its tariffs (from about 30-50 per cent to near-zero for rice and wheat), raised the MSPs for farmers, and expanded food subsidies, culminating in the food subsidy Bill enacted by the previous United Progressive Alliance government.

Using tariffs to protect farmers was eliminated because the cost to consumers would be too high, as would the cost to the government of subsidising consumers. So the government had to switch to domestic subsidies via generous MSPs that also enabled it to procure stocks for food security purposes.

In structure, therefore India's agricultural policies - on the producer side - started to resemble that of advanced countries a few years ago. (Of course, the food-price increases of 2007 have led to some automatic reductions in production-related subsidies in advanced countries; they have over time also moved toward more direct support for farmers decoupled from production, the so-called "green box" of permissible subsidies in the WTO.)

But these policy changes were not reflected in the structure of India's WTO obligations. The oddity is that India is permitted by the WTO to adopt the inefficient policy of raising tariffs but unable to pursue the less inefficient policy of the MSPs.

There are two ways out of this dilemma: changing domestic policies or changing WTO obligations. India's domestic agricultural policies have improved considerably but remain inefficient: food subsidies and even income support to poor farmers should gradually be replaced by cash transfers (which would be WTO-consistent "green box" subsidies). But implementing such changes takes time - several decades in the case of even the United States and Europe. India's concern to not be prematurely forced into such ideal policies is, thus, not unreasonable.

So India must attempt to change the structure of India's WTO obligations. The experts, Ashok Gulati and Anwarul Hoda, have suggested that the WTO change the way it calculates domestic subsidies, giving India more wiggle room to continue its current policies. Such an approach makes sense, especially because the current calculations are, absurdly, based on international prices that prevailed nearly three decades ago. This change in measurement is desirable but India's problems may well go beyond the measurement of subsidies.

India should offer to change its WTO obligations to make them less inefficient and trade-distorting. To show its good faith, it should offer to restrict its ability to impose tariffs in return for greater - but not open-ended - freedom to grant domestic subsidies. India would be saying to rich countries, "Our agricultural policies are similar to yours, so we want our WTO obligations to be similar to yours, too." It could argue further that the structure of obligations is biased against India, because rich countries can subsidise agricultural exports while India cannot.

India's offer would codify more efficient and less distorting policies than India's current WTO obligations. India would not just be seeking more freedom; on balance it could accept new limits to its freedom on agriculture, especially on tariffs. Of course, the exact details of the new level of tariffs and subsidies will need to be worked out, but the fair principles underlining the offer would be key.

Tactics: blocking the TFA

Is holding up the TFA the best way for India to secure its objectives on agriculture?

The July 31 deadline for adoption of the Bali agreement does provide India some leverage to advance its broader objectives on agriculture.

Despite the criticism, India is not standing in the way of great global trade advancement. Gains from the TFA have been grossly overstated. Reforming Customs administration, a key ingredient of trade facilitation, is important, but the TFA neither adequately provides incentives nor forces such reforms that will be politically difficult within member countries.

Nevertheless, opposing the TFA is perceived as obstructionism. The reputational costs for the new government that is trying to project an image of being investor- and market-friendly and constructive in its international engagement are potentially high.

Moreover, India seems isolated in its current position, with China, Brazil, Russia - the band of BRIC brothers - and other emerging market countries distancing themselves from New Delhi. A policy that has limited support in the WTO looks weak and lacks legitimacy, and, hence, is unlikely to succeed.

Indeed if India succeeds in its opposition, and the Bali deal collapses, the blow to an already weak WTO would be significant and India would bear much of the blame. And the costs of a weak multilateral trade system are greater for countries such as India, which is excluded from the emerging Asian trade architecture underpinned by the United States-led Trans-Pacific Partnership

India should, thus, withdraw its opposition to the TFA, reformulate its position on agriculture, proceed to persuade its partners of the merits and fairness of its new position over the next few months, and revisit this issue at the WTO in the near future.

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India’s WTO stand is justified
V. Anantha Nageswaran, Mint

New Delhi, 29 July 2014: Many commentators and editorials in Indian newspapers have lamented, rued and regretted the stance of the government of India in World Trade Organization (WTO) negotiations and chided it. Bare Talk strongly believes that India is right to take the stance it has taken. Bare Talk is as appalled as any at the policy continuity of the new government from the previous regime. Commitment to the National Food Security Act and the budget deficit target of the previous government are but two examples. But, those are internal matters of India. Any commitment made in an international negotiation is a binding commitment. It cannot be re-negotiated.

Anyone who has a basic understanding of option pricing will know that surrendering a policy option is like throwing away a deep out-of-the-money call option that is unexpired. It carries value. The policy optionality on what to do with India’s food security needs and how to go about meeting those needs should rest with the government of India. It is not to be negotiated away in a multilateral forum. If India is holding up the trade facilitation deal as a quid pro quo for getting its way on the food security matter, that is fine as far as negotiations go. China issued an ultimatum to Britain on its prime minister meeting the Dalai Lama. Britain meekly obliged. Trade policy as much as foreign policy is not about being liked but about growing a spine.

Trade matters a great deal for small, open economies but for large economies, it matters far less. Lesser international trade will hurt them but will not decapitate them. In any case, as Adair Turner has written in a recent column for Project Syndicate, global trade volumes have not only slowed down considerably in recent years but will continue to slow down for a variety of reasons, regardless of whether the Doha round is successfully concluded or not and the trade facilitation agreement is signed or not.

Western economies are still weighed down by debt accumulated before the crisis and after. Their economies are dominated more by services that are not easily tradable. Non-tradable sectors account for a rising share of employment and economic activity. Automation of manufacturing (3D printing) might move manufacturing back to the West without creating jobs. Consequently, the ranks of unemployed or employed with inadequate purchasing power might swell, rendering them unattractive as markets for developing countries. He is unambiguous: “further trade liberalization is bound to be of declining importance to economic growth.”

He correctly notes that progress in international trade negotiations is slow not because of rising trade protectionism but because the low-hanging fruits of trade liberalization have been plucked and that further progress requires complex trade-offs that are no longer offset by large potential benefits. India’s situation is a case in point. India is insisting upon change in the method of calculating the legally permissible subsidy. It cannot be based on prices that prevailed in 1986-88. That India has a badly designed and ultimately counterproductive grain procurement and distribution programme today is no reason to agree to the use of an outdated benchmark price to calculate the nation’s food subsidy. At a future date, even a well-designed food security programme might still fail to comply with the treaty obligation if the reference prices are not updated. The reluctance to do the same raises many unanswered questions on the intent behind keeping the reference price from nearly two decades ago.

Further, the numerical ceiling of the total food subsidy not exceeding 10% of the value of production (calculated at 1986-88 prices) needs to be reviewed. For example, as Professor Timothy Wise of Tufts University pointed out in his piece in December 2013 (Why the WTO needs a hypocrisy clause), the allowed levels of trade distorting support—the Aggregate Measure of Support (AMS)—for the US is about $19 billion. The figure is high because it was set in 1994 based on the then prevailing levels of high trade distorting support for agriculture in the US!

In a speech delivered at the African Development Bank in February 2009, Professor Ha-Joon Chang noted that “until the 17th century, Britain was a backward country dependent on raw wool exports to Low Countries (or what are the Netherlands and Belgium today), so it implemented various schemes to promote ‘import substitution’ in woollen manufacturing”. Based on the average tariff rates on manufactured products, the US was the world’s most protective nation “from about the 1830s until the Second World War except for Russia in the early 20th century”. It was only after the Second World War, with its industrial supremacy unchallenged, that the US liberalized its trade, just as Britain did in the nineteenth century.

Let us continue to strive for an original and smarter food security programme from this government but let us not allow that to blind us to the hypocrisy of the arguments made against India for its stance at the WTO negotiations.

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By standing up for its priorities at WTO, India has saved its farmers
Financial Chronicle

New Delhi, 28 July 2014: Narendra Modi has demonstrated his global priorities during his short stint in power by engaging Pakistan and China on the need to mend fences with India. And now, he has thumbed his nose at the world’s biggest economic powers by refusing to sign the trade facilitation agreement

(TFA) under the World Trade Organisation (WTO) that was agreed to by 160 other countries in Bali, promising to add a trillion dollars to the global GDP and create 21 million new jobs by simplifying customs rules, raising transparency and cutting transaction costs.

In doing so, Modi has, despite his many detractors, sought to assert India's presence among the comity of nations. Why did he scuttle the WTO deal, risking being branded as a global trading bully? Modi did so, because he wanted to force the bigger economies to provide a permanent solution to the controversy surrounding the public food stockpile limit that is crucial for India's universal food security programme. The WTO norms limit value food subsidies at 10 per cent of total foodgrain output.

While this allows the United States to subsidise its rich farmers by up to a whopping $120 billion a year, it seeks to restrain India from providing barely $12 billion annual subsistence to millions of its impoverished farmers. Under the UPA government, India won a four-year reprieve on food subsidies in Bali, though the opposition BJP had insisted then that the country should not have settled for anything less than total exemption. Restricting subsidies would make global farm exports to India and other developing countries cheaper.

By refusing to sign the TFA, the government has made clear its intention that it would not abandon its marginalised millions to pursue global best practices in trade. With an agreement out of the question, the two biggest global trading blocks, the US and the EU, will now have to settle for bilateral trading arrangements to boost their economies. This serves India well, since it is an insignificant mercantile nation with meagre presence in global trade, accounting for just 1.61 per cent in total world exports and 2.63 per cent in total world imports. On the other hand, sacrificing the interests of its farmers could well threaten a potential humanitarian crisis at home. This, despite successive governments finding merit in trimming subsidies that place a substantial burden on the exchequer.

Supporting the farming community is essential for India where 70 per cent of the population earns under $2 a day and less than a fifth have insurance covers. Vast swathes of the country survive under the pervasive spell of poverty and deprivation, and millions of citizens are denied access to social security, health benefits, safe drinking water and sanitation. Politicians, policy makers and businessmen from industrialised nations visiting Delhi, Mumbai and Bangalore conjure up images of India on the move to stall China's dominance of global trade, without confronting the realities of our hinterland. Among all of India's states and federally administered territories, only Delhi matches China's prosperity with per capita income of $9,113.

Two of our most populous states, Uttar Pradesh and Bihar, that together match the entire population of the United States at 300 million plus, have per capita incomes comparable to two of the world's poorest nations, Benin and Sierra Leone in sub-Saharan Africa. To tie the fate of farmers in the Gangetic plains with the fortunes of those in the Mississippi basin is to invite a potential holocaust. Modi must be commended for a job well done by standing up to the world's biggest trading bullies.

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How to make trade policy more inclusive
Bipul Chatterjee and Chenai Mukumba, Business Line

29 July 2014: India's success with international trade over the past two decades has been a testament to the benefits that an economy can garner from an outward-looking foreign trade policy. Following some significant economic reforms in the early 1990s, the Indian economy underwent resurgence and began to experience unprecedented growth.

By 2008, India's trade was 20 times what it had been in 1980. Today, the economy is the third largest in the world in purchasing power parity and the largest in terms of nominal gross domestic product.

Over the last two decades, India's share of world trade increased from less than 1 per cent to more than 3 per cent. Not only that, its total trade (export plus import) increased from $132 billion in 2001 to nearly $1.1 trillion in 2013 and its trade openness (ratio of export plus import to GDP) rose from 27 per cent in 2001 to 58 per cent in 2013.

However, in spite of this formidable growth internationally, India has not managed to achieve similar success domestically.

India's trade achievements have been tempered by its inability to filter the benefits gained externally down to its population. Although India is one of the largest economies, this feat is marred by its GDP per capita ranking of 123 in the world.

Developmental needs

Hence, the need to enhance the developmental components of India's National Foreign Trade Policy. While it is true that addressing India's developmental needs is not the responsibility of its trade policy alone, a country like India, which is home to almost one-third of the world's extreme poor, should balance its economic objectives with its development needs.

Trade policy can and should play a vital role in that respect. Given that the 'new trade policy' is set to be announced next month, it is important to note how India can use trade as a tool for inclusive growth.

CUTS International undertook a study that could aid in advancing the development agenda of India's 'new trade policy'. Based on the feedback that was obtained from stakeholders, several broad lessons were identified.

Unlike the previous trade policy where export promotion and employment generation were at times regarded as inter-changeable, the 'new trade policy' would benefit from distinguishing these two concepts.

The growing importance of technology and the subsequent increase in demand for skilled workers implies that an increase in exports does not necessarily lead to employment generation.

Everyone has a say

During our field survey, many respondents noted that the implementation of India's trade policy would benefit from direct inputs from stakeholders.

An explicitly stated consultation mechanism that requires feedback from local stakeholders could improve the inclusiveness of trade policy.

Also, the 'new trade policy' should note the advantages of a 'whole of government approach', where all the Government authorities concerned are associated with the formulation and implementation of this policy.

Such coordination among various government departments and stakeholders, including those at the sub-national level, would really help.

Furthermore, given the growing importance of global value chains (GVC) in today's economy, the 'new trade policy' would need to encompass measures to foster India's inclusion into international production processes. According to the UN Conference on Trade and Development, of the top 25 exporting economies, India has the lowest global value chain participation rate.

Although this does not reflect well on our current standing, it presents an immense untapped opportunity.

Enhance partnerships

The 'new trade policy' should, therefore, include measures to strengthen regional and global partnerships to foster India's engagement in value chains.

Given that service sectors are increasingly constituting a large proportion of GVCs, India is in a prime position to take advantage of this opportunity.

According to the GVC report that was released last week by the World Trade Organisation, the Organisation for Economic Cooperation and Development and the World Bank, "services are the links that forge value chains".

While benefit-sharing mechanisms are increasingly providing more returns to farmers, artisans and workers, the linkage between trade and its direct benefits to economic actors at the local level was not explicit in the previous policy.

The 'new trade policy' would benefit from an additional section that explicitly articulates the modalities of benefit-sharing mechanisms in order to make them more sustainable.

Finally, India's trade policy is largely isolated from its negotiations of bilateral, regional and multilateral trade agreements.

This lack of congruence between India's participation in various trade agreements and its trade policy has resulted in less than potential gains from trade openness. Under the Focused Product and Focused Market Schemes, the 'new trade policy' should give priority to sectors that are granted market access under preferential trading arrangements.

Investment is another area with which India's trade policy needs to align itself. The relationship between trade and investment policies is crucial for the growth and development of any country, and enhancing the synergy between these two policies would boost India's FDI-led exports.

The responsibility of improving the standards of living of one-third of the world's extreme poor is indeed a daunting task. However, India 'new trade policy' should be used as a tool for domestic reforms.

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