INDIA'S TRADE NEWS AND VIEWS
22 March to 12 April 2012*

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*This edition of the ebulletin covers 22 March to 12 April 2012 on an exceptional basis due to public holidays of Mahavir Jayanti, Good Friday and Easter. Any inconvenience caused is regretted.

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Prime Minister's Statement at the BRICS Summit
Source: Ministry of External Affairs website

Prime Minister's Statement at the Plenary Session of the Fourth BRICS Summit, New Delhi, on March 29, 2012.

Your Excellency President Dilma Rousseff,

Your Excellency President Dmitry Medvedev,

Your Excellency President Hu Jintao,

Your Excellency President Jacob Zuma,

Distinguished delegates,

Let me once again welcome all of you to New Delhi. India is privileged to host the fourth BRICS Summit and assume the Chairmanship of the group.

The global situation facing us today presents a mixed picture. On the one hand, emerging market economies are growing at a healthy pace and increasing their share in global trade and output.

On the other hand, many obstacles have to be overcome if we are to sustain rapid growth in the years ahead. We are all affected by the global economic slowdown, the volatility in food and energy prices, the challenge of reconciling growth with environmental objectives, the political uncertainty in West Asia and the rise of terrorism and extremism. Our responses to these challenges may be different, but there is much common interest that binds us together.

I would like to share some thoughts on ten specific issues that I believe concern us all.

First, each of our countries has a unique demographic profile that presents its own challenges. In India, for example, we need to create 8 to 10 million jobs every year over the next decade to absorb the expected growth in the labour force. We are working on ambitious programmes of skill upgradation and education and creation of an environment conducive to an expansion of productive job opportunities. We would like to learn from the experiences of other BRICS countries on how they are dealing with these problems.

Second, the conceptual analysis that produced the positive BRICS narrative was based on a model of catch-up growth in which supply side constraints were not adequately addressed. Today, it is clear that constraints such as the availability of energy and food for countries that account for more than 40% of the world population can impede the entire story. Water is another critical area of scarcity which needs much greater attention than it has received thus far. We have much to learn from each other in how to handle these problems, and there is also room to cooperate internationally.

Third, we are united in our desire to promote sustained and balanced global economic growth. As members of the G-20, we must together ensure that appropriate solutions are found to help Europe help itself and to ensure policy coordination that can revive global growth. We should also cooperate closely to breathe life into the Doha Round, looking for innovative solutions to overcome barriers that have stalled progress.

Fourth, as large and diverse economies, we should make a special effort to find ways to exploit intra-BRICS complementarities. We should promote greater interaction amongst our business communities. Issues such as easier business visas must be prioritized. As large trading countries, BRICS have a strong interest in removing barriers to trade and investment flows and avoiding protectionist measures.

Fifth, to revive global demand and growth, developing countries need access to capital, particularly for infrastructure development. We must address the important issue of expanding the capital base of the World Bank and other Multilateral Development Banks to enable these institutions to perform their appropriate role in financing infrastructure development.

We have agreed to examine in greater detail a proposal to set up a BRICS-led South-South Development Bank, funded and managed by the BRICS and other developing countries.

Sixth, BRICS countries must also work together to address deficiencies in global governance. Institutions of global political and economic governance created more than six decades ago have not kept pace with the changing world. While some progress has been made in international financial institutions, there is lack of movement on the political side. BRICS should speak with one voice on important issues such as the reform of the UN Security Council.

Seventh, each of our countries is grappling with how to pursue 'green' growth without compromising on current needs. At the core of this complex issue is the use of fossil energy and the impact that it has on the environment.

We must reduce energy intensity of GDP by promoting energy efficiency and developing clean energy sources. This calls for greater investments in research and development, sharing of best practices, and encouraging transfer of technology. A dialogue between energy producers and consumers would also help in ensuring stability in energy markets.

Eighth, as our countries experience significant increases in per capita income, we will also face issues related to income inequality within our countries. Inevitably, we will handle the problem differently, but it may be useful for us to share experiences in this area.

Ninth, urbanization presents common challenges for all our countries. We should encourage sharing of experience in areas such as urban water supply and sanitation, waste management, storm water drainage, urban planning, urban transport and energy efficient buildings.

Finally, the continued prosperity of BRICS is linked closely also to the geopolitical environment.

In our restricted session, we discussed the ongoing turmoil in West Asia and agreed to work together for a peaceful resolution of the crisis. We must avoid political disruptions that create volatilities in global energy markets and affect trade flows.

All of us understand the threat that terrorism poses to our societies. We must therefore enhance cooperation against terrorism and other developing threats such as piracy, particularly emanating from Somalia.

We have also agreed on the need to restore stability in Afghanistan, and the importance of sustained international commitment to its future.

Excellencies, we have drawn up an ambitious Action Plan that will be adopted today along with the BRICS Delhi Declaration. I hope that we will be able to collaborate and cooperate with each other to shape global developments and bring tangible benefits to our peoples.

India reaffirms its full commitment to work with BRICS in this endeavour.

Thank you.

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BRICS Push to Redress Power Imbalances at New Delhi Summit
Bridges Weekly Trade News Digest

4 April: Heads of state from Brazil, Russia, India, China, and South Africa - collectively known as the BRICS countries - concluded their fourth annual summit meeting in New Delhi on 29 March, with officials signing an accord to promote intra-BRICS trade in local currencies and proposing the creation of a new development bank to mobilise resources in the five-country group.

The one-day summit resulted in the Delhi Declaration, named after this year's host city. The heads of state gathering was the second since the original BRIC grouping took on a fifth member, South Africa, and the fourth since Brazil, Russia, India, and China began meeting collectively in 2009.

World Bank race

A major overhaul of the Bretton Woods institutions has long been a goal of the BRICS countries, with the issue drawing additional relevance now that the race for a new World Bank head is underway in earnest. At the summit, the five heads of state reiterated earlier pleas for the World Bank and International Monetary Fund (IMF) chiefs to be selected through "an open and merit-based process."

Historically, the United States has picked one of its own to head the World Bank, while the IMF chief has always been European. The trend continued last year, when former French Finance

Minister Christine Lagarde was selected to replace Dominique Strauss-Kahn as the IMF's new managing director.

The US has nominated Jim Yong Kim - a global health expert who is currently president of a US university - as a candidate to fill outgoing World Bank President Robert Zoellick's spot. Kim is competing for the post with Nigerian finance minister Ngozi Okonjo-Iweala - backed by South Africa, among others - and former Colombia finance minister José Antonio Ocampo.

Despite calls for a more open process, however, the BRICS countries have yet to coalesce behind either of the candidates vying against Kim for the post, which some analysts note is an indication of a broader difficulty to foster unity among the five emerging economies.

BRICS development bank?

The heads of state also put forward the possibility of their own development bank, one that would be charged with "mobilising resources for infrastructure and sustainable development projects in BRICS and other emerging economies and developing countries."

BRICS finance ministers have been directed to explore such an initiative's feasibility, and report back to leaders at next year's summit.

The suggestion of a BRICS development bank was backed by Zoellick, who promised that his institution would support a BRICS bank, though he acknowledged that such an initiative might not be easy to implement.

If the BRICS countries "decide they want another financing vehicle - fine. Let's figure out how to work with it… I'm enough of an economist that I'm not a monopolist," the World Bank chief told the Financial Times.

Trade and development

With the WTO's Doha Round of trade talks having been declared at an impasse last year, the BRICS leaders pledged to continue efforts for the round's successful conclusion, "based on the progress made and in keeping with its mandate."

"Towards this end, we will explore outcomes in specific areas where progress is possible while preserving the centrality of development and within the overall framework of the single undertaking," the group said.

Long-standing disagreements between developed economies - such as the US and EU - and major emerging economies - such as Brazil, China, and India - on non-agricultural and agricultural market access have widely been faulted for putting the Doha negotiations on hold.

In light of the Doha stalemate, trade ministers agreed in December to explore "new negotiating approaches" that would allow for members to advance the trade talks in areas where progress might be achieved.

However, at last week's meeting, the BRICS leaders stressed that members should be wary of pursuing plurilateral initiatives in the absence of movement in the Doha talks.

"We do not support plurilateral initiatives that go against the fundamental principles of transparency, inclusiveness, and multilateralism," they said. "We believe that such initiatives not only distract members from striving for a collective outcome but also fail to address the development deficit inherited from previous negotiating rounds."

A subgroup of 16 WTO members - including the US, EU, and Australia - has recently begun holding "exploratory talks" on the possibility of a services liberalisation agreement. The prospect of this services initiative has not received a warm welcome from all WTO members, with emerging economies being among those that have questioned the systemic implications of adopting a plurilateral approach to negotiations.

Speaking to reporters in February, US Ambassador Michael Punke noted, however, that "everyone's preference is for the emerging economies to be part of all the [services] discussions we have in Geneva because those are the markets that everybody is most interested in."

Officials from the BRICS countries also signed two agreements to provide credit lines to the business community - pacts that are seen as a step toward fulfilling the five countries' long-standing goal of eventually replacing the dollar as the main unit of currency between them and increasing intra-BRICS trade.

Rich country monetary policy under fire

Monetary policy featured prominently in the joint statement, with the group lambasting "aggressive policy actions" taken by developed countries to protect their domestic economies, which have been blamed for releasing global liquidity that spills over into emerging markets, such as Brazil, causing currency appreciation and affecting export competitiveness.

Speaking to Reuters prior to the event, Brazilian Trade Minister Fernando Pimentel said that Brazil - which has been hard-hit by the appreciation of its currency, the real - would be pushing its emerging market peers, including China, to denounce what it calls unfair monetary policies by the US and the euro area.

Before the five-country meet, China had been concerned that language on global monetary imbalances could make it seem like Brazil "could be indirectly referring to them," Pimentel said, given that Brazil and India have traditionally been worried about the negative effects of an undervalued Chinese currency on their exports.

However, "today's [problem] doesn't have to do with China," the Brazilian trade minister continued. "It has to do with the dollar and the euro."

Rio+20

The upcoming Rio+20 conference also featured in the final summit declaration, with leaders calling the event a "unique opportunity" for the international community to renew its commitment to supporting sustainable development.

However, the heads of state cautioned, "the concept of a 'green economy', still to be defined at Rio+20, must be understood in the larger framework of sustainable development and poverty eradication and is a means to achieve these fundamental and overriding priorities, not an end in itself," referring to the ongoing debate among countries over whether the concept of a 'green economy' could be synonymous with green trade protectionism and conditionalities.

"We resist the introduction of trade and investment barriers in any form on the grounds of developing green economy," they added, calling instead for flexibility for governments to "define their paths towards sustainable development based on the country's stage of development, national strategies, circumstances, and priorities."

Together, the BRICS countries represent over 40 percent of the world's population and approximately a quarter of the global economy at US$13.5 trillion. The next BRICS summit will be hosted by South Africa in 2013.

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BRICS in the wall
Hindustan Times

March 29, 2012: BRICS represents the first important non-western global initiative in the post-Cold War world. But despite the forward movement achieved at the New Delhi summit, Brazil, Russia, India, China, and South Africa remain in search of a common ground that can help turn BRICS into a weighty geopolitical alliance. Without clearly defined objectives and an agreed plan of action, BRICS will be weighed down by internal contradictions, as symbolised by its members' starkly varying political systems, economies, and national ambitions.

The disparate nature of the group's membership — bringing together the world's largest autocracy and democracy, as well as commodity-exporting and resource-hungry economies — has prompted cynics to dismiss BRICS as an acronymic ingenuity without substance. To its protagonists, however, BRICS is a product of the ongoing global power shifts, and has the potential to evolve into a major instrument in shaping the architecture of global governance. As a unified alliance, BRICS could play midwife at a time the qualitative reordering of power symbolises the birth-pangs of a new international order.

On burning international geopolitical issues like Iran and Syria, BRICS actually stands out as the voice of moderation and caution, seeking to provide the balance to the interventionist impulse of western powers. But as the recent UN human-rights resolution on Sri Lanka showed, the grouping is badly split on other issues. The group's main economic giant, China, is also the political outlier that rejects the very concept of national elections and is ever ready to advance its commercial and strategic interests by coming to the succour of a fellow human rights-abusing State.

Economically, BRICS is likely to remain the most important source of global growth. The BRICS grouping, after all, represent more than a quarter of the Earth's landmass, over 41% of its population, almost 25% of world GDP, and nearly half of all foreign-exchange and gold reserves. In a spectacular reversal of fortunes, the developing economies, with their large foreign-currency holdings, now finance the mounting deficits of the wealthy economies.

In this light, BRICS, with its members' collective weight, can exercise significant global financial clout if it gets its act together. BRICS indeed can be called the R-5, after the names of its members' currencies — the real, rouble, rupee, renminbi, and rand. Yet in the period since the Russia-India-China (RIC) initiative enlarged in 2008 to include Brazil and take the name of BRIC — a term coined by a Goldman Sachs economist in 2001 — the group has remained a loose, informal bloc. Last year's expansion of BRIC into BRICS with South Africa's addition has only accentuated the challenge to establish an institutional structure and a common plan of action, even as this enlargement threatens to make irrelevant yet another initiative — IBSA (India, Brazil, and South Africa).

For Brazil, South Africa, Russia, and India, BRICS serves as a forum to underscore their rising economic clout and showcase their emergence as global players. But for China, which needs no recognition as a rising world power, BRICS offers tangible — not just symbolic — benefits. China indeed has cast a lengthening shadow over the grouping, seeking, for example, to control the proposed common development bank — something India and Russia, in particular, are loath to accept.

At a time when China is under pressure for continuing to manipulate the value of the renminbi in order to artificially reduce the price of its goods and services abroad, the BRICS framework offers it a platform to expand its currency's international role. As part of its quest to build the renminbi into an international currency, a cash-rich China is to extend renminbi loans to the other members of BRICS.

Lending and trading in renminbi will further boost China's international status and clout. China's undervalued currency and hidden export subsidies, however, have been systematically undermining manufacturing in other BRICS states, especially India and Brazil.

BRICS proponents still hope that the group can serve as a catalyst for international institutional reforms. The global institutional structure has remained virtually static since the mid-20th century despite the rise of non-western economic powers, and even the G20's formation was an improvisation designed to defer genuine reforms.

Yet, on international institutional reforms, China is hardly on the same page as the other BRICS members. It is a revisionist power concerning the global financial architecture, seeking an overhaul of the Bretton Woods system. But it is a status quo power with respect to the UN system, and unwaveringly opposes expansion of the Security Council's permanent membership.

It wishes to remain Asia’s sole country with a permanent seat — a position that illuminates its effort to regionally confine India.

BRICS can become a pressure group in international relations only if its members are able to agree on a common action plan. The BRICS States, for example, are generally united in their frustration with — but not in their proposed response to — the dollar’s status as the world’s reserve currency. Indeed, the most-important bilateral relationship each BRICS country has is with the US. As long as BRICS is unable to present itself as a unified bloc seeking to push specific changes in the present ailing international order, it will continue to be seen by the old powers as embodying an aspiration rather than a threat.

Despite the steps agreed upon at the New Delhi summit, it is uncertain whether BRICS will evolve into a cohesive alliance with defined goals and institutional mechanisms to help pluralise the global order or remain an initiative with a beguiling acronym that does little more than annually bring together its leaders for more discussions. If it is able to develop brick by brick, BRICS could find itself on the evolutionary path treaded by the now-supplanted G7, which also began as a discussion platform before advancing to joint coordination and action among its members on key international issues.

(Brahma Chellaney is Professor of Strategic Studies at the New Delhi-based Centre for Policy Research)

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Scope to improve intra-BRICS trade
Ritesh Kumar Singh, Hindu Businessline

Non-tariff barriers and unexplored potential in services trade have held back trade among these countries.

3 April: The continuing economic slowdown in EU, Japan and the US emphasises the role of BRICS (Brazil, Russia, India, China and South Africa) as a new global growth engine, an alternative export market, and a key sourcing hub. The economic might of BRICS can be gauged from the fact that it accounted for 42.3 per cent of global population, 18.2 per cent (25.7 per cent on PPP basis) of global GDP, 17.8 per cent of FDI and 16.3 per cent of global trade in 2010.

However, despite the existence of the huge trade (and investment) potential on account of similar consumer preferences, comparable per capita income, and often complementarities of resource endowment, the intra-regional trade among BRICS nations isn't even 10 per cent of their total trade.

India's trade

When it comes to India's trade (export and import taken together) with the BRICS, it has grown from roughly US$ 9 billion in 2000-01 to US$ 106 billion in 2010-11. As a result, its share in India's merchandise trade has almost doubled (from 9.4 per cent to 17.1 per cent) in this period.

This is quite in contrast to the share of India's traditional trading partners — EU-27 and North America — which has declined from 36.5 per cent in 2000-01 to 22.6 per cent in 2010-11. When it comes to India's export, this decline (in the share of EU-27 and North America) is sharper i.e. 29.3 per cent in 2010-11 from 46.3 per cent in 2000-01. This underlines the growing importance of the BRICS region as a key export market vis-à-vis the developed markets.

However, growth in India-BRICS trade isn't homogeneous across all member countries. A deeper analysis of the trade data shows that (i) roughly three-fourth of India's trade with BRICS is accounted for by China & Hong Kong (ii) trade with Russia hasn't kept pace with the growth of either India's overall trade or trade with the BRICS region; India's export to Russia has increased by 78 per cent in contrast to Brazil (1657 per cent), China (762 per cent) or South Africa (1183 per cent) in 2001-11 (iii) In this period, India's exports to China & Hong Kong has increased by 8 times, while import from China & Hong Kong has shot up by 21 times (iv) India has a narrow export basket with respect to China, with iron ore and copper cathode accounting for more than half of its export in terms of value (v) Again, India has a narrow import basket with respect to Brazil, Russia and South Africa, where a few items account for more than half of its imports.

This situation has to change if India-BRICS bilateral trade has to reach US$ 500 billion by 2015 and India has to overcome the adverse impact of financial crisis in its traditional export markets. It would be interesting to know what factors are impeding India-BRICS trade, especially the trade between India and ‘non-China & Hong Kong BRICS' members.

Factors affecting trade

The most important factor hampering India-BRICS trade is poor infrastructure and trade facilitation regimes which add to the cost of trade transactions. Cumbersome documentation and customs clearance (India & Russia), poor inland transportation and terminal handling (Brazil, Russia & South Africa) reduce net realisation from trade, and often drive out businesses operating on thinner margin from the export markets.

Relatively higher duties on items of trade interest e.g. textiles and clothing, transport vehicles and food products have hampered trade between India and Brazil. Here, the limited nature of India's PTA with the Latin American trade bloc Mercosur, covering a few hundred items with 10-20 per cent duty discounts hasn't been of much help. Logistical disadvantage arising out of dearth of direct shipping lines between India and Brazil also impedes trade between India and its Latin American BRICS counterpart Brazil.

Russia's unpredictable trade policy environment, being a non-WTO member country, and its poor trade facilitation regime have not helped India-Russia trade take off after the break-up of the Soviet Union. Experience shows that trade flows get boosted by flow of investment. Despite the BRICS region being one of the largest recipients of FDI, intra-regional FDI in BRICS region is low, and that is truly reflected in low intra-BRICS trade.

But the most important factors hampering intra-BRICS trade in general, and India-BRICS trade in particular, are prevalence of non-tariff barriers and relatively-low emphasis on trade in services, even though the service sector accounts for 60 per cent or more of GDP in all BRICS countries except China (43 per cent). Increasing cost of compliance with a barge of non-tariff trade barriers, especially TBT and Sanitary and Phyto-Sanitary (SPS) measures adversely affect the cost-competitiveness of traded products and hurt intra-regional trade flows.

Less focus on trade in services has kept the largest segment of the BRICS economies from benefiting from the economic expansion of the region, and exposes individual economies to fluctuations in Europe and North America. Trade in services is more advantageous in the sense that it isn't affected by customs duties, poor infrastructural facilities, and logistical disadvantage. Besides, given the abundant supply of educated workforce in India, it has natural cost advantage in services.

Trade prospect

What needs to be done? The goodwill generated during the recent BRICS summit in Delhi can be leveraged to address these issues when WTO Doha round talks are stalled, and continuing economic slowdown and growing protectionism have led to the shrinkage of traditional export markets of the EU and US. This calls for renewed emphasis on greater South-South cooperation.

The principle measures needed are inclusion of trade in services under intra-BRICS PTAs and development of mutual recognition agreements (MRAs) to reduce the trade-distorting effect of NTBs and SPS regulations. Rationalisation of trade documentation and customs procedures will improve trade facilitation. Liberal FDI regimes to attract intra-regional FDI inflows would be a great boost-up.

Expansion of India-Mercosur PTA into a comprehensive economic pact covering trade in goods, services and investment, as well as India-South Africa Customs Union trade agreement, will help in increasing India's trade with Brazil and South Africa. Russia's entry into the WTO fold will open up the huge markets of Russian customs union for businesses. Extension of credit facilities in local currencies and multilateral letter of credit confirmation will further help intra-BRICS trade.

However, all these steps will not be sufficient to deal with the imbalances of India-China trade. This will require concerted efforts to widen India's export basket. China, on its part, will have to do away with many of its instruments of unfair trade, and make its trade regime WTO-compliant. This is easier said than done.

(The author is an expert in international trade for a top corporate house.)

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Taking steps to address India's concerns on trade: China
PTI

Beijing, March 27, 2012: China has said that it would take all possible steps to address India's concerns about the widening trade imbalance in its favour and assured a level playing field to Indian companies, including pharma and IT, wanting to exploit the Chinese market.

Noting that there is a huge scope to further scale up trade and investment, Deputy Director General of Commerce Ministry Liang Wentao said the bilateral trade volume, which hit a record USD 73.9 billion last year, was still relatively "small" compared to size of the economy of both countries.

Interacting with the visiting journalists here, Wentao --the point man for trade issues with India -- listed steps to address the problem of trade surplus in China's favour.

He said the Chinese government has already asked its banks and financial institutes to extend funds to Indian companies in China.

"We have told our financial institutes to extend help to Indian companies without any limit," Wentao said, exuding confidence about meeting the annual bilateral trade target of USD 100 billionby 2015.

Holding that the Chinese government never favoured any trade surplus in its favour "intentionally", he said the Chinese government has been initiating a number of steps to bridge the gap which include giving Indian companies access to exploit China's annual import market of USD 1.4 trillion.

India has been expressing concerns over the ballooning trade surplus in China's favour, which piled up to USD 27.07 billion in 2011 even though Indian exports to the neighbouring country went up to USD 23.4 billion. India has long been pushing for market access to Indian pharmaceutical and IT companies.

Asked about providing access to Chinese market to Indian pharmaceutical companies, Wentao admitted that there was lack of understanding about the Indian pharma products in China but ruled out any discrimination against them.

"We know India is very developed in pharma industry. We are the ones who are talking to our bureaucracy in trying to raise their awareness about Indian pharmaceutical products... However, I would like to say that we do not have any discrimination against the Indian companies," he said.

He also attributed lack of "patience" and man power of Indian companies for not being able to exploit the Chinese pharmaceutical market, noting that rules and regulations for all the foreign countries are same.

On granting greater access to Indian IT firms, he noted that India has stronghold over the sector but said Chinese firms are also getting international contracts, and they may face competition with each other.

Asked about high tariff structure which has been impacting India's exports to the country, Wentao said the duties are in tune with WTO mechanism.

Calling for further growth in bilateral trade, Liang said India is one of the most important trading partners of China and current volume of trade does not reflect the size of population and economic growth rate of the two countries.

"China is called world's manufacturer while India is called world's office due to its dominance in software and IT... I think bilateral trade can go up significantly considering our economic strength and population," Wentao said.

The Commerce Ministry has initiated a trade and investment facilitation programme to raise awareness about Indian products so that import increases significantly.

"The mutual investment is very small. We still lack better mutual understanding. We still do not each other very well in terms of trade and business," Wentao said, adding that India's investment in China last year was USD 442 million while Chinese FDI was 576 million.

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Textile exports rise 11% in FY12
Sharleen D'Souza, Business Standard

Mumbai April 11, 2012: Textile exports increased 11 per cent in the last financial year, despite turbulent times in major economies. While demand from the euro zone continued to be low, demand still poured in from the US and other non-traditional markets that saved the day for exporters.

In 2011-12, the total export of apparel is expected to be $13 billion, compared to $11.4 billion in 2010-11, a rise of 14 per cent, according to the Apparel Export Promotion Council (AEPC). “Apparel exports have shown growth in terms of price due to the depreciation of the rupee, but the volume remained the same,” said A Sakthivel, chairman of AEPC.

Overall textile exports (including apparel) in the last financial year are expected to be $30 billion, compared to $27 billion last year, indicating a growth of 11 per cent, according to the Confederation of Indian Textile Industry (CITI).

“The US and the euro zone still remain the major export markets. Although economic uncertainties plague the euro zone, it still imports textiles from India,” said D K Nair, secretary general of CITI.

"Exports orders for the current financial year are expected to pick up pace in the next two months but due to a cash crunch it may not be possible for exporters to execute these orders," Nair added.

Cotton yarn exports were also up in the later half of the year, which helped boost exports.

"Despite the slowdown in major economies, which are major export destinations for India, textile exporters have done well due to good demand from brands, coupled with the rupee depreciation," said Mitesh Shah, vice-president, Mandhana Industries. The denim fabric sector has also done well in exports. There was slowdown in November and December, but it eventually picked up. Currently, denim manufacturers have their order books full for the next three to four months.

"There is a steady growth in orders. The euro zone is not importing heavily, but the central and south US are," said Utsav Pandvar, CFO of Aarvee Denim.

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Iron ore exports decline 60% in Feb on high duties
Business Standard

12 April 2012, Mumbai: Miners' association urges cancellation of December increase in export duty; says development hitting long-term interests

Export shipments of iron ore declined 60 per cent in February on high duty levied by the government to discourage supply to steel mills abroad.

Data compiled by the Federation of Indian Mineral Industries (FIMI) showed the overall export fell to 4.22 million tonnes in February, compared to 10.58 mt in the corresponding period last year. The overall export in the first 11 months of 2011-12 recorded a decline of 36 per cent to 55.8 mt as compared to 87.3 mt in the same period last year.

The drastic decline in February's shipment showed the government succeeded in its aim of discouraging these to make more available for domestic use. On December 30 last year, the government had raised export duty from 20 per cent to 30 per cent. About 90 per cent of India's iron ore export goes to Chinese steel mills.

FIMI has renewed its demand for a rollback in export duty so that mining companies would be able to sell low-grade ore to steel mills abroad. In a recent letter to the Prime Minister and finance minister, FIMI argued, "Iron ore exports have become unviable and a loss-making proposition after the hike in export duty and sharp fall in international prices by more than $60 a tonne from its peak. With a logistics cost of 45 per cent of the net realisation (39 per cent railway freight and the other six per cent on movement from mines to sidings and demurrage), 10 per cent royalty on the price declared by the India Bureau of Mines (IBM) and 10 per cent port cost, margins have turned negative for the industry."

Exports are expected to be half of last year's, while there is no corresponding increase in domestic demand and lower production, so the respective state governments are getting less royalty. Moreover, there will be lower economic activity, said R K Sharma, secretary-general of FIMI.

He said fines were co-produced with lumps while mining ore, in a 70:30 ratio. So, for every production of a tonne of lumps, about 2.5 tonnes of fines are produced.

There is not enough demand for fines in the domestic market and, hence, these have to be exported. Around 90 per cent of iron ore exports are fines; lumps are eight per cent. If export of fines is not allowed, this may lead to closure of mines or lower production. This would mean the prices of lumps may rise in the domestic market, hampering the steel industry and inducing inflationary pressure. Hence, says Fimi, there's also a need for better utilisation of fines in the domestic market through pelletisation and ensuring that future steel plants are fines-oriented.

Data collated by the IBM showed that between 2005 and 2010, the Geological Survey of India discovered 2,300 mt of new iron ore reserves, estimated at only 997 mt five years before, adds FIMI.

Sharma also contends the extra levy has led India to lose its competitiveness in the international market, with the share of our exports 11 per cent of the total in 2011 from 20.4 per cent in 2007.

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Sugar export to pick up as centre removes quota for individual mills
Jayashree Bhosale, ET Bureau

March 28, 2012,PUNE: The government has relaxed rules for sugar exports after red tape kept 70% of the quota locked within the country and put pressure on mill cash flows. Mills that had been trading old export licences to make a quick buck will find them virtually worthless after 10 lakh tonne was allowed to be shipped on first-come-first-serve basis.

Sugar stocks rose following a government decision to export the third tranche of 10 lakh tonne in 2012 and were trading 2-6% higher on the Bombay Stock Exchange. The government was till now allocating export quota to every mill based on its production during the previous three years. The EGoM on Monday decided to do away this system. Though there is no clarity on the alternative, the industry believes that unrestricted exports would be permitted.

Monday's decision to allow exports under the open general licence (OGL)-VI plan is expected benefit mills in Maharashtra, Karnataka, Tamil Nadu and Gujarat. "The decision of allowing unrestricted exports is positive for the mills which are actually exporting.Net realisation for exporting will improve now as exporters do not have to pay for licences. This will also help domestic market prices -- which is our main concern -- to go back to where they were in December 2011," said Narendra Murkumbi, managing director, Shree Renuka Sugars, the largest sugar refiner in the country.

Mills in coastal states are particularly happy about the decision. "It is good that the quota system has been done away with. This will benefit state like Maharashtra, Karnataka and Tamil Nadu which are sugar surplus.The landlocked sugar mills were getting higher export realisation in the quota regime as their domestic sugar price is higher. Doing away with quota will bring parity between the coastal mills and the landlocked mills," M Manickam, vice chairman and MD, Shakti Sugars.

With the government deciding to do away with the quota for individual mills, the industry expects faster shipments. "The quota system was introduced at a time when the difference between international prices and domestic prices was at Rs 6,000-8,000 per tonne to ensure equity among mills.But as there is a difference of about only Rs 1,000/tonne between the two now, there is no logic in continuing with the quota system," said the chairman of a private mill from Tamil Nadu. He added, "The quota system slowed physical exports considerably.Today, the main issue is that sugar should go out and keep domestic prices firm which are falling continuously."

Murkumbi said the decision of removing the quota will help in shipping the volume within the next 90 days.

From the OGL-V plan, release orders are yet to be issued for about six lakh tonne sugar and these are expected to be added to OGL-VI plan.

Indian Sugar Mills Association (ISMA), the sugar industry body, has called for allowing export of 10 lakh tonne more. In its official response, ISMA said: "The government can easily allow another 1 million tonne of sugar exports within the next 15 days looking at the comfortable stock position in the country.This will clear cane arrears which are threatening to cross Rs 10,000 crore by April. It will be a daunting task for mill owners to clear the arrears unless fresh cash flow is generated."

ISMA has said there is more demand for raw sugar in the international market. If permission is available by the end of March for further exports, mills could produce raw sugar before they shut their operations by mid-April.

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Millers tell govt to rethink ban on pulses export; seek long-term policy
BS Reporter

Also say pulses should be a part of the public distribution system

Chennai April 7, 2012: The central government’s ban on export of pulses has affected the milling industry, say traders’ bodies. They want export to be allowed with certain quantity restrictions.

“We have been demanding an opportunity to import raw pulses, which could be milled and re-exported. The milling industry, currently antiquated, will have a huge opportunity if the government allows this," said Anurag Tulshan, coordinator , eastern and northeastern region, India Pulses and Grains Association.

He was speaking to journalists after announcing the annual Global Pulses Convention 2012, to be organised by the International Pulse Trade and Industry Confederation (IPTIC) in Dubai from April 21 to 24.

The pulses' processing industry in India is a Rs 40,000-50,000 crore one, said Sudhakar Tomar, chair of communications and sponsorships at IPTIC. Mills process about 15 million tonnes (mt) of the annual 17 mt output. Another three-four mt are imported each year. The government stopped export three to four years earlier.

"While we are lagging, the food processing industry in countries like Sri Lanka and some African countries are booming. There is enough room for us to grow and we can also adapt newer scientific technologies and methods," said Tulshan.

The industry has also asked the government to include pulses in the Public Distribution System. It would be a boost for them; they argue it would also help better nutrition among the population.

The industry is also demanding the government bring a long-term policy to boost output and the processing industry.

IPTIC, in which IPGA is a member, is also lobbying to announce the year 2016 as the 'Year of Pulses'. It has support on this from the governments of India, Canada and Australia so far. It is expecting two more countries to approve the proposal, before it can be considered by the United Nations.

Output may dip this year

Pulses' production is expected to drop from 18.2 million tonnes last year to 17.5 mt in the season ending June, said Anurag Tulshan, coordinator, eastern and northeastern region, India Pulses and Grains Association.

Local prices are expected to remain stable for the near future. These have been stable after a spiralling in 2008-09. It has contributed negatively to inflation for some months.

However, the price of imported pulses are seeing growth of around 10 per cent due to strengthening of the rupee. India imports three-four million tonnes annually, of which 1.2-1.5 mt is from Canada, France, Russia and Ukraine, he said.

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Ban on cotton exports to stay for a while: GoM
Business Standard Reporter

New Delhi April 10, 2012: A group of ministers on Monday decided to continue with the ban on cotton exports, even as the prohibition on outbound shipments had led to intense political pressure on the government.

"For the time being, there is no move to ease the export ban," said a senior official who participated in the meeting on Monday.

Traders said this could also mean no more exports in the current crop marketing year, as supplies would start falling in the coming months. The cotton season runs from October to September. Before the ban on fresh registrations was imposed, around 9.5 million bales of cotton had been shipped out of the country.

The official said fresh registrations for exports would continue to be suspended. The group of ministers, chaired by finance minister Pranab Mukherjee, comprises agriculture minister Sharad Pawar and commerce, industry and textiles minister Anand Sharma.

The government had banned exports of cotton on March 5, but relaxed it partially within a week, following political pressure, both from within the United Progressive Alliance, as well as Gujarat chief minister Narendra Modi. Following this, farmers had resorted to agitation in some parts of the country.

The government then allowed exports of those quantities which had already been registered with the Directorate General of Foreign Trade, subject to revalidation by authorities.

The meeting of the panel of ministries on Monday reviewed the demand-supply situation in cotton and also whether more exports could be allowed. The commerce ministry felt allowing fresh exports would harm the interests of domestic mills. The agriculture ministry, however, said more exports could be allowed, as domestic production, at 34.08 million bales, was four per cent more than last year's.

Last week, as an interim measure, the textiles ministry had directed state-run Cotton Corporation of India (CCI) to build a 2.5-million bales cotton reserve this season to ensure the smooth supply of the raw-material to cash-starved textile mills.

To build the reserve, CCI would start procuring around a million bales at market rates from April. The purchase and the subsequent storage are expected to cost the government an additional subsidy of about Rs 4,000 crore.

Currently, cotton prices stand at about Rs 4,000 a quintal, higher than the government's minimum support price of Rs 3,100 a quintal. Output in the 2011-12 season is estimated at a record 34 million bales, with consumption at 21.6 million bales.

Meanwhile, cotton exporters whose registration certificates are being revalidated by the commerce ministry, allege a deliberate attempt to single out exporters with business operations abroad. Of the total 1.8 million bales of cotton sent for revalidation, just 500,000 bales had been cleared till Wednesday.

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India bans its airlines from paying EU carbon tax
AFP

NEW DELHI, March 23, 2012: India has barred its airlines from complying with the European Union's carbon taxation scheme, with the government saying no Indian carrier would share emissions data with the EU.

"Though the European Union has directed Indian carriers to submit emission details of their aircraft by March 31, 2012, no Indian carrier is submitting them in view of the position of the government," Civil Aviation Minister Ajit Singh said Thursday in parliament.

"Hence the imposition of carbon tax does not arise," he said.

The European Union imposed a carbon tax on air travel with effect from January 1, but no airline will face a bill until 2013 after this year's carbon emissions have been tallied.

India's resolution to boycott the scheme comes on the heels of China's decision last month to ban its airlines from complying with the EU directive.

The EU has said the carbon tax will help the 27-nation European bloc achieve its goal of cutting emissions by 20 percent by 2020 and that it will not back down on the plan.

The EU has argued that the cost for airlines is manageable, estimating that the scheme could prompt carriers to add between 4 and 24 euros ($32) to the price of a round-trip long-haul flight.

Over two dozen countries, including Russia and the United States, have opposed the EU move, calling it a violation of international law.

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EU won't get further access to government business
Amiti Sen, ET Bureau

April 2, 2012, NEW DELHI: India will not concede to EU's demand that European companies be allowed to participate in procurements made by public sector enterprises in the country as part of a free trade agreement being negotiated.

New Delhi has said that its commitment on government procurement will not go beyond the existing domestic provisions that allow foreign companies to bid for procurements by ministries and departments for self consumption, according to a government official.

The EU has sought unhindered access to India's government procurement market estimated at about $150 billion per annum.

"The EU has positioned government procurement as a critical area for signing the free trade deal," the official told ET. "It is insisting that India should provide market access in Central entities and PSUs, but India has put its foot down."

The government has stressed that procurement market access being discussed would cover purchases for government purposes only and not what is done for commercial sale or resale. That is why PSUs can not be covered. Sourcing by the Indian Railways and the National Highways Authority of India will also remain restricted territories for EU companies.

In a meeting with EU trade commissioner Karel De Gucht in Delhi last month, commerce and industry minister Anand Sharma explained that India was in the process of formulating a public procurement law which would be mandatory for all Central government entities engaging in procurement.

Since the draft bill is still being discussed with stakeholders, the minister said it might not be possible for India to undertake commitments on areas that are still under discussion.

"India has also clarified that procurement market access being discussed would cover procurement for government purposes only and not that done for commercial sale or resale," the official added.

A number of developed countries, including the EU and the US, are keen that India join the government procurement agreement of the World Trade Organisation that is a plurilateral agreement signed between 42 member countries. India is an observer in the GPA meetings, but has so far resisted attempts of other countries to rope it in.

India has also asked the EU to clarify what India would gain by including government procurement in the bilateral free trade agreement. According to a study carried out by the Centre for WTO Studies at the Indian Institute of Foreign Trade, total government sourcing done by the EU from foreign companies is less than 1% of total purchases.

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India, UK agree to work towards broad based trade and investment agreement
ANI

New Delhi, April 2:India and UK on Monday agreed to remain fully committed to resolving the remaining issues and work towards concluding a mutually beneficial India-EU Broad based trade and investment agreement at the earliest.

A joint press statement by the Chancellor of the Exchequer of UK, George Osborne, and Finance Minister Pranab Mukherjee after the fifth round of UK-India Economic and Financial Dialogue said both sides recognized the important role that small and medium sized enterprises (SMEs) play in underpinning economic growth and employment in both our countries, and discussed the challenges they face, particularly in raising finance, and resolved to work together to promote trade and investment between the SME sectors of the two countries.

Today's dialogue reaffirmed the continued strength of the UK-India economic and financial relationship. Both sides agreed to continue to work closely throughout the year to follow through on their commitments and look forward to the next round of talks in 2013.

The two sides discussed ways to strengthen our mutual cooperation and further boost trade and investment between our two countries during the talks, which included senior representatives of our Finance Ministries and regulatory bodies.

Both sides agreed that while the global economy has stabilized in recent months, growth will remain subdued and at risk from a series of threats. UK and India share a common commitment to play their part to support the recovery, ensure financial stability and restore confidence.

Both countries remain determined to deliver necessary fiscal consolidation plans to secure sustainable public finances.

India and UK welcomed the exchange of ideas in financing infrastructure as part of the dialogue, noting that both countries share a common aim of increasing the role of institutional investors in infrastructure financing.

Both sides also discussed the importance of developing deep and efficient capital markets to support infrastructure financing in India. Foreign capital can play an important part in this process.

Both sides supported the progress on the Reserve Bank of India's (RBI) roadmap for foreign banks in India and UK side welcomed the desire by the Indian side to resolve outstanding issues, including those on tax, of the RBI's subsidiarisation proposals for foreign banks.

They also discussed the steps that are being taken to simplify and harmonise financial services legislation including through the work of the Financial Sector Legislative Reforms Commission (FSLRC) in India, and the UK's ongoing implementation of the recommendations of the Independent Commission on Banking.

Both sides agreed that there was a clear benefit to sharing experiences on this and welcomed the ongoing technical collaboration to assist the FSLRC in carrying out its mandate.

The two countries welcomed the Cannes Action Plan for Growth and Jobs agreed at the November 2011 Cannes Summit and are making progress in implementing these commitments, which remain fully relevant to the shared objectives of strong, sustainable and balanced growth.

Both sides emphasized the importance of investment, in particular in infrastructure, to strengthen the global recovery and rebalance demand.

Both sides are committed to ensuring that the IMF is adequately resourced to play its systemic role in the international financial system in support of its entire membership and that the quota and governance reforms of the IMF are implemented within the agreed timelines.

India and UK agreed to remain committed to pursuing the financial regulatory reform agenda according to the timetable agreed in G-20 in an internationally consistent and non-discriminatory manner. This will be monitored by the Financial Stability Board through its Coordination Framework for Implementation Monitoring.

Both sides discussed the joint approaches to meeting these commitments and will continue to work together to strengthen the global financial system.

The two nations also recognized the need for countries to sign the Multilateral Convention on Mutual Administrative Assistance in Tax Matters and engage in automatic exchange of information where legally required to improve tax compliance and decrease tax evasion.

Recognising the importance of open trade for the global economy, India and UK reaffirmed their commitment to refrain from protectionism.

Both sides signaled their commitment to the WTO and agreed to consider new approaches to taking forward the Doha round, with a clear focus on delivering outcomes for the least developed countries.

Both sides confirmed their intention for India and the UK to continue to work closely to develop ever-stronger links across a wide spectrum of issues in pursuit of the ambitious mutual aspiration to achieve a step change in two-way trade.

India and the UK welcomed the 40 percent year on year increase in the export of goods from the UK to India and the increase by 35.05 percent of exports from India to UK in 2011. Both sides continue to work towards enhancing this growth.

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India, South Korea to ease visa norms; boost defence, commerce ties
Elizabeth Roche, Livemint

March 25, 2012,Seoul: India and South Korea on Sunday announced a series of steps, from commerce to defence to space cooperation, to deepen the strategic partnership between Asia’s third and fourth largest economies.

Buoyed by a substantial jump in trade—between 65% and 70% after a comprehensive economic partnership agreement was inked in January 2010—both nations have decided to scale up their bilateral target from $30 billion in 2014 to $40 billion by 2015, the leaders of the two countries said on Sunday. Trade in 2011 topped $20 billion.

Prime Minister Manmohan Singh "underlined the desirability of balanced trade relations" and "ways to facilitate greater market access for each other's products and services," after wide-ranging discussions with President Lee Myung Bak, according to a joint statement.

Singh, who is in Seoul for the second nuclear security summit hosted by South Korea and scheduled for Tuesday, met Lee on Sunday for talks on bilateral matters.
The two countries have also signed an accord to simplify visa procedures aimed at boosting people-to-people contacts and business travel as Singh invited investments from South Korea into India's infrastructure sector—where the government is seeking investments to the tune of $1 trillion between 2012-17 to spruce up ports, airports, highways and power plants.

Singh also invited small- and medium-scale companies from South Korea to invest in India. Vishnu Prakash, Indian ambassador in Seoul, told reporters that approximately 99% of Korean industries are in the medium- and small-scale sector and are responsible for creating 88% of jobs in the country. There were also discussions on improving air connectivity between the two countries.

"There is considerable untapped potential given that South Korea is one of the fastest growing Organisation for Economic Co-operation and Development (a group of high-income countries) countries and India is one of the fastest growing major economies," said Sanjay Singh, secretary (east), ministry of external affairs.

Singh and Lee also discussed progress on South Korean steel maker Posco's plans to set up a $12 billion plant in India, which has been stalled for almost seven years. Billed as India's largest foreign direct investment, the project has been delayed by farmers' protests against the acquisition of land for the plant.

"We expressed that there was progress in the implementation of the Posco project. Both sides attach importance to it... We hope there is progress in the future," Sanjay Singh said.

To boost the strategic content of their partnership, Singh announced that India will appoint a defence attache to Seoul by the end of this year. This comes two years after a visit by defence minister A.K. Antony to South Korea, during which the two countries had signed two agreements, one on defence cooperation and another between India's Defence Research and Development Organisation and South Korea's defence acquisition programme administration for cooperation in research and development.

Singh and Lee agreed to "continue high-level exchanges between the defence establishments of both sides," and to "explore the possibilities of joint ventures in research and development and manufacture of military equipment including through the transfer of technology and co-production," the joint statement said. "President Lee underscored that Korea wanted to increase cooperation with India in military and defence industry," the statement said in a reference to manufacture of hardware, including naval ships and aircraft. Singh told reporters that India "has offered to launch Korean satellites on Indian space launch vehicles."

This follows from a pact both countries had signed on space cooperation in 2010 during a visit to India by Lee, Sanjay Singh said. He also said that the proposed collaboration in defence and military fields mirrored the upswing in ties and was in keeping with the strategic partnership given that South Korea had "considerable prowess" in defence production.

When asked about the impact of closer defence and strategic cooperation between India and South Korea on China, which has been wary of India increasing its economic and military engagement with countries in East Asia, Sanjay Singh said: "Our relations with every country stand on their own merit and are not predicated on relations with any other country."

Lee, in his remarks to reporters after talks with Singh, said he was "pleased" with the progress made between the two countries after the signing of their civilian nuclear agreement last year. "Recognizing the criticality of non-polluting nuclear energy in the economic development of countries, they (India and South Korea) agreed to discuss specific items of cooperation... President Lee requested that the Indian government allocate a site for Korean nuclear reactors," the statement said.

According to Sanjay Singh, South Korea generates 45% of its electricity from nuclear power plants and has expertise in building 1,400MW plants, considered the most advanced in the world. Power-hungry India is aiming to increase installed capacity by more than seven times to 35,000MW by 2022 and to 60,000MW by 2032. India now generates less than 5,000MW from nuclear power plants.

On North Korea's threat to launch a long-range rocket next month, Lee said, Singh and he agreed that this "constitutes a grave threat to peace and security" to the region. To keep up the momentum of high-level engagement, South Korea's ministers for defence and foreign affairs would be visiting India soon and the Indian commerce minister would also be travelling to Seoul in the course of this year, Sanjay Singh said.

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U.S. asks India to lower tariff wall
Hindu

March 26, New Delhi: High tariff barriers on U.S. products can harm economic ties between India and the U.S. and prove detrimental to bilateral trade, visiting U.S. Commerce Secretary John Bryson said here on Monday

Stating that import duties levied by India were 'too high', he sought lowering of high duties to strengthen the ties between the two economies. Mr. John is here on a five-day official visit to India.

He specifically asked India to ease restrictions on imports of products such as medical equipment, fruits and capital goods.

“It would be a remiss, if I would not mention about the barriers which still exist in building our economic relationship. For example, there are many tariffs on American products that are still too high," he remarked at an interaction, organised by Federation of Indian Chamber of Commerce and Industry (FICCI), between the 16-member U.S. Infrastructure Mission and Indian business leaders.

Mr. Bryson said if India did not accept U.S. products and strategic investments, the progress together could slow down and in the long-term could cause meaningful harm. He also held a meeting with Union Commerce and Industry Minister Anand Sharma, who raised concerns over the high rate of visa rejections by the U.S. and levy of high visa fee. “There have been concerns over the high rate of visa rejections last year. There is a 28 per cent decline," Mr. Sharma said after the meeting.

Mr. Bryson, who will visit Jaipur and Mumbai, said capital goods such as power generation equipment faced a basic duty of 7.5 per cent and an effective rate of 22 per cent. Grapes, citrus and other fruits faced a 30 per cent duty. “India's sourcing provisions in sectors such as IT, electronics and solar energy are also tough. This makes it harder to invest in India, if India is not able to readily accept the U.S. products," he remarked.

He said India also needed to build on its effort to support more accountability, transparency and integrity in its commercial actions.

“India should join the Government Procurement Agreement of the World Trade Organization (WTO). Allow more competition by joining the WTO agreement on government procurement. This agreement has important provisions that support greater openness," he added.

On India's massive demand for infrastructure, he said both the countries could work together in sectors such as rail, road, aviation and energy. The U.S. had the largest road system in the world. American businesses were ready to help India improve energy transmission and distribution besides developing renewable energy and expanding road network," he added.

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US ignored India's anti-protectionist objections: Govt
Financial Express

March 26, 2012, New Delhi: The government today said it has raised issues relating to US protectionist policies that are hurting the Indian IT industry with the US government.

"India has raised issues relating to US policies impacting Indian industry, including IT and IT-enabled services industry at various levels with the US government," Minister of State for Commerce and Industry Jyotiraditya Scindia said in a written reply to the Lok Sabha.

Scindia was replying to a question whether the government has raised objections with the World Trade Organisation (WTO) and the American authorities about the policy on outsourcing and other protectionist policies being followed by the US.

He said the Indian government has raised the issue at commerce secretary-level commercial dialogue, at ministerial-level trade policy forum and on the sidelines of WTO meetings.

On the response of WTO and the American government, he said: "The government of USA has not reversed such policies, so far."

Replying to an another query, Scindia said that negotiations across various sectors including cars are ongoing on India-EU Free Trade agreement.

"The government of India is negotiating a bilateral Broad-Based Trade and Investment Agreement (BTIA) with the European Union in which so far 13 rounds of negotiations have been held," he said.

He was replying to a query that whether the import duty relaxation for luxury cars from the EU under the proposed FTA proposed to have some riders, including a cap on the number of cars allowed to enter the Indian markets from Europe by using the low tariff regime.

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India challenges U.S. visa rules at WTO, eyes steel case
Matthias Williams, Reuters

NEW DELHI, April 11, 2012: India is challenging a U.S. law that raised visa fees for high-skilled foreign workers as a violation of global trade commitments and is planning another case against U.S. import duties on steel pipe, Indian officials said on Tuesday in the latest sign of prickly trade ties between the two allies.

The complaint at the World Trade Organization against the 2010 U.S. visa fee increase, which India protested at the time, is at the level of "consultations" between the two parties, the last stage before entering a full-fledged legal dispute.

"India is taking up consultations on this issue and hopes to solve it amicably," an India trade ministry official said, asking not to be named because of the sensitivity of the matter.
Trade Minister Anand Sharma raised the visa issue during a meeting with U.S. Commerce Secretary John Bryson, who visited India late March, the official added.

India's complaint is about a U.S. law from 2010 that almost doubled visa fees for skilled workers to $4,500 per applicant. The bill's sponsor, Senator Charles Schumer, a Democrat from New

York, said at the time that the move was aimed at a small group of companies exploiting U.S. law to import workers from abroad.

India's economy has benefited greatly from information technology firms doing offshore work for U.S. companies, but such outsourcing has become an issue in the U.S. presidential campaign, with President Barack Obama vowing to woo jobs home from overseas.

Nkenge Harmon, a spokeswoman for the U.S. Trade Representative's office, said the United States had not yet received a formal request for consultations from India and "therefore is not in a position to comment."

"However, the United States takes its WTO obligations seriously," she added.
Once a country formally request consultations, WTO rules require it to wait 60 days before asking a dispute settlement panel be formed to hear its complaint.

"I think the government of India is right that this is a barrier to trade," Vineet Nayyar, CEO of large Indian software services exporter Tech Mahindra, told Reuters.

A senior Indian trade ministry official, who also declined to be identified because of the sensitive nature of the issue, said India waited so long to bring its complaint because "there was always the belief, constantly held out (by U.S. officials), that this would be handled somehow."

However, the way the Obama administration has implemented the provision has made it harder for Indian technology workers to obtain visas, not easier, he said.

" Now what has happened over the years is, notwithstanding all the assurances that have been held out, the rejection rates (for visas) have steadily climbed," the senior official added. "Please explain to me why in 2007/8 the rejection rate was 1 percent and today it is 50 percent. If you can give me a good explanation for that, then fine."

Commercial ties between India and the United States flourished after India's economic liberalisation in 1991, but in recent years each side has accused the other of erecting unfair barriers to trade and investment growth.

Last month, the United States began the same type of action at the WTO to open India's market for poultry meat and eggs, saying an Indian ban on U.S. imports intended to stop the spread of bird flu was not based on sound science.

India is also preparing to challenge a U.S. import duty on steel pipes, the senior official told Reuters.

The United States Commerce Department in March set a preliminary import duty of nearly 286 percent on a certain type of steel pipe from India to offset government subsidies. A final decision on duty rates is expected by August.

"They are in absolute and total breach of the WTO," the official said, referring to U.S. Commerce Department action. "There is no subsidy involved."

The official said Washington has imposed the duty because a portion of the iron ore used to produce the Indian steel pipes is provided by state-run miner NMDC, the country's largest.

Washington concluded that "because NMDC is a public sector undertaking, it is selling this iron ore ... for a song, and therefore implicitly subsidising a private-sector enterprise. This is the allegation," the Indian official said.

The allegation is baseless as NMDC is one of many producers of iron ore in the country, the official said.

Gilbert Kaplan, a lawyer at Spalding & King who represents U.S. industry in the case, said the Commerce Department was well within its rights to set the high duty on Indian imports.

Both U.S. law and WTO rules allow the Commerce Department to set duties based on based on "facts available" when foreign companies and governments do not respond to requests for information, Kaplan said.

The Commerce Department found that the government of India failed to provide information on a number of subsidy programs that it was asked about, he said.

"I think it's unjustified (for the Indian government) to go to the WTO. They certainly should not try by this unusual move to overcome their failure to cooperate in the case," Kaplan said.

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'Domestic sourcing for solar mission no violation of WTO rules'
Amiti Sen, ET Bureau

April 9, 2012,NEW DELHI: India has told the US that it does not intend to alter the domestic content requirement in its ambitious national solar power generation programme as it is essentially procurement by the government, which is outside the purview of the World Trade Organisation.

"India is not a signatory to the Government Procurement Agreement under the WTO and hence is not under any obligation to follow rules prescribed by it," a government official told ET.

US commerce secretary John Bryson had in a recent meeting with commerce and industry minister Anand Sharma in Delhi raised concerns about the 30% local sourcing requirement in projects under the Jawaharlal Nehru National Solar Mission, saying it might be in violation of WTO norms. "We have categorically told the US that we do not view the domestic sourcing clause as violative of WTO rules," the official said, adding, "We have no plan of amending the clause."

He said the US was now trying to influence the policy for the second phase of the solar mission. The second phase, due for launch next year, will aim to consolidate the achievements of the first phase. As per the solar mission, indigenous manufacturing capacity for solar power equipment is vital if the goal of 20,000 MW of solar power is to be met by 2022 in three phases.

A criteria for ensuring domestic content for first phase projects was thus introduced, making it mandatory for projects based on crystalline silicon technology to use the modules manufactured in India. Additionally, 30% domestic content is mandatory for all new solar thermal power projects sanctioned under the first phase.

Stressing that there is no flouting of WTO rules, the commerce department has clarified that domestic content requirement is applicable to grid solar power projects where procurement of solar power will essentially be done by the government through NTPC Vidyut Vyapar Nigam, the designated entity.

The commerce department further explained that grid solar power projects are supported under the Jawaharlal Nehru National Solar Mission only through tariff and not through capital subsidy. Capital subsidy is available for off-grid projects and there is no domestic content requirement on modules in such projects.

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India among five fastest growing markets for LDC exports: WTO Director-General Pascal Lamy
PTI

April 5, 2012, NEW DELHI: India, China and Thailand are among the fastest-growing markets for exports from the least-developed countries (LDCs), WTO Director-General Pascal Lamy has said.

"Three of the five fastest-growing markets for LDC exports are regional partners- China, India and Thailand," World Trade Organisation (WTO) website quoted Lamy as saying.
Lamy said opening of trade barriers, supported by right mix of economic and social policies can help achieve higher growth in LDCs trade.

"Even though LDC trade grew twice as fast as world trade in the last decade and has doubled its share in global trade, it still accounts for only one per cent of world trade," he said.

Another way of boosting LDCs' imports is "duty-free and quota-free access" to their goods in developed and developing countries, wherein China and India have recently opened their markets.

Duty-free and quota-free access in favour of LDCs is a commitment undertaken by WTO members at the launch of the Doha Round in 2001.

On the current impasse over the Doha Round, the Director General said with a growing list of issues and members, reaching a conclusion in trade negotiations has become ever more challenging.

"Part of the reason for the current impasse in the global trade talks is the difficulty in striking an appropriate balance of benefits and concessions, in particular between developed and emerging countries-- a balance which itself is being affected by structural changes in the global economy," he added.

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Allow advance payments from Iran: Exporters
Business Standard

Say advance payment of 15-50 per cent will ensure the buyer remains committed even during price fluctuations

New Delhi March 24, 2012: Indian exporters have urged the finance ministry to allow them to obtain advance payments from Iran, even as a payment mechanism has already been established between India’s UCO Bank and the Parsian Bank of Iran. The mechanism is aimed at raising India’s exports to Iran from $2 billion to $5 billion in 2013-14.

It has been decided shipments to sanctions-hit Iran would now be paid in rupees.

According to the Federation of Indian Export Organisations (FIEO), letters of credit (LCs) have been operational under the new system of payment mechanism with Iran. However, the exporters’ body has urged the government to look into another issue. The buyer, in this case Iran, should pay an advance of 15-50 per cent of the entire value based on the contract, to ensure the buyer’s commitment during price fluctuations.

Unlike dollar trade, trading in rupees requires permission from the importer’s bank to clear payment guarantees for exporters. In dollar trade, whenever an exporter produces the LC before his bank, the guarantee is given by the home bank.

Sahai said under rupee trade, the importer had the right to reject payments in case there was a discrepancy in the documents provided by the exporter.

Ajay Sahai, director general and chief executive, FIEO, said, “Advance payments are required in sectors in which where prices are changing rapidly. Paying advance means there is a commitment from the buyer’s side to buy the product from us. At the moment, the mechanism that has been worked out does not talk of advance payments. We are demanding this with Iran, because we are carrying out rupee trade with them.”

India earlier engaged in a similar manner of trade with the erstwhile USSR (rupee-rouble trade). Then, too, an option of advance payment was sought. However, this trade collapsed with the fall of the USSR.

FIEO officials today met the banking secretary and RBI officials to raise the issue of advance payments with Iran.

According to Ram Upendra Das of the Research and Information System for Developing Countries (RIS), exporters are always wary of payments. The fact that FIEO is urging for such a provision indicates the risk factor associated with such transactions, especially if a country is under sanctions.

FIEO had led an 80-member delegation to Iran to increase its exports to that country in the wake of sanctions imposed on the region by the US and EU. The delegation, led by Arvind Mehta, joint secretary in the department of commerce, ministry of commerce & industry, also had exporters and representatives from the Reserve Bank of India (RBI).

India now plans to export pharmaceuticals, auto components, iron and steel, rice, soya bean, soya bean oil, medical instruments, surgical instruments, flat-rolled iron, flat-rolled stainless steel, tractor parts, polymers and frozen meat products to India. India has set a target of increasing bilateral trade with Iran from $15 billion to $25 billion in four years.

Rafeeque Ahmed, president, FIEO, said, “There is now a huge demand for Indian commodities there. We are going to sell those products where there is an opportunity. We are not there only because of the sanctions, we want to be their permanent trading partner.”

Ahmed also said the payments stuck would be cleared expeditiously. Payments worth over $1 billion to be paid to Indian exporters are stuck under the Asian Clearing Union mechanism since December 2010, when RBI withdrew the mechanism.

FIEO has set up a separate Iran cell to solve the problems of exporters under the new payment mechanism. The cell would also receive feedback from exporters. India is the second-largest buyer of Iranian crude oil after China. It imports about $11 billion worth of crude from Iran, the second-largest supplier to it after Saudi Arabia. Items Iran imports from India include spices, coffee, tea, mineral fuel, iron and steel, machinery and organic chemicals.

Ahmed is scheduled to meet officials from the shipping ministry to determine the shipping lines, as some have expressed reservations on carrying consignments to Iran.

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Financial services to be kept out of SAFTA talks: Government

Dheeraj Tiwari, ET Bureau

March 24, 2012, NEW DELHI: The government has decided to exclude financial services from the SAARC agreement on trade in services, following strong objection from the Reserve Bank of India, or RBI. The central bank has argued that India has already allowed access to foreign banks under the World Trade Organization agreement.

The 8-nation grouping Saarc, which includes India, Pakistan, Bangladesh and Sri Lanka, is working to expand the region's free trade agreement in goods, or Safta, implemented six years ago to include services and investments. The broad contours of the agreement are still being worked upon.

"RBI has argued that it allows foreign banks to open branches in the country under the WTO agreement. There is no need for any bilateral or plurilateral agreement over and above that," said a government official. India had committed to the World Trade Organization (WTO) in 1997 to give 12 new branch licences to foreign banks every year.

RBI has so far exceeded that number. "RBI has also said that it is not in favour of India making any requests to other Saarc countries for opening up their financial sector," the official added. The other members of Saarc are Bhutan, Maldives, Nepal and Afghanistan. Intra-regional trade under SAFTA has hit $1.4 billion.

Another government official said India's decision to exclude financial services from the services and investment pact could further impede its progress. "Some countries do not want to liberalise several services sectors as they fear India, which is the biggest economy in the region, will take advantage of its size," the official said.

Four countries Afghanistan, Bhutan, Nepal and the Maldives are yet to sign the agreement on services. India, however, is taking all steps to promote this agreement. It has decided to reduce the sensitive lists of items that it has excluded from the FTA in goods, especially for the least developed countries.

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Higher import duty to affect auto exports to Sri Lanka
Shally Seth Mohile, Livemint

April 4, 2012:Indian auto makers exporting to Sri Lanka will pass on the burden of an import duty hike to consumers, hitting demand, analysts said.

In a bid to contain the rising fiscal deficit, the local government sharply increased the import duty on automobiles with effect from 1 April. The import duty on cars has gone up from 120-291% to 200-350%; on three-wheelers, it has gone up from 51-61% to 100%, and on two-wheelers, from 61% to 100%.

Duty on buses, trucks and tractors remains unchanged.

Sri Lanka is an important export destination for several Indian auto makers, including Bajaj Auto Ltd and Maruti Suzuki India Ltd.

Executives at the auto firms conceded sales would get affected at least in the medium term as the market is price sensitive.

Bajaj Auto, India's largest exporter of motorcycles and three-wheelers, draws 20% of its total exports from Sri Lanka. In the fiscal year ending March 2012, the Pune-based firm exported 10,7691 units, an expansion of 54% over last year.

Rakesh Sharma, president, international business, at the firm, said, "The increase is so significant that we have no choice but to pass it on (to consumers)." The hike, according to Sharma, is likely to deter consumers from buying new vehicles at least for the time being.

With Sri Lanka's economy improving and showing a fundamental upward trend, buyers will come to terms with the price hike over a period of time, he said.

With Bajaj Auto having a relatively high exposure to the Sri Lankan market, it will feel the maximum impact among Indian auto makers, wrote Joseph George, analyst at brokerage IIFL Ltd in a 2 April research report.

While Bajaj Auto's three-wheelers have 80% of the Sri Lankan market, its two-wheelers account for half, he said. "Sri Lanka accounts for 35-40% of Bajaj's three-wheeler and 10% of two-wheeler exports. This is equivalent to about 7% of Bajaj's total revenue and an estimated 9% of earnings before interest, tax and depreciation," the IIFL report said.

The firm estimates that the import duty hike led to a 20-30% increase in the price of vehicles. Car market leader Maruti Suzuki's 5% of exports sales comes from Sri Lanka. Mayank Pareek, managing executive officer, marketing and sales at Maruti Suzuki, said: "It's quite a significant market for us and bound to have an adverse impact on sales as Sri Lanka is a price-sensitive market." The company is awaiting clarity on duty on second-hand vehicles in the market. Currently, duty on pre-owned cars in Sri Lanka is higher than new vehicles. If there is no change, it will give a boost to the second-hand car market in the region, which accounts for 80-85% of total car sales, said Pareek.

Although Sri Lanka is a big market for TVS Motor Co. Ltd and Hero MotoCorp Ltd, overall exports are not as big a revenue generator for these companies as they are for Bajaj Auto, said IIFL's George. *Mint* wasn't able to reach these two firms for comment.

Among other measures including a half percentage point hike in the policy rate, imposing credit growth targets for banks and substantial price hikes on petroleum products, the higher import duty on vehicles has been viewed favourably by the International Monetary Fund, which recently disbursed the last tranche of $427 million of the $ 2.1 billion it had committed to the country, wrote analysts Anushka Shah and Rohini Malkani in a 3 April report by Citi Investment Research and Analysis.

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Trade on the list
T S Vishwanath, Business Standard

Industry on both sides of the border must make the most of Islamabad's move to switch over to a negative list approach

Mar 29, 2012: Trade between India and Pakistan is expected to get a big boost with Islamabad deciding to move towards a negative list for India. Estimates by trade associations show that the current $3-billion bilateral trade could see a four-fold increase in the next couple of years if the political climate remains conducive.

Pakistan has till now been following a positive list approach for India, which means only items on that list could be exported to Pakistan from India. However, it has now decided to keep a negative list of about 1,200 items. This implies that all products, apart from those mentioned on the list, can now be exported from India to its western neighbour.

This move is certainly a significant step towards removing barriers to bilateral trade. Moreover, what is really pertinent is that the current negative list put out by Islamabad may be completely phased out by the end of the year.

The opening up of trade between the two countries has to now lead to greater bilateral investment from both sides. There is now a need for the two industries to look at how value chains can be built across the subcontinent. This would help strengthen the economies, build a large class of customers and also enhance people-to-people contact, which is crucial to keeping the momentum of trade high.

Industry, on both sides of the border, strongly advocated this opening-up by Pakistan for many years. With the government now heeding to their request, it will be important to use this opportunity to build greater synergies between the two countries.

To begin, industry may want to focus on a few products to boost bilateral engagement. Textiles and clothing as also processed food products offer a large scope for employment in the subcontinent and an equally large scope for greater cooperation.

India has been laying special emphasis on the food processing industry to overcome wastage. Nearly 30 per cent of India's fruit and vegetables are wasted for want of processing facilities. Cooperation in this sector across South Asia can help build a strong industry with the availability of a large intra-domestic market for products.

On textiles and clothing, the two sides may need to work together to ensure that synergies are developed and a strong value is built that helps both countries increase their presence in global markets.

The opening of the Pakistani market for Indian products comes at a time when India is growing its presence in global markets. The Economic Survey shows that international trade now accounts for nearly 53 per cent of the gross domestic product (GDP) compared to 37 per cent in

2004-05, pointing to increased integration with the global economy, which is not limited to the stock market and the banking system alone.

In the past few years, the top 15 countries of interest to India for exports have changed substantially and the number of advanced nations on the list has been shrinking. Interestingly, the US has lost its top position and is now ranked third after the UAE and China. The economic slowdown in the US and the European Union has also driven this change in India's export destinations.

To capitalise on the opening-up, industry from the two nations will need to draw up an agenda for cooperation. The cooperation could be based on three main pillars.

The first would be to capitalise on the bilateral free trade agreements in the two countries by looking to develop markets jointly for third country markets. Given the fact that India now has a free trade agreement with several trade partners, Pakistani industry could look at how their intermediate products could be sold in India for exports to third countries after meeting value-addition criteria.

Second, there is a need for greater investment by industry on both sides. Though this would take time, there is a need for greater interaction between large industries on both the sides to help achieve this objective at the earliest.

Third, the governments may have to look at other initiatives including the creation of free trade zones for industry in both countries to invest and export to third country markets.
The ball is in the court of Pakistani and Indian industry to capitalise on this emerging opportunity that deeper political engagement between New Delhi and Islamabad has produced.

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Zardari for emulating India-China model for better ties
Sandeep Dikshit, Hindu

Combining high-level visits with trade has benefited New Delhi, Beijing

New Delhi, April 9: Ever since Pakistan agreed to take trade with India off the taboo list, senior officials here have been talking of following the India-China model of combining high-level visits with trade to improve New Delhi-Islamabad ties.

But it was Pakistan President Asif Ali Zardari who brought this approach to the fore during the lunch hosted by Prime Minister Manmohan Singh on Sunday. Mr. Zardari said though India had several issues of discord with China, their trade ties were booming. He suggested that the India-China model could help improve the relations between India and Pakistan.

High-level officials have been pointing out that more than action against Hafiz Saeed, this visit could begin the trend of top leaders meeting each other more frequently so that issues that appear to be getting nowhere in talks with bureaucrats — such as the stapled visa issue with China — could be resolved to reduce ill will.

Frequent interaction

As the officials noted, Prime Minister Manmohan Singh has met the present Chinese President and the Prime Minister over 20 times in the past five years and this pattern of frequent interaction has spilled over to senior Ministers and bureaucrats.

This has led to the two countries putting in place several confidence-building and trust deficit-reducing measures such as a joint mechanism to remove irritants in patrolling the contested sections of the border, coordinating the safe passage of their ships through piracy-prone waters and resolving to open dialogue on maritime issues.

Balance of trade

But officials agreed with Mr. Zardari that it was trade that provided the initial ballast to India-China ties and with a second round of economic strategic dialogue in the horizon, they are also on course to address the problem areas which, from the Indian point of view, are the skewed balance of trade in Beijing's favour and limited access of New Delhi's export mainstays — pharmaceuticals and Information and Technology.

While he skipped mentioning the importance of high-level visits that help both sides appreciate the other's domestic compulsions, Mr. Zardari mentioned the third, equally important but underplayed aspect that has improved India-China ties — an incremental or ‘step-by-step' approach for tackling contentious issues.

This has been at work in normalising India-Pakistan trade but has not met Islamabad's expectations of resolving what it calls the core political issues — Kashmir, Siachen and Sir Creek.

Before the two principals moved in for lunch, they spoke of need to step up the volume of trade by easing restrictions, some of which are over four decades-old.

Although Pakistan insists that Kashmir is the core issue and the genesis of bad blood between the two countries, the Prime Minister appreciated the fact that Islamabad has moved forward on trade-related issues, according to Foreign Secretary Ranjan Mathai.

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Armed with goods, Pak businessmen to invade Delhi
Jyoti Malhotra, Business Standard

New Delhi, April 11: A 600-strong army of Pakistani businessmen, entrepreneurs, tea-buyers, fashionistas and rice exporters, led by Pakistan commerce minister Makhdoom Amin Fahim and

Pakistan commerce secretary Zafar Mehmood, are descending on Delhi over the next 48 hours, in what amounts to a burst of creative energy rarely seen on this side of the border.

In fact, so many visas, except perhaps for a cricket match, have never been given before to Pakistanis at one time. These are to exhibit and curate an event called ‘Lifestyle Pakistan’, being held in Delhi on the eve of the pan-Punjabi festival, Baisakhi, over April 12-13.

The richest man in Pakistan, Mian Muhammed Mansha of the Nishat group, estimated to be worth $10 billion and with interests in textiles, banking and cement, is coming with his wife. So is S M Munir, president of the India-Pakistan chamber of commerce, who recently proposed a no-war pact between the two countries, as well as an economic zone between Kasur (in Pakistan) and Amritsar, to enable both economies to flourish. Then there is Gul Ahmed, the textile giant from Lahore, who manufactures everything from yarn to finished products.

The impending people’s invasion from Pakistan is so overwhelming that it almost puts in the shade the red carpet welcome being carefully plotted in the ministry of commerce and the prime minister’s office for the Pakistani commerce minister’s delegation that is arriving on April 12. In fact, commerce secretary Rahul Khullar is chartering a plane to Amritsar so that he can receive Fahim and Mehmood at the Wagah-Attari border and fly them back to Delhi in comfort. Meanwhile, a delegation of Pakistani tea buyers is arriving to source tea from India (all these years, Pakistanis have either been drinking inferior Earl Grey from the UK market or black tea from Kenya).

A delegation of rice exporters is coming, also for the first time, to talk to its Indian counterparts on the finer points of Basmati cultivation. There seems to be growing excitement across the border over the Indian distillation of oil from rice bran and exporting both to the rest of the world. Pakistani rice-growers, evidently, don’t know how to do this and want to learn from India. Many are also extremely keen on buying Indian distilling equipment. It seems as if the Pakistani rice-bowl, centred around Gujranwala, only a few miles outside Lahore could as a result become the new hotbed of distilling rice oil.

If all this is a far cry from the cacophony on how to conduct a dialogue on Kashmir, then Delhi’s decision to use trade and commerce as the wedge to expand the very limited conversation between India and Pakistan, limited to 10 points on the “composite dialogue” formulated in 1997 when I K Gujral was foreign minister, seems to have been supremely successful, at least so far. In fact, talks between commerce minister Anand Sharma and his Pakistani counterpart, that will also take place on April 12, are expected to touch upon astonishing new requests and demands from Pakistan that India should invest much more in its strategic decision to expand the economies in both countries.

The main Pakistani demand is that India reduce its ‘sensitive list’ and reduce the tariff on Pakistani imports so that they are able to compete with goods India imports from elsewhere, for example Bangladesh. In the wake of Prime Minister Manmohan Singh’s visit to Dhaka in September 2011, all tariff on its textile exports to India were waived, thereby setting textile manufacturers in Pakistan on the edge.

So, when Anand Sharma and Rahul Khullar went to Pakistan in February, it was as if the tenor of the conversation between the two sides had undergone a rapid transformation. Instead of the volley of demands that India get rid of its non-tariff barriers was heard a new request: Could India lower its tariff in line with those it gave to other least developing countries, like Bangladesh and Nepal?

Government sources said they would positively respond to Fahim's request in his talks with Sharma on April 12, and at the same time seek reassurance that Pakistan will not backtrack from its promise to accord Most Favoured Nation status to India by the end of 2012.

In fact, Delhi has told Pakistan that it would prune its own 'sensitive list' of items it trades with Pakistan by about 30 per cent, that is, knock off 263 items from a list of 878 items, on the condition that it gives it a "clear commitment on the timeline" to MFN status.

There seems to be some nervousness in the Indian establishment over Pakistan's progress towards MFN, perhaps because of the all-powerful reputation of the Pakistani army.

Even Pakistani president Asif Ali Zardari's flamboyant visit to Delhi over the Easter weekend, in which he and not the Indian side brought up the India-China model of bilateral relations, doesn't seem to have totally assuaged the ultra-cautious Indians. According to the sources, Zardari's comment that India and Pakistan should put contentious issues such as Kashmir on the backburner, just as India and China had done with their border dispute, was music to the ears of the prime minister and all others who heard it.

Meanwhile, home minister P Chidambaram has also been persuaded to relax his stance on how he will not allow the business and civilian visa regime to be liberalised unless Pakistan takes action on the Mumbai terror accused. The home secretaries from both sides are now expecting to meet next month.

If the stage is being set for peace to break out between India and Pakistan, then those arriving over the next 48 hours will have a big role in prolonging it.

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