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INDIA'S TRADE NEWS AND VIEWS

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Dip in imports, exports rise narrow trade gap
Business Standard

New Delhi, 11 January 2014: Snapping the double-digit growth rate for the second time, merchandise exports rose 3.5 per cent in December 2013 to $26.3 billion from $25.4 billion in the year-ago period, mainly on account of a fall in exports of petroleum products.

Exports had been growing in double-digits since July 2013. However, in November 2013, growth in shipments came down to 5.9 per cent.

According to Director-General Foreign Trade Anup K Pujari, export growth moderated due to petroleum product exports, which came down sharply by 16 per cent. Petroleum exports constitute a little over 20 per cent of India's total export basket.

Imports dropped 15.25 per cent to $36.5 billion in December 2013, compared to $43 billion in December 2012. Thus, the trade deficit last month narrowed to $10.1 billion, compared to $17.2 billion in the year-ago period, according to data released by the commerce ministry on Friday.

The decline in imports was led by gold and silver, which dropped 68.8 per cent to $1.8billion in December 2013, on account of a series of restrictive measures taken by the government to tame gold import in an effort to control the current account deficit (CAD). In the previous month, import of gold and silver stood at $1.05 billion.

According to a note by YES Bank, the CAD for FY14 will be lower than expected, in the range of $35-40 billion.

Total exports during April-December 2013 stood at $230 billion, up six per cent over the $217 billion in the corresponding year-ago period. Total imports during the first nine months of the current financial year registered a decline of 6.6 per cent to $340.4 billion, compared to $364 billion in the corresponding period last year.

"We are well on the track of the exports target ($325 billion in FY14)," Commerce Secretary S R Rao told reporters here on Friday.

Import of crude oil in December 2013 reached $13.89 billion, up 1.1 per cent from $13.75 billion in the year-ago period. Total crude oil imports stood at $124.95 billion, which was 2.6 per cent higher than the oil imports of $121.83 billion in the corresponding period in the previous year.

According to M Rafeeque Ahmed, president of Federation of Indian Export Organisations, the shutdown of Reliance's refinery for maintenance has led to the decline in growth of exports for December 2013 and the modest growth in petroleum exports in April-December 2013 was owing to the decline in crude oil prices, which came down to an average of $108.64 a barrel in 2013 against $111.65 a barrel in 2012.

In December 2013, non-oil imports reached $22.58 billion, compared to $29.29 billion in the same month in the previous year, registering a fall of 23 per cent. During the April-December 2013 period also, non-oil imports dropped by 11.1 per cent at $215.42 billion, compared to $242.41 billion in the year-ago period.

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Govt confident of meeting export target of $325 bn
Business Line (The Hindu)

New Delhi, 9 January 2014: The Commerce Ministry is confident of meeting the export target of $325 billion this fiscal with most sectors, except some such as pharmaceuticals and gems & jewellery, doing well.

Commerce & Industry Minister Anand Sharma, who reviewed the Ministry's performance on Thursday, asked his officers to hold sectoral reviews to ensure that export performance stays on track.

"The Minister said the last quarter will be the most crucial and all efforts should be made to accelerate exports so that the $325 billion mark is easily reached," a Commerce Ministry official told *Business Line*. Last fiscal, exports fell by 1.82 per cent to $300.4 billion due to a slowdown in global demand. With a recovery in the US and the EU, exports in April-November 2013 stood at $204 billion posting a growth of 6.4 per cent over the same period in the previous year.

There has, however, been a marked slowdown in pharmaceuticals export, especially to the EU and the US, because of regulatory issues. Pharmaceuticals export posted a growth of just 3 per cent in the April-November 2013 period to $9.77 billion against a 11-per-cent growth in 2011-12.

"With India no more eligible for the preferential tariffs in pharmaceuticals offered by the EU under the GSP scheme, export in 2014 is likely to go down further. We will have to look at ways to sort out the regulatory problems that have cropped up in the US and the EU to revive exports to the region," the official said.

In the gems & jewellery sector, while export of diamonds and coloured stones has increased, there is a fall in gold exports due to curbs imposed on imports of the yellow metal.

Sharma said the Ministry needs to continue its market diversification schemes as Latin America and Africa were proving to be important partners not only in trade but also in global trade platforms such as the World Trade Organisation (WTO).

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India's services exports fall to $12 bn in Nov
PTI

Mumbai, 15 January 2014**:** India's services exports in November stood at $12.32 billion, slightly lower than in October, according to the Reserve Bank data. Services exports were worth $12.56 billion in October.

Imports of services in November moved down slightly to $6.11 billion from $6.96 billion in the previous month.

The services sector contributes about 55% to the country's gross domestic product.

During April-November period, services exports were worth $100.41 billion. Total services imports stood at $53.19 billion during the first eight months of the current financial year.

RBI releases the provisional aggregate monthly data on India's international trade in services with a lag of

45 days. Monthly data on services are provisional and undergoes revision when the Balance of Payments (BoP) data are released on a quarterly basis.

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India and the mega-regional trade deals: What these might mean, and what India should do
Prof. Jean-Pierre Lehmann and Deepali Fernandes, Forbes India

8 January 2014: With the successful outcome in Bali on 7 December, trade multilateralism has lived to see another day. Two key players, the US and India, whose last-minute brinkmanship would either make or break the round, finally reached an agreement taking into account India's domestic concerns on food security. The resulting Bali package,which addresses trade facilitation, agriculture and the issues of least developed countries (LDCs), has restored some degree of faith in the WTO.

However, there remains a wide gap between WTO rules and on-the-ground business realities. It is these "new realities or 21st century issues" such as technology, environment, intellectual property (IP) and finance that are at the core of two ambitious "mega-regional" trade deals--the Transpacific Partnership (TPP) and the Transatlantic Trade and Investment Partnership (TTIP). The TPP, with 12 member countries, is estimated to account for over a quarter of world trade. The TTIP, with 28 countries, makes up almost a third. Together the "mega-regionals" account for 60% of world GDP. If concluded, these deals will very likely change the structure of global trade. And they exclude India.

Groupings like the TPP can either fragment or spur on the move towards greater trade coherence. The key question for India post Bali is what impact these mega-regionals will have on its emerging economy – forecast to be the world's third largest by 2050 – and its global aspirations. What risks do these deals pose to India--especially the TPP, which is in its backyard? And what should India do about it?

The potential impact of the TPP on India

Isolation as manufacturing sites and services go elsewhere: Should the TPP be concluded, the extent of potential trade diversion from India is difficult to estimate. However, two areas of India's current "inclusive development" trajectory, services and manufacturing, could be affected. India's National Manufacturing Policy promises to create 100 million jobs and contribute 25% to GDP in a decade. But the TPP could result in manufacturing investments and consequently jobs moving to equally well placed TPP members such as Malaysia and Vietnam. India is currently the seventh largest player in global services trade. However, several countries in the TPP configuration have or can potentially develop a stronghold in the services sector, including Malaysia, New Zealand, and Canada. For private operators in both the goods and services sector the TPP disciplines on investment, IP, e-commerce and finance will be a strong incentive enabling potentially seamless operations.

Global Supply Chains(GSCs)move away: Some 80% of global trade is linked to GSCs, making them important sources of investment, technology and job creation, all of which are important for India. GSCs are likely to be enhanced as the TPP rules potentially provide for seamless cross-border operations connecting production/service centers across TPP countries and markets. If this is the case, there is the possibility that the GSCs will gradually shift away from large emerging economies such as India, China, and Brazil. This could potentially isolate India from GSCs in services and manufacturing or it could require India to incorporate TPP terms in order to operate within TPP countries.

Rule taker or rule maker? If the mega-regionals are concluded, given the US involvement in both, they will create common regulatory sets across the Atlantic and the Pacific. This is likely to result in much higher degrees of regulatory convergence and co-operation amongst member countries. If India is left out,

the regulatory sets will be created and later multilateralized, leaving India in the position of being a rule taker rather than a rule maker.

Between the dragon and the eagle: The US,as the main driver of the TPP, has trade, but also political and security interests on its agenda. The TPP is seen as an effort to contain China and strengthen US influence as part of the “pivot to Asia”. If this is the case, then India in effect will find itself involved in a chess game between the Chinese dragon and the US eagle. The US is India’s second largest export market, China is fourth; in imports, the position is reversed with China being India’s largest import source, and the US in fifth position. The Sino-Indian relationship is critical, but from a security perspective the US is key to India’s future. India could find itself between a rock and a hard place.

India and FTAs: India has in general been cautious in its approach to free-trade agreements(FTAs), concluding mostly regional (SAFTA, BIMSTEC) and south-south deals (Latin America, ASEAN). Interestingly, since 2005India has already concluded FTAs (ASEAN, Singapore, Malaysia, Chile) or is in the process of doing so with several TPP negotiating partners (Australia, Canada, EU, EFTA, New Zealand, Japan and the US). Depending on how stringent the rules of origin for goods and services contained in these agreements are, India would in effect have an entry point into the TPP market. Conversely, TPP members who have not concluded FTAs with India would potentially have access to the Indian market through for instance the India-ASEAN FTA or the India-Singapore FTA. In this case India’s cautious “protection of the market” approach to trade liberalization may no longer be valid.

Policy options – Back to the WTO

A question constantly posed is why India does not embrace trade liberalization more forcefully, as China has done since its 1978 reforms. One reason is India’s complex and divided political system, which makes it hard to reach compromise on critical issues such as trade policy. And with approximately 32% of the population still below the poverty line, the job-creation versus job-destruction perspective of trade policy is extremely sensitive. This is all the more so as currently two-thirds of India’s population lives in rural areas: food security is understandably a national obsession.

Given these domestic constraints, inclusive growth and a calibrated approach to trade policy is a necessity for India, not a choice. Acceding to or joining the current TPP negotiations may not currently be its best option. However, if the mega-regionals were to be concluded, India would be presented with a fait accompli with potentially quite a negative impact.

As opposed to the “mega-regional non platform”, the WTO provides India with an existing and functioning platform to tie up its domestic considerations with its global trade ambitions. The successful passage of the Bali package was an important step in this direction. India maintained a balance, playing a co-operative role on issues such as trade facilitation and the LDC package, while ensuring sufficient flexibility to implement its Food Security Bill.

Thus the risks of trade isolation and of ending up as a rule taker are reason enough for India, in a post-Bali scenario, to play a more proactive role in the multilateral rules-based system. India can, and in our opinion should, play a greater role commensurate with its aspirations to be a major actor in the global arena.

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Economics Affairs Officer at UNCTAD for several years in the areas of migration, trade in services, finance and regional trade agreements. She has also worked with UNEP and practiced law in India and the UK.

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MFN Status for India soon, but not Immediately: Pakistan
Economic Times

New Delhi, 17 January 2014: Pakistan is unlikely to announce the 'most favoured nation' (MFN) for India during commerce minister Khurram Dastgir Khan's ongoing visit to India.

Khan is in New Delhi to attend the SAARC Business Leaders Conclave and will later hold a bilateral meeting with commerce and industry minister Anand Sharma. "We are discussing non-discriminatory access instead of MFN. The idea is, instead of getting caught in nomenclature, we should provide substantial market access to India," said Khan at a Confederation of Indian Industry event.

He added that it will happen soon though not immediately, suggesting that no major announcement may come during his India visit. "There are sensitivities on both sides," Khan said.

India and Pakistan officially restarted trade normalisation talks on Wednesday as the two secretaries met in New Delhi after a 16-month gap. Pakistan had agreed to give India MFN status by December 2012 but has missed that deadline because of political considerations involved in given 'most favoured nation' status to India. Pakistan's auto, pharma and agri lobbies are also opposed to greater access to India in these sectors.

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Trade gap with China at $31 bn in 2013
Ananth Krishnan, The Hindu

Beijing, 11 January 2014: India’s trade deficit with China reached a record $31.4 billion in 2013, with two-way trade declining last year by 1.5 per cent on account of a sharp decline in Indian exports, new trade figures released here on Friday showed. Indian exports to China last year totalled $17.03 billion, a 9.4 per cent fall from last year, out of $65.47 billion total bilateral trade, according to figures released by the Chinese General Administration of Customs (GAC). Chinese exports to India, in recent years largely comprised machinery, were up 1.6 per cent.

Friday’s annual figures marked the second straight year of declines, highlighting the unexpected slowdown in rapidly growing trade ties that came to be seen as one of the key drivers of a relationship amid political uncertainties such as the long-running boundary dispute.

Bilateral trade reached a record $74 billion in 2011, when China became India’s largest trading partner. Trade declined to $66.5 billion the following year on account of the global slowdown and a 20 per cent drop in Indian exports. The fall in exports was largely due to curbs on the export of iron ore, which had emerged as India’s single biggest export to resource-hungry China. Friday’s data showed an overall recovery in China’s foreign trade outlook, recording 7.6 per cent year-on-year growth, although missing the government’s 8 per cent target. Despite the challenge from grim global demand and an appreciating currency, China’s exports grew 7.9 per cent to $2.21 trillion, the GAC said.

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Plan to route crude from Russia in pipeline
Pranav Nambiar, Financial Express

New Delhi, 15 January 2014: India is in talks with Russia, the world's largest oil producer, to build a pipeline that will bring crude oil to the country on the lines of the TAPI pipeline, a senior official from the external affairs ministry told FE.

Ajay Bisaria, joint secretary (Eurasia), said the issue was discussed between the two sides during PM Manmohan Singh's visit to Russia in late October. India has already broached the idea of a crude oil pipeline with Kazakhstan, and this could be extended to Russia.

The plan is to route crude oil from Russia to Kazakhstan to Uzbekistan and then follow a parallel route through the Turkmenistan, Afghanistan, Pakistan and India (TAPI) pipeline.

Total investment for the Russia-India pipeline could go upto $30 billion. The TAPI pipeline is a natural gas pipeline and, therefore, the proposed crude oil pipeline cannot be connected to it.

India currently buys very little crude oil from Russia and therefore wants to increase its oil procurement from the country. According to the Indian embassy website, mineral fuel and oil imports from Russia stood at $176 million in 2012. It did not provide the 2013 numbers.

Russia is largely focused on supplying oil to Europe and other Asia Pacific countries and China. "Now we want to build a north-south land route to buy more oil from Russia," said Bisaria.

Most hydrocarbon pipelines from Russia and Central Asia are on an east-west axis. The pipeline will provide a new route to South Asia for hydrocarbons.

Shipping oil from Russia is an expensive proposition and, therefore, even ONGC Videsh (OVL), which has a stake in the Sakhalin-1 project, prefers to sell it in other markets. The success of the pipeline from Russia to India could hinge on the TAPI pipeline as a part of it will run parallel to TAPI. According to oil minister Veerappa Moily, the TAPI pipeline is expected to be ready by August 2017.

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India & S Korea to upgrade CEPA, boost trade ties
Financial Express

New Delhi, 16 January 2014: India and South Korea have agreed to upgrade the Comprehensive Economic Partnership Agreement (CEPA) as early as possible to bolster trade and investment.

Visiting South Korean president Park Guen-hye and Prime Minister Manmohan Singh agreed to give a push to Posco's steel plant in Orissa. Both the sides also inked five agreements, including in defence and space.

At the end of delegation talks with the visiting leader on Thursday in New Delhi, Singh said, “I am happy that the large-scale Posco steel project in Orissa is set to be operational in the coming weeks, following the revalidation of its environmental clearance. Grant of mining concession for the project is also at an advanced stage of processing.” Singh said the project will further strengthen the fact that economic growth and and environmental protection need to be balanced well.

The South Korean president said while the Posco Integrated Steel Plant has been delayed, with the acquisition of land and environmental clearances now through, both sides should ensure smooth sailing for the 8 million tonne per annum steel plant in Orissa.

Both sides have agreed to establish the India-ROK Joint Trade and Investment Promotion Committee at the Cabinet level as an expanded and restructured replacement of the current India-ROK Joint Investment Promotion Committee, as per the joint statement issued after the meeting.

The agreement to revise CEPA was one of the highlights in the joint statement issued after the summit. The trade pact was signed in 2009 and went into effect the following year.

South Korea had called for revising the agreement, complaining its level of liberalisation is lower than that of similar accords India has with other nations, especially Japan, which makes Korean firms in India less competitive than Japanese rivals.

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Lack of infra hampering Indo-Bangla border trade
Ayan Pramanik, Business Line (The Hindu)

Kolkata, 10 January 2014: India and Bangladesh's plan to keep bilateral trade going for seven days a week at Petrapole-Benapole land custom stations has hit infrastructure roadblock. Located nearly 80 km from Kolkata, Petrapole (India)-Benapole (Bangladesh) border accounts for nearly half of the $5.5-billion bilateral trade. Both the countries planned to extend operations from six days to seven days beginning January 1.

At a meeting attended by Union Revenue Secretary Sumit Bose and his Bangladeshi counterpart Golam Hosen at Petrapole on Friday, traders from both sides of the border blamed lack of infrastructure as a major cause of concern to operate seven days.

"Though top revenue officials from both the countries agreed to keep operations on for the whole week in October last year, trucks still don't move on the Bangladeshi side on Fridays," a Bangaon-based exporter who attended the meeting told *Business Line*.

According to him, infrastructure hurdles and political issues have to be dealt with first to practically implement seven-day operation at the Petrapole-Benapole land custom stations.

Another trader who operates though Petrapole-Benapole route said lack of infrastructure often resulted in 8-10 km long queues of trucks on both the sides.

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India mulls export incentives for sectors ineligible for EU sops
Amiti Sen, Business Line (The Hindu)

New Delhi, 11 January 2014: With the European Union (EU), India's largest export market, withdrawing its preferential import duty scheme for some Indian products from 2014, the Commerce Ministry is considering fresh incentives to help these sectors retain their competitiveness.

"We are looking at some domestic schemes to help the affected sectors stay competitive in the EU market," said a senior Commerce Ministry official, speaking to *Business Line*.

The products that are no longer eligible for lower tariffs under the preferential duty scheme are: textiles, chemicals, minerals, raw hides & leather and automobiles, including road vehicles, bicycles, aviation, space, boats and their parts.

Until now, the EU's Generalised System of Preferences scheme provided duty-free or low-duty access to these products in all 27 of its member countries.

'Globally competitive'

The affected products have "graduated out" of the scheme as they have become globally competitive. They will now attract normal import duties of 6-12 per cent.

"The EU is the biggest market for Indian products and losing the preferential duty advantage for key commodities is a big blow," said the official.

The issue was discussed at a review meeting held by Commerce and Industry Minister Anand Sharma earlier this week, the official added.

The Ministry is looking at the option of providing cash incentives to the affected sectors under the existing Market Linked Focus Product Scheme.

Under this scheme, cash benefits are given to exporters of specific products to specific markets, generally ranging between 2 per cent and 5 per cent.

Biggest export market

The EU accounts for 16 per cent of the country's total exports. In April-November 2013, India exported goods worth $33.27 billion to the 27-member bloc, posting 3.5 per cent year-on-year growth.

India, together with China, is among the top beneficiaries of the EU scheme, which provides preferential market access to exports from 90 developing and least-developed countries.

A number of countries, including Argentina, Brazil, Cuba, Uruguay, Venezuela, Russia, Kazakhstan and Malaysia, have graduated out of the scheme this year.

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Veg oil imports up 18% in Dec at 10.67 lakh tonne
PTI

New Delhi, 14 January 2014: India's vegetable oil imports have risen 18% to 10.67 lakh tonne (LT) in December 2013, the second highest in a month since 1994, due to purchase of cheaper sunflower oil from overseas and anticipation of hike in import duty. Import of vegetable oils, comprising edible and non-edible oils, stood at 9.08 LT in December 2012.

"December 2013 has shown the second highest record import of vegetable oils at 10.67 LT, since 1994. In January 2013 import was 11.57 LT," Solvent Extractors' Association of India said in a statement.

In the first two months of oil year, imports of vegetable oils rose by 25% to 20.12 LT as compared to 16.08 LT in the year-ago period.

Edible oil imports increased to 19.79 LT during the period, from 15.59 LT, but import of non-edible oils decreased to 32,357 tonne in the two months, from 49,235 tonne in the same period last year. Oil year runs from November to October. “In the last two months import has surged as sunflower oil was cheaper to soybean oil encouraged larger shipment of sunflower oil,” SEA said.

The industry body also said palm oil shipments were higher during the month in anticipation of likely increase in import duty. Moreover, price difference between RBD Palmolein and crude palm oil reduced to less than $10/tonne making RBD Palmolein more attractive over CPO.

India imported over 10 million tonne of vegetable oils in 2012-13 oil year, which is about 50% of domestic demand. The country imports palm oil from Malaysia and Indonesia, while soyabean oil is purchased from Brazil and Argentina. Import duty on crude edible oil is 2.5% and custom duty on refined edible oil has recently been increased to 10% from 7.5%.

During November-December 2013, import of refined oil has gone up by 74% to 3.72 LT, compared to 2.14 LT during the same period of the previous year.

Import of crude oil was up by 19% at 16.07 LT as compared to 13.45 LT during the same period of last year.

Current stock of edible oils as on January 1, 2014 at various ports is estimated at 7.45 LT and about 8.5 LT in pipelines.

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Onion exports double in Dec to 0.13 mt on MEP cut
PTI

7 January 2014: Onion exports have doubled during December to 0.13 million tonnes (mt) compared with the previous month after the government lowered the minimum export price (MEP). Exports stood at 66,236 tonnes during November, according to data compiled by the National Horticultural Research and Development Foundation.

Last month, the government had slashed onion MEP three times to boost exports and check sliding domestic prices of the edible bulb that led to farmers' protests in producing states. On December 26, MEP, the benchmark price below which the commodity cannot be exported, was reduced to $150 a tonne from $350 a tonne.

Before that, MEP was reduced to $350 a tonne from $800 a tonne on December 19, while it was cut to $800 a tonne from $1,150 on December 16.

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Soyameal exports drop 8% in Dec as farmers hold stock
Financial Express

New Delhi, 8 January 2014: After a near 26% rise in the first two months of the marketing year that started in October, India's soyameal exports dropped 8% in December as farmers held back stock, compounding worries of exporters facing stiff competition in a market already awash with South American supplies.

India — the world's fourth-largest soyameal supplier — exported 4,70,799 tonne in December, compared with 5,10,698 tonne a year before, according to Mumbai-based Soybean Processors Association of India (SOPA).

The exports in the first three months of the marketing year, however, remained up 9.7% at 1.18 million tonne, thanks to higher shipments in the previous two months. These data do not include supplies to Nepal, Pakistan and Bangladesh by rail or road.

Exporters, already feeling the heat due to lower prices overseas following a bumper South American harvest, fear outbound shipments will suffer despite a weak rupee if the farmers continue to hold soyabean stock or seek higher prices, trade executives said. At around $575 a tonne, the price of India's soymeal is already higher by roughly $20 than South America's.

“Lower arrival of soyabeans in the domestic market and falling profitability in crushing affected exports. Farmers held back soyabean stock last month on anticipation of higher prices,” said Rajesh Agrawal, co-ordinator of SOPA. India exported 3.47 million tonne of soyameal in the 2012-13 marketing year, compared with 3.62 million tonne in the previous year.

Domestic farmers feel prices would move up in the coming days, as the industry expects a 5.8% drop in production from an estimate earlier this year.

According to SOPA's revised estimate, soyabean output may drop to 12.23 million tonne in 2013-14, compared with 12.98 million tonne estimated earlier, thanks to excess showers in key producing regions.

Soyabean is crushed into soyameal for animal feed and into soyaoil for cooking and alternative fuel. Soyameal is added to poultry feed as a form of protein to boost the birds’ growth.

The country typically exports around 70% of its annual production. India will likely produce a bumper 11.34 million tonne in 2012-13 on good planting, compared with 10.65 million tonne, according to the SOPA estimate.

India competes with Brazil and Argentina for soyameal exports to countries including Japan, Vietnam, South Korea and China. However, suppliers in India usually have an edge over their South American rivals in terms of freight differential due to the country’s proximity with key buying nations, the executives said.

Still, a bumper South American crop has potential to depress global prices and severely dent India's competitiveness.

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Oilmeals exports up 7 per cent to 31.67 lakh tonnes in April-December
PTI

New Delhi, 7 January 2014: Oilmeals exports rose by 7 per cent to 31.67 lakh tonnes till December of the ongoing fiscal on significant increase in shipments to Iran, South Korea and Europe.

The country had exported 29.58 lakh tonnes (LT) of oilmeals during April-December period in the year 2012, according to data compiled by Solvent Extractors' Association (SEA).

In December last year, the country's shipment of oilmeals --used as animal feed -- marginally increased by 3 per cent to 5.86 LT from 5.67 LT in the same month in 2012.

"The export of oilmeals during April-December 2013 is reported at 31.67 LT compared to 29.58 LT during the same period of last year (2012), up by 7 per cent," SEA said in a statement.

Maximum increase in exports was to Europe, Iran and South Korea. The shipment to Europe doubled to 2.40 LT in April-December period of the current fiscal 2013-14 as against 1.20 LT in the year-ago period. Similarly, exports to Iran surged to 9.23 LT from 4.93 LT, while shipments to South Korea increased by 27 per cent to 8.21 LT from 6.47 LT in the said period.

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Natural rubber imports rise 46%, output down
PTI

New Delhi, 8 January 2014: Imports of natural rubber went up by 46% to 26,853 tonne in December due to lower prices in international markets and drop of over 5% in domestic production.

Imports increased despite the Centre raising import duty on natural rubber to Rs30 per kg or 20%, whichever is lower, in December.

The basic customs duty on natural rubber earlier stood at Rs20 a kg or 20% whichever was lower. According to Rubber Board data, India's natural rubber imports rose to 26,853 tonne from 18,366 tonne in the same month in 2012.

“Imports have gone up as contracts for import of natural rubber in December were made during September and October, and at that time prices in the international market were down by Rs35 per tonne as compared to domestic prices," a senior rubber board official said.

During the April-December period of this fiscal, rubber import increased to 2.64 lakh tonne from 1.73 lakh tonne in the corresponding period of previous fiscal.

Meanwhile, production of natural rubber dropped by 5% to 1.08 lakh tonne during December 2013 against 1.14 lakh tonne in the same month of 2012. However, consumption rose to 79,500 tonne in December last year from 78,420 tonne in December 2012.

Rubber exports declined 57% to 695 tonne in December last year as compare to 1,603 tonne in the same month in 2012.

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Iron ore exports fell 52% in 2013
Mahesh Kulkarni, Business Standard

Bangalore, 14 January 2014: Continuing a downward trend for a fifth year in a row, India's iron ore exports declined 52.5 per cent to 14.1 million tonnes for the calendar year 2013 (CY13).

This includes 820,000 tonnes of iron ore pellets. In CY2012, exports were 29.7 mt. The export in 2013 was a tenth of the peak seen in 2009. India is now the 10th largest exporter, from fourth the previous year, in the world.

China is the world's largest consumer of iron ore; 80-90 per cent of global export goes there.

The decline in 2013 was mainly due to the absence of Goa as compared to the previous year. Mining and transportation Goa was suspended there in the second half of 2012, on a direction of the Supreme Court. The continuing ban on export from Karnataka added to the drop.

"From 2014, the situation might improve but not dramatically. With more caps and bans on production and exports India might never regain its Number 3 ranking in the global export market," according to Delhi-based OreTeam Exim Pvt Ltd, which tracks the industry.

CY 2013 also saw India's ranking going below 10th on the global list of exporters of iron ore to China. Till 2011, India was behind only Australia and Brazil, both exporting 90-95 per cent of their surplus to the China. In 2012, we slipped to fourth position, behind South Africa. In 2013, India pushed out of the top 10; Iran, Indonesia, Malaysia and Canada were among those which overtook us in the export market, said Prakash Duvvuri, head of research, OreTeam.

"However, we expect Goan iron ore to rejoin the export race in 2014, giving some lift to the volumes," he said.

On the other hand, the Indian ore pellet export market is likely to remain flat in 2014. Essar, JSPL, Ardent, Stemcor and GPIL are concentrating equally on the export and domestic market. This will ensure some of the pellet volumes are diverted to China and Japan, he added.

"India's steel consumption and demand growth is unlikely to witness sharp growth to absorb the raw material completely within the country, also one of the prime factors to note in 2014. With a modest growth expected in the steel sector, keeping in view the change of guard at the Centre, it is highly unlikely that any major decisions would break ground in at least in the first half of CY2014," Duvvuri said.

On the Chinese and Japanese front, the demand for Indian iron ore and ore pellets will remain till our exporters have the capability to provide them the material, he added.

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India emerges as net exporter of steel in April-December period
PTI

New Delhi, 7 January 2014: India has become a net exporter of steel in the first nine months of the current fiscal, mainly due to subdued domestic demand.

If the trend strengthens during the January-March period, the country may end up being a net exporter of steel for the entire fiscal, 2013-14, after a gap of five years.

"India emerged as a net exporter of total finished steel in December 2013 as well as during the April-December period," said Joint Plant Committee (JPC), a unit of Steel Ministry.

Exports went up by 9.5 per cent during the April-December period to 4.136 million tonne (MT), but imports in the same period registered 29.2 per cent decline at 4.09 MT.

In December, exports rose by 13.7 per cent to 0.54 MT while imports nosedived by 46 per cent to 0.37 MT.

India has been a net importer of steel since 2007-08. In the last fiscal also, it imported 7.9 MT against its exports of 5.2 MT. Before 2007-08, however, India used to export more than imports.

The surge in exports during the April-December period is a result of rupee volatility, different economic conditions, impact of global downswing and depressed domestic demand, JPC said in its latest report.
It attributed the dip in imports to slowdown in domestic economy, exchange rate volatility, relative prices, global downswing and bilateral agreements among others.

Almost all domestic producers have had a good growth on the export front in the current fiscal so far. Steel Authority of India (SAIL) clocked a 122 per cent growth in exports to 1.77 lakh tonne during October-December quarter alone and it is eyeing doubling last year's volume to 7 lakh tonne this fiscal. Rashtriya Ispat Nigam Ltd (RINL) recorded 142 per cent growth in its export revenue during the April-December period at Rs 519 crore.

Rising exports have also helped them raise domestic prices and reduce inventories. Steel makers have raised prices by up to Rs 1,500 per tonne earlier this month.

Impacted by economic slowdown, India's steel consumption grew by just 0.5 per cent to 53.789 MT during April-December period of the current fiscal.

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Sluggish growth in foreign tourist arrivals
Ruchika Chitravanshi, Business Standard

New Delhi, 8 January 2014: The number of foreign tourists coming to India grew a modest four per cent between January and December 2013, coinciding with women travellers' perception on the country as a safe destination hitting rock bottom.

This is less than the five per cent growth in 2012 and 13 per cent in 2011. Expansion in foreign tourist arrivals worldwide was pegged at around five per cent during the first nine months of 2013, according to data from the World Travel Organisation.

India’s total foreign tourist arrivals in 2013 stood at 6.84 million. This pales in comparison with China’s 132 million visitors and Singapore’s 14 million (end-2012 figures).

In a recent meeting of the India chapter of Pacific Asia Tourism Association with the tourism ministry, tourism secretary Parvez Diwan said that the issue of women’s safety had hit tourism. “There was a lot that was done within their circle of influence, but perhaps it did not filter down to the trade. Particularly on the subject of women’s security, some statistics and corresponding facts were an eye opener,” he said in the meeting.

Senior executive of a leading leisure travel company said the safety issue had taken a toll on the growth of tourist numbers. According to industry estimates, nearly 30 per cent of the total foreign tourists are women. “This segment is completely skipping India because of so many incidents of rape and molestation that came to light last year,” he said.

The travel companies were hoping that because of the rupee depreciation, inbound tourism would get a major boost in 2013. However, as challenges persist, most are now pinning their hopes on 2014. "In the last one year, inbound tourism has not grown to our expectations due to sluggish economic climate in source markets. We believe this will change and Indian tour operators will reap the benefits of this revival. Another factor that will help India is the depreciation of the rupee by 12 per cent, which will boost inbound tourism in the 2014-15 season," said Arup Sen, director (special projects), Cox & Kings.

Foreign exchange earnings from tourism in 2013 grew 2.2 per cent to $18.1 billion, compared to a growth of seven per cent in the previous years.

Meanwhile, travel companies continue to be optimistic on domestic tourism. Domestic tourists showed a growth of 19.9 per cent in 2012 over 2011. "For inbound travel, we are still focused on improving our distribution networks. For domestic, the whole discussion is around growing newer destinations," said Sharat Dhall, President, Yatra.com

India is trying to ease its visa regime and extension of visa on arrival facility to 40 countries. "We should at least start providing e-visas to overcome the bureaucratic hurdles and also extend visa on arrival for more countries," said Subhash Goyal, President of Indian Association of Tour Operators.

Currently, visa on arrival facility is available to 14 countries including New Zealand, Singapore, Luxembourg, Japan, Finland.

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100% FDI in pharma stays; Govt notifies policy
Business Line (The Hindu)

New Delhi, 8 January 2014**:** India will continue to allow 100 per cent Foreign Direct Investment (FDI) in existing pharmaceutical companies despite concerns over continued availability of affordable life-saving drugs raised by some ministries and departments.

Domestic companies selling their facilities or operations to foreign players, however, will not be barred from starting a fresh venture in the same area as the "non-compete" clause will not apply in deals except in special cases.

The Department of Industrial Policy & Promotion (DIPP), on Wednesday, formally notified both the decisions taken by the Union Cabinet six weeks ago following extensive inter-ministerial consultations.

"The Government has reviewed the position in this regard and decided that the existing policy would continue with the condition that 'non-compete' clause would not be allowed except in special circumstances with the approval of the Foreign Investment Promotion Board," the DIPP said in a Press Note.

There have been a number of high profile acquisitions of Indian pharmaceutical companies over the last few years which includes the recent take-over of Bangalore-based pharma firm Agila Specialties by US-based Mylan Inc and Piramal Healthcare by US company Abbott Lab.

The DIPP had sought reduction of FDI limit for brownfield pharma projects from 100 per cent to 49 per cent in "critical'' areas as it feared that acquisition of Indian companies could vitally affect availability and affordability of generic (off-patent) medicines.

In an earlier note, the DIPP had pointed out that most of the FDI that has come into the pharma sector in the country has come in brownfield projects and soon the existing facilities in the country that produce cheap life-saving medicines may completely be taken over.

The Department of Science & Technology and the Health Ministry also shared the DIPP's concerns. The Department of Science & Technology, had expressed concern that takeover of Indian pharmaceutical companies by foreign investors could lead to a waste of Government efforts, research and resources as many of these companies sourced their technologies from Government laboratories under the CSIR. The Finance Ministry and the Planning Commission were, however, of the view that there should not be any changes in the existing FDI policy as it would serve as a deterrent for foreign investors.

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Data protection norms in EU may hurt Indian IT sector: Nasscom
PTI

New Delhi, 13 January 2014: Even as outsourcing demand from Europe revives after the debt crisis, data protection regulations in the region governing trans-border data flows could hurt the $108 billion Indian IT-ITeS industry, sectoral body Nasscom today said.

"Challenges that I see are the US Immigration Bill and the data security in Europe. These are areas that we are working on...I had gone (there) in September and had conversations with EU."

"...security in Europe has the potential of going into directions which will not be conducive for (those) countries as well as our (IT) industry. They will get hurt and we will also get hurt," Nasscom President R Chandrasekhar told reporters on the sidelines of the 3rd annual Action for India forum.

He added that engagement is a continuous process and Nasscom is in talks with concerned authorities across the globe on issues facing the industry.

The EU Data Protection Directive governs trans-border data flows and lays down conditions for transferring of personal data of EU citizens outside the region. These legal instruments, together with the enforcement mechanisms across member countries, put too much obligations on businesses. Because of this, they are often considered as unfriendly to businesses especially small and medium-sized service providers.

According to a Nasscom-DSCI (Data Security Council of India) survey, there is a significant opportunity loss for the IT-BPO industry on the account of data transfer related issues as clients hesitate to offshore work to India because of stringent data protection requirements in the EU.

Nasscom and DSCI, along with Department of Commerce (DoC) and Department of Electronics & Information Technology (DeitY), have been working on this trans-border data flow issue between EU and India.

Europe, which accounts for close to 20 per cent of the Indian IT exports, is witnessing a revival in demand for outsourcing services following the debt crisis.

While growth is returning to traditional markets like the UK, newer markets like Germany are also opening up.

Interestingly, Nasscom expects growing demand for outsourcing services from Europe to drive the sector in 2014, even though North America accounts for the lion's share of the industry's IT exports.

The Immigration bill in the US, which proposes higher visa fees and enhanced audit by US agencies, is also a challenge that the industry is carefully monitoring.

Talking about the year ahead, Chandrasekhar said FY15 would be good as demand increases from markets like Germany and Japan.

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India Tries To Ease Impact Of Electronics Testing Rule; U.S. Industry Balks
World Trade Online

8 January 2014: The government of India has taken two last-minute measures designed to ease the impact of a new safety standards testing and registration rule that began applying to imports of electronic goods on Jan. 3, but U.S. industry sources this week continued to warn that the Indian rule holds the potential to create massive disruptions in trade.

The first measure taken by India effectively delays the requirement that all covered products bear a label printed with the necessary registration code until April 3. However, only companies that have put their products through the necessary testing process and already obtained a code will be eligible for this exemption.

Secondly, New Delhi has also slightly reduced the amount of paperwork that it will require of factories that manufacture products being shipped to India. But the government is sticking by its approach of requiring companies to have their goods be registered on a per-product, per-factory basis, according to industry sources.

Products shipped to India that are not tested, certified and labeled as required are to be stopped at the border under the regulation. Industry sources say it is difficult to estimate how many covered products have still not yet jumped through the necessary hoops and that they are still in the dark about the full ramifications of the new regulation's entry into force last week.

As of early December, industry sources counted a backlog of around 700 products whose testing reports had been received by Bureau of Indian Standards (BIS), but for which registration numbers had not been issued. In the past, industry groups have also warned that there are not enough testing labs to handle the volume of products that have to be certified in time to meet the deadline.

In addition, they have complained that the rule's requirements are duplicative, pointing out that many of the covered electronics are also tested for standards conformity by internationally accredited laboratories, and that the standards against which products are tested are the same as those evaluated by BIS-approved labs.

The industry has also gotten mixed signals about what the requirements are for highly specialized equipment, such as supercomputers or high-end servers. The Indian government has previously said this category of products is generally exempted from the new rule, but the exact terms of that exemption are unclear.

According to one source, the Indian Department of Electronic and Information Technology (DEITY) in one instance said that exporters of such equipment would not need special exemption letters in order for

their products to be allowed into the country by the Indian customs authorities.

However, in a subsequent exchange, DEITY delivered just such an exemption letter to a company that had submitted a request for an exemption four months earlier – raising questions about whether such documentation will be considered necessary by the government of India.

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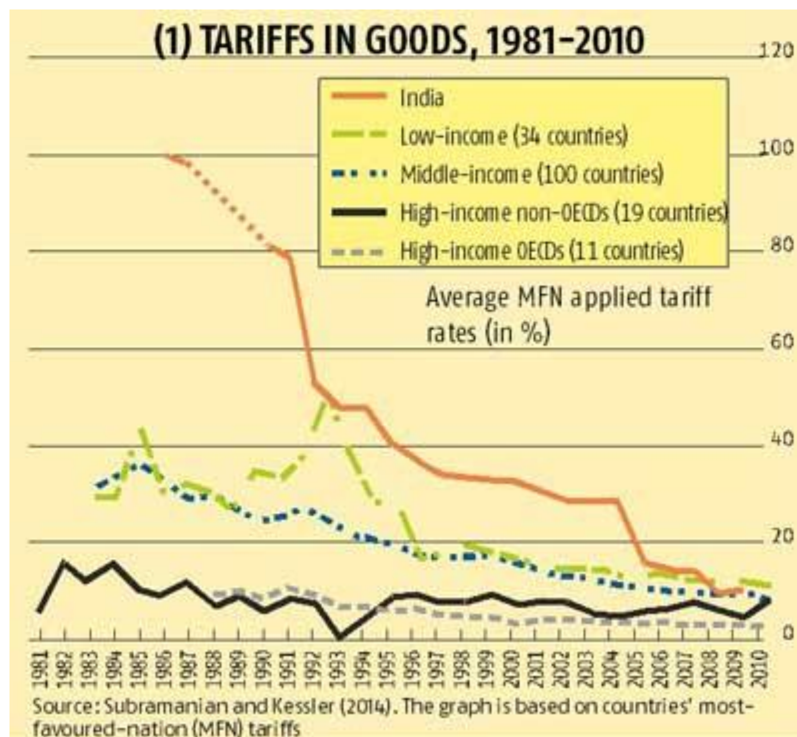
An Indian trade paradox
Arvind Subramanian, Business Standard

10 January 2014: Is India an open or closed economy? More than 20 years after the repudiation of the licence quota raj model by the Narasimha Rao-Manmohan Singh reforms initiated in 1991, the answer to that question should be clear. But apparently not. The answer depends upon whether "openness" is measured by trade policy or by actual trade outcomes. Consider each.

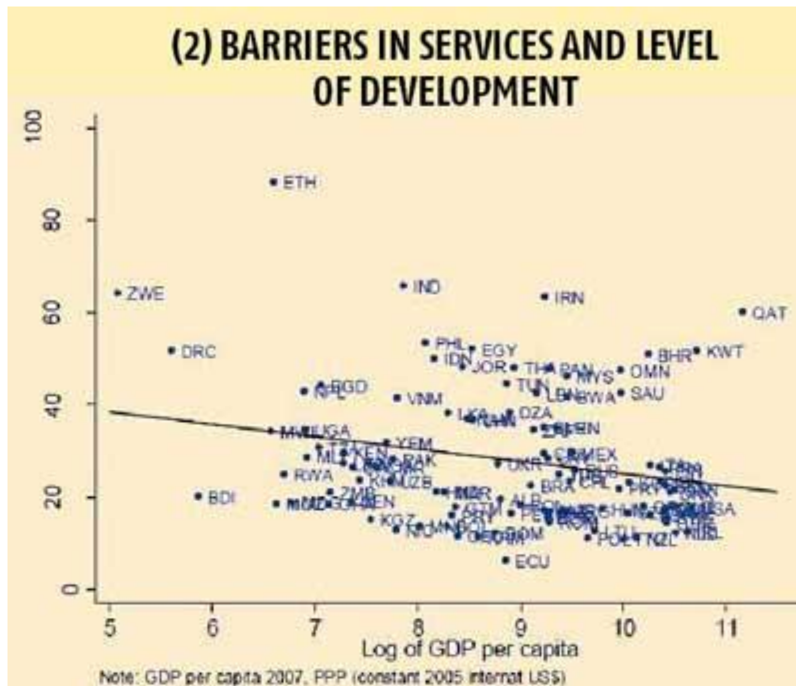


How restrictive are India's trade policy barriers? Graph 1 depicts the evolution in India's tariff barriers (which are easier to measure than non-tariff ones). Tariffs were stratospherically high - in absolute terms and relative to the rest of the world - prior to 1991 but have declined dramatically. They are close to 10 per cent today and have almost converged with tariffs in the rest of the world.

In contrast, barriers are very high (both in absolute terms and relative to other countries) in services. Graph 2, from World Bank researchers (Borchert, Gootiz, and Mattoo, 2012), provides a sense of magnitudes. It plots a country's services barriers (on a scale of 0 to 100 on the vertical axis, with a higher number depicting greater restrictiveness) against its level of development (on the horizontal axis). The downward sloping line suggests that, on average, barriers tend to be greater in poorer countries.

The key points are that: first, India's overall barriers in services (denoted by the "IND" symbol) are among

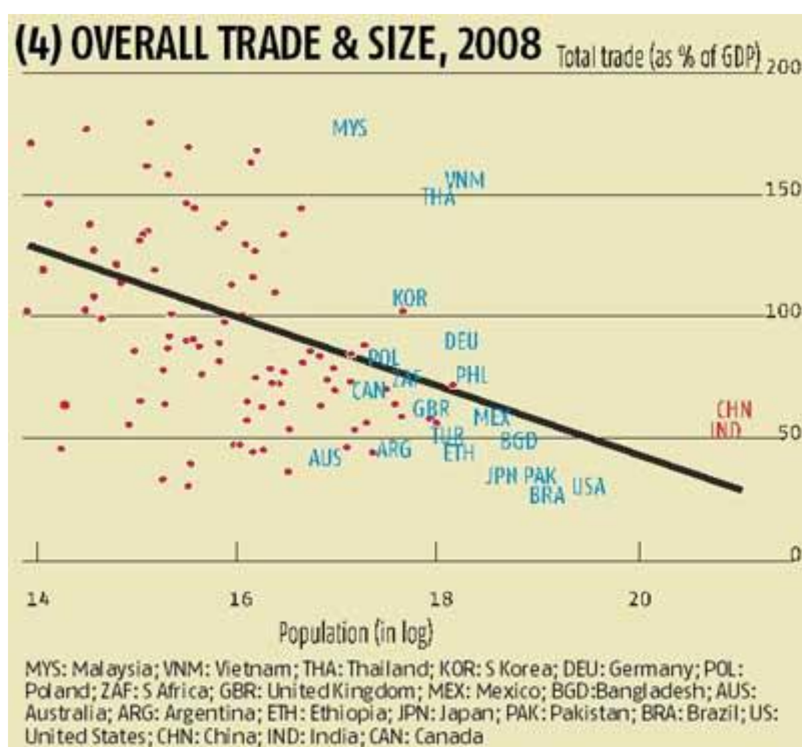
the highest in the world (surpassed only by Zimbabwe) and nearly four-five times greater than those in Organisation for Economic Co-operation and Development (OECD) countries; and, second, they are also very high for India's level of development because India is well above the line.



The usual caveats, that all such measurements are incomplete (because they do not fully capture regulatory barriers) and imperfect, should not be overlooked. Subject to them, however, the conclusion is that compared to the rest of the world, India's manufacturing sector faces modest levels of protection, and the services sector faces extremely high levels of protection, resulting in an overall trade regime that is quite protectionist.

But the picture of India changes quite dramatically when the country's trade regime is judged in terms of trade outcomes. A standard measure of trade outcomes is a country's trade (exports plus imports) expressed as a share of its gross domestic product (the trade-to-GDP ratio). Graph 3 depicts the evolution in India's trade-to-GDP ratio over the last two decades. This ratio doubled over the course of a decade from about 25 to 53 per cent in 2012; the recovery from the global financial crisis in 2008 was also swift. It is worth noting that the surge in India's openness coincides with the period of rapid growth in the 2000s.

But is this 53 per cent a small or large number compared with other countries? A geography-based view of trade highlights an overlooked fact, namely that large countries tend to trade less than small countries. Being large makes the cost of trading with the outside world relative to trading within the country very high. The opposite is true for small countries: lacking an internal market, their costs of trading with the world are relatively small and hence they tend to have higher trade-to-GDP ratios.



Graph 4 plots, for a number of countries, their overall trade-to-GDP ratio (on the vertical axis) against their size (measured in terms of land or area on the horizontal axis). The line shows the average relationship between trade outcomes and country size. That line is downward-sloping, confirming the geography-based intuition that large countries trade less. For example, the large countries such as China, India, Brazil, the United States and Japan are all in the lower right-hand corner with low trade (below 50-55 per cent) ratios.

But in a comparative sense, what is interesting is that India is above the line, indicating that for its size, it trades more than the typical country does. Comparisons based on trade in goods indicate that India is a normal trader. But comparisons based on overall trade (goods and services), shown in Graph 4, indicate that India is an over-trader, sometimes significantly so. A more formal (but simple) regression analysis confirms that India's overall trade is about 25 per cent greater than it should be for a country of its size and economic development.

Unsurprisingly, countries such as China, and especially Malaysia, Thailand, Korea and Germany, are large traders (they are well above the line in Graph 4). It is countries such as Brazil, Japan and the US (well below the line) that are unusually low traders given their size.

So, when India's trading partners complain about the restrictiveness of the country's trade regime, they are both right and wrong. It is closed in trade policy terms but open in terms of trade outcomes. Joan Robinson probably had some lofty, metaphysical conception when she observed that everything and its opposite was true about India. That observation applies more mundanely to India's trade regime too.

The writer is senior fellow, Peterson Institute for International Economics and Centre for Global Development

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India may oppose issues outside Doha mandate
Asit Ranjan Mishra, Mint

New Delhi, 13 January 2014: India is preparing to oppose any move by developed countries to include so-called "21st century issues" such as services, competition, investment and climate change in the post-Bali work programme of the World Trade Organization (WTO).

India sees a scheduled discussion on the topic at the World Economic Forum (EF) meeting in Davos later this month as an attempt in that direction, a commerce ministry official said speaking on condition of anonymity.

The WEF annual meeting is scheduled to run between 22 and 25 January. Finance minister P. Chidambaram and trade minister Anand Sharma are scheduled to participate in various debates at the meet.

According to the WEF programme, on 25 January, under the topic *Beyond barriers and borders*, the various dimensions to be addressed include "Facilitating cross-border trade flows, making trade work for developing countries, assessing mega-regional trade agreements and integrating 21st century business issues."

Delegates from 159 member-states of WTO achieved a historic deal last month, which often seemed like an impossible task, by sealing the organization's first multilateral accord since it came into force in 1995, breathing new life into the 12-year-old Doha round of world trade talks.

While an agreement for a temporary solution on food subsidy at Bali paved the way for the introduction of the food security Act in India, ensuring distribution of cheaper foodgrain to two-third of its population ahead of the general election due in April, a pact on trade facilitation is expected to help developed countries gain greater market access in developing nations since it requires the latter to streamline their customs regulations and make investments in their trade infrastructure.

The Bali meeting also charted out the way forward by instructing the trade negotiations committee to prepare a "clearly defined" work programme within the next 12 months on the remaining Doha Development Agenda issues pending since 2001.

"We have to emphasize that this is the right time to conclude the Doha round since it is on track after a long time. Therefore, those issues need to be addressed first. Doha round should not be allowed to get

derailed now," the commerce ministry official quoted earlier said, adding that India is in touch with other developing countries on the matter.

Abhijit Das, head and professor at the Centre for WTO Studies under the Indian Institute of Foreign Trade, said it will not be possible at this stage to include any other issues in the WTO post-Bali agenda other than the remaining Doha issues. "The mandate is very clear. It has to be confined to the unfinished items of Doha round of trade talks."

But he cautioned India has to be prepared for all eventualities. "If issues raised by the developed countries are not in our national interest, we must oppose them," he said.

India and other developing countries have maintained that until the Doha round of development issues is concluded, WTO should not take up any other issue for negotiation.

Ranja Sengupta, senior researcher at the Third World Network, an independent non-profit international network of organizations, said India should stick to the stand of the developing countries.

"There is a danger that issues completely outside the current mandate under Doha round may be included under different guises. India may be asked for a trade-off on some of these issues in return of a permanent solution on its demand on food security," she said. However, Sengupta said the government should start consulting with various stakeholders on the 21st century trade issues. "We should finalize our industrial and economic goals and design our trade policy accordingly to serve those ends," she said.

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