INDIA'S TRADE NEWS AND VIEWS

22 May to 5 June 2014

FY14 current account gap narrows to 1.7% of GDP
Helped by a sharp moderation in imports, especially of gold, India's current account deficit sharply narrowed to 1.7% of GDP, or $32.4 billion, in FY'14 from 4.7% in FY13…

FIEO aims to raise India's export share from 1.7% to 4%
Federation of Indian Export Organisationstoday said it aims to increase India's share in world exports from 1.7 per cent in 2013 to a 'respectable ballpark figure' of at least 4 per cent within 5 years…

RBI reduces limit for export credit re-finance
The exporter community is sceptical about the Reserve Bank of India's decision to reduce availability of funds under the export credit refinance (ECR) window to 32 per cent from 50 per cent…

FDI up 8% in FY14 at $24.3 bn
Foreign direct investment into India grew by 8 per cent year-on-year to $24.3 billion in 2013-14, according to the Department of Industrial Policy and Promotion (DIPP) data…

Pakistan to grant Non-Discriminatory Market Access status to India
Pakistan would grant India the status of Non-Discriminatory Market Access (NDMA) to facilitate enhanced bilateral trade, Commerce Minister Khurram Dastigir Khan said…

Improved Indo-Pak ties may help double trade from $3 billion
Prime Minister Narendra Modi's cordial meeting with his Pakistani counterpart Nawaz Sharif on his first day in office has ignited hope among industrialists across the border that trade between the two neighbours could double from $3 billion a year over the next two-three years…

India overtakes China as Sri Lanka's main import source nation
India has emerged as Sri Lanka's biggest importing source nation ahead of China and Singapore, a senior minister said…

India's exports driven mainly by fuel products while manufacturing falters
In what should be a pointer for the new government's trade policy, India's exports in the last decade have been primarily driven by fuel products, and to some extent engineering and agricultural items…

Sugar industry body ISMA seeks hike in import duty to 40% from 15%
Sugar industry body ISMA expected that the new government would provide a stable policy for the sector that supports 50 million farmers and sought hike in import duty of the sweetener to at least 40 per cent…

Garment exporters seek zero duty, early FTA with EU
Tirupur Exporters' Association, which represents the Rs17,000-crore knitwear/ readymade garment capital of India, has raised a number of issues with the new Union ministers of commerce and textiles…

Government cuts import tariff value on gold, silver
Government today slashed import tariff value on gold and silver to $408 per 10 grams and $617 per kg respectively, in view of weakness in bullion prices globally…

Saudi Arabia bans Indian green chilli
Saudi Arabia has started enforcing its ban on import of Indian green chilli (green pepper), with the Customs Department preventing the arrival of a six-tonne consignment last week…

EU ban on mangoes: UK Food department offers to provide technical help, training
UK-based mango importers said they were encouraged following a meeting with Government officials…

Anti-dumping duty on chemical imported from US, EU, Korea
The government has imposed anti-dumping duty ranging between $0.21 and $0.36 per kg on import of a chemical used by pharma companies from the US, the EU and Korea for five years to protect the domestic industry…

Commerce Ministry proposes steep dumping duty on solar cells
The Commerce Ministry has recommended anti-dumping duty on solar cells imported from the US, China, Malaysia and Chinese Taipei…

WTO Panel Established in US-India Solar Spat
A WTO panel is set to hear the US' complaint against India's local content requirements in its national solar programme, in the latest complaint on renewable energy to reach the global trade arbiter…

Disclaimer: India's Trade News and Views is a fortnightly e-bulletin that compiles and disseminates India-specific trade related news and featured articles. The stories covered do not necessarily represent the views of the Centre for WTO Studies (CWS) and have been put together solely for informational and outreach purposes.

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

Comments and queries may be directed to cws@iift.ac.in. If you no longer wish to receive this email, please reply to this message with unsubscribe in the subject line.

FY14 current account gap narrows to 1.7% of GDP
PTI

Mumbai, 27 May 2014: Helped by a sharp moderation in imports, especially of gold, India's current account deficit (CAD) sharply narrowed to 1.7% of GDP, or $32.4 billion, in FY'14 from 4.7% in FY13, Reserve Bank said on Monday. "Contraction in the trade deficit, coupled with a rise in net invisibles' receipts, resulted in a reduction of the CAD to $32.4 billion, or 1.7% of GDP, from $87.8 billion, or 4.7% of GDP in 2012-13," it said. For the March quarter, CAD, a measure of the inflow and outflow of foreign currency, stood at $1.2 billion, or 0.2% of GDP, as against $18.1 billion, or 3.6% of GDP, in the same period previous fiscal, the RBI said.

The highest ever CAD reported last fiscal had led to a slew of problems, including a heavy drop in the rupee, which touched an all-time high of 68.85 against dollar last August. The high CAD had led to a series of unconventional steps by the government and the RBI to curb imports, especially on gold which have paid off handsomely.

On trade deficit front, RBI said the recovery in exports and the import moderation led to a sharp recovery in the gap to $147.6 billion in FY14 as against the $195.7 billion in FY13.

The net inflows declined to $48.8 billion during the just-concluded fiscal, as against $89 billion in the previous fiscal, the RBI said, attributing this to lower foreign direct investment flows, net repayment of loans and trade credit and advances.

During the fiscal 2013-14, contribution of services in the balance of payments (BoP) increased to 12.3% at $73 billion, up from the $64.9 billion.In the final quarter of FY14, gold imports were down by nearly two-thirds to $5.3 billion, down from $15.8 billion in the previous fiscal, the apex bank said.

Trade deficit for the quarter narrowed by about a third to $30.7 billion from $45.6 billion in the year-ago period. Ever since special measures were introduced by RBI in tandem with ministries of finance and commerce, the rupee has reclaimed a significant portion of the lost ground against US dollar. The Indian unit is now trading under 59 level against the US currency and the RBI has turned to buying dollars to reduce volatility.

[Back to top]

FIEO aims to raise India's export share from 1.7% to 4%
PTI

Krishnagiri, 24 May 2014: Federation of Indian Export Organisations today said it aims to increase India's share in world exports from 1.7 per cent in 2013 to a 'respectable ballpark figure' of at least 4 per cent within 5 years.

FIEO Chairman (South Region) Walter D'Souza said the global crisis of 2008, the subsequent sovereign debt crisis and continued recession in Eurozone reduced the global economy's average growth rate to around 3 per cent, compared to 5 per cent from 2005-07.

Speaking to reporters after inaugurating a seminar on 'Strategic Export Management' at nearby Hosur, he said India missed its export target for 2013-14. Shipments declined for the second straight month in March 2014 as demand from key markets failed to pick up.

Dip in gems and jewellery and electronics exports largely contributed to the fall, he said.

Exports in March fell 3.15 per cent to $29.5 billion, while overall shipments in 2013-14 increased 3.98 per cent to $312.35 billion as against the target of $325 billion.

D'Souza said the trade deficit was however about 25 per cent lower than the previous fiscal as imports declined due to a sharp fall in gold and silver imports, which fell by 40.2 percent to $33.46 billion in response to stringent restrictions.

Exports in April were valued at $25.63 billion, 5.26 per cent higher in dollar terms than $24.36 billion in April 2013. Imports in 2014 were valued at $35.720 billion, a 15 per cent negative growth in dollars, he said.

D'Souza said that as per IMF's World Economic Outlook, April 2014, global activity strengthened in the second half of 2013 and is expected to improve in 2014-15, with much of the growth impetus coming from advanced economies.

Global growth was now projected at around 3.6 per cent in 2014, and 3.9 per cent in 2015.

"FIEO aims to increase India's share in world merchandise exports from 1.7 per cent in 2013 to a respectable ballpark figure of say at least 4 per cent in the next five years," he said.

[Back to top]

RBI reduces limit for export credit re-finance
Business Line (The Hindu)

New Delhi, 3 June 2014: The exporter community is sceptical about the Reserve Bank of India’s decision to reduce availability of funds under the export credit refinance (ECR) window to 32 per cent from 50 per cent of export credit outstanding. This move could affect credit flow to exporters.

However, the RBI, in its second bi-monthly monetary policy, proposes to “fully compensate’’ for the reduction in liquidity under the scheme through a special term repo (borrowing) facility of 0.25 per cent of net demand and time liabilities.

Some exporters are apprehensive that the limited access to export credit refinance (ECR) could raise the cost of credit. “The cost of credit is likely to go up between 0.5 per cent and 1 per cent and it is not clear to what extent the special term repo facility will offset this loss,” said Rafeeque Ahmed, President, FIEO. Banks would be reluctant to lend to the export sector, which is already facing liquidity crunch, he added. The share of export credit in net bank credit has come down from close to 9 per cent to 3.5 per cent in the last 10 years.

The RBI, in a statement, said that the reduction of funds under export credit refinance and introduction of the special term repo facility should improve access to liquidity for the system as a whole by cutting down on procedural formalities relating to documentary evidence, authorisation and verification associated with the ECR facility.

The move is based on Urjit Patel committee’s recommendations that had called for moving away from sector-specific refinance towards a more generalised provision of system liquidity without preferential access to any particular sector or entity.

The RBI said the limit on accessing funds under the ECR facility will also improve the transmission of policy impulses across the interest rate spectrum and engender efficiency in cash or treasury management. According to Engineering Export Promotion Council Chief Anupam Shah, the new export refinance norms are a non-event for exporters as banks shy away from the facility anyway. What would help exporters survive in the highly competitive global market is availability of credit at bank rates, he added. Small exporters will not be affected much by the RBI move as their borrowing limits are already small, pointed out Tilak Raj Manaktala, President, Delhi Exporters Association.

"Banks need to reduce borrowing costs of exporters by cutting down on their various charges and fees that are prohibitive for small players," he said.

[Back to top]

FDI up 8% in FY14 at $24.3 bn
PTI

New Delhi, 23 May 2014: Foreign direct investment into India grew by 8 per cent year-on-year to $24.3 billion in 2013-14, according to the Department of Industrial Policy and Promotion (DIPP) data.

In 2012-13, FDI aggregated at $22.4 billion. In March, the foreign investment inflows more than doubled to $3.53 billion from $1.52 in the same month last year.

The highest FDI came in services ($2.22 billion), followed by automobiles ($1.51 billion), telecommunications ($1.3 billion), pharmaceuticals ($1.27 billion) and construction development ($1.22 billion) in 2013-14.

Singapore led the FDI inflows into India with $5.98 billion, followed by Mauritius ($4.85 billion), the UK ($3.21 billion) and the Netherlands ($2.27 billion).

[Back to top]

Pakistan to grant Non-Discriminatory Market Access status to India
PTI

Islamabad, 30 May 2014: Pakistan would grant India the status of Non-Discriminatory Market Access (NDMA) to facilitate enhanced bilateral trade, Commerce Minister Khurram Dastigir Khan said. "It is not MFN (Most Favoured Nation) but we call it NDMA which calls for non-discriminatory and parallel market access," the *Dawn* quoted Mr. Khan as saying on Friday.

Talking to the media after addressing members of Hyderabad Chamber of Commerce and Industry (HCCI), Mr. Khan described Prime Minister Nawaz Sharif's visit to India this week as positive and said Mr. Sharif did not indulge in reactionary diplomacy. Mr. Khan said although Pakistan has certain reservations with India such as Kashmir, Siachen, Afghanistan, Sir Creek and water issues, "mere handing over list of reservations is not diplomacy."

Bilateral trade between India and Pakistan touched $ 2.6 billion in 2012-13, an increase of 34.4 per cent over last year's $1.94 billion. Various sections in Pakistan, especially the extreme right wing, had objected to the term "most favoured" being given to India because of the history of issues between the two sides. India had already granted MFN status to Pakistan in 1996. Earlier, Mr. Khan said Pakistan's energy crisis would be overcome to a great extent by 2016. The government is planning to take energy production to 40,000 megawatts and is trying to switch over to coal-based power from furnace oil.

Separately, speaking at a gathering of growers arranged by Sindh Abadgar Board in Hyderabad, he said that India with other regional markets can boost exports of the country. “We shouldn’t be apprehensive of India’s products and markets. Positive list has been replaced with negative list in PPP government and barring a few things all kind of trade with India is open since 2012. Besides India, countries like Iran, Afghanistan and Gulf region are attractive markets waiting for our products. We can make better returns but we must first organise ourselves,” he said. Referring to North America Free Trade Agreement and Association of Southeast Asian Nation, Mr. Khan said Pakistan’s economy would struggle to grow if it remains confined to its borders.

[Back to top]

Improved Indo-Pak ties may help double trade from $3 billion
Rachita Prasad, Economic Times

Mumbai, 29 May 2014: Prime Minister Narendra Modi's cordial meeting with his Pakistani counterpart Nawaz Sharif on his first day in office has ignited hope among industrialists across the border that trade between the two neighbours could double from $3 billion a year over the next two-three years.

The meeting on Tuesday may well signal the beginning of improvement in strained relations between the two countries and trade could be a beneficiary and an agent for change, a cross-section of Pakistani business leaders told ET, adding that this could also help curb the menace of smuggling.

"Trade relations between India and Pakistan will be the backbone of improving trade in the SAARC region. When the two countries trade more with each other, there will be a strong will and compulsion to improve relations," said Zakaria Us man, president of the Federation of Pakistan Chambers of Commerce and Industry.

Bilateral trade between India and Pakistan is a fraction of the estimated potential of $40 billion a year, although the two countries also trade indirectly, via mainly Dubai, to the tune of $6-7 billion annually. Estimates put smuggling between the two countries at as high as $3 billion a year. "Our stars have aligned as both countries have strong demo cratic leaders who are prag cratic leaders who are prag matic and business-orient ed. There are natural synergies between the two countries and removing barriers and opening trade channel could help trade grow to $10 billion in a few years," said Amin Hashwa ni, executive director of the Hashwani Group.

Many Pakistani business leaders had backed Modi in the run-up to the recent general elections. During a visit to Pakistan in November, this correspondent had met several industrialists and traders who said that they hoped Modi would win with a strong majority so that he and Sharif could work towards peace. In their meeting on Tuesday, Modi and Sharif discussed development and economic revival as a common agenda, perking up sentiment among the business community in both countries.

"Modi has a reputation of being anti-Muslim. But he also has a reputation of being pro-business. If his government takes some steps to address the concerns and facilitate trade, it will go a long way," said Muhammad Yasin Siddik, chairman of All Pakistan Textile Mills Association. He added,"Custom clearances take time and we face several non-tariff challenges. This should be addressed immediately." Indian firms, too, see benefits in improved trade ties. "Pakistan has fuel, but does not have power plants. We have power plants sitting idle. If we open rail and roads for trade, and import fuel from there, we could run our plant and even export to them part of our generation," said Shailendra Roy, director and head of power business of Indian engineering giant L&T.

India-Pakistan trade thrived for nearly two decades after Independence, until the war of 1965. Trade happens primarily across Pakistan's west and India's east Punjab through the Wagah border, but traders hope the two countries could open other corridors like the Munabao-Khokhrapar connecting Sindh and Rajasthan. While India may benefit from cheaper goods from Pakistan, the latter hopes to gain technical know-how and value-added engineering and IT services.

[Back to top]

India overtakes China as Sri Lanka's main import source nation
PTI

Colombo, 29 May 2014: India has emerged as Sri Lanka's biggest importing source nation ahead of China and Singapore, a senior minister said today. India accounted for 18 per cent of Sri Lanka's total imports while the corresponding figure for China was 16 per cent and that for Singapore was 9 per cent, Investment Promotion Minister Lakshman Yapa Abeywardene told reporters.

He said this was a direct result of the Free Trade Agreement (FTA) with India. Pakistan is the only other nation with whom Sri Lanka has signed the FTA. Abeywardene said India is Sri Lanka's third largest export market with 5 per cent of exports going to the giant neighbour. The US with 24 per cent and the UK with 10 per cent are ahead of India.

The Minister said the foreign direct investments into Sri Lanka doubled from a year earlier to $ 442 million in the first quarter of 2014. He said 36 per cent of the investments came into the tourism sector, 26 per cent into utilities, 15 per cent into infrastructure, 7 per cent into industry and 4 per cent into apparel sector.

In 2013, the country was able to attract FDIs worth $ 1,391 million, a 4 per cent increase from 2012 figure of $ 1,338 million.

[Back to top]

India’s exports driven mainly by fuel products while manufacturing falters
Raj Kumar Ray, Financial Express

New Delhi, 17 May 2014: In what should be a pointer for the new government's trade policy, India's exports in the last decade have been primarily driven by fuel products, and to some extent engineering and agricultural items, even as the country was fast losing its competitive edge over traditional items such as textile and jewellery.

Commerce ministry data show the share of fuels in the country's exports surged from 5.59% in 2003-04 to 20.05% during 2013-14, while that for engineering goods rose from 16.5% to 19.7% and the share of agriculture and allied products increased from 8.5% to 10.3%.

In contrast, the share of some of the items where India enjoyed a comparative advantage for decades is declining — textiles' share in overall exports fell to 9.7% from 19% during the last 10 years while that of gems and jewellery dipped to 13% from 16.6%.

This is despite the relatively strong growth in textile and clothing exports in the years after the quota restrictions on exports to the US and Canada were dismantled in 2005.

While a ramp-up of petroleum refining capacities and adoption of latest technologies by companies such as Reliance and Essar have helped India increase fuel product exports in the last decade, analysts point out that the manufacturing sector has not been able to keep pace with global trends and hence its share in overall exports has been sliding.

"India's medium and high-tech manufacturing exports are around 53-54% of overall manufacturing goods exports. In contrast, the share is 66% in Brazil and 77% in China," said Biswajit Dhar, director general of Delhi-based think tank RIS.

While India's overall exports grew six times in the last decade to $312.61 billion last fiscal, it was mainly on account of the 16 times jump in petroleum product shipments followed by agri and engineering exports, each of which grew six times over these 10 years.

In value terms, petroleum products' exports were just $3.57 billion during 2003-04, a fraction of the textile exports ($12.2 billion), engineering and jewellery exports ($10.5 billion each) and even lower than agri products shipments ($5.4 billion).

During 2013-14, fuel product exports stood at $62.69 billion, outpacing engineering goods exports ($61.62 billion), textiles ($30.38 billion), jewellery ($41.1 billion) and agri and allied products ($32.28 billion).

An Exim Bank analysis shows that during the last 10 years, close to 50% of the exports were contributed by non-manufacturing sectors such as petroleum products, agriculture and allied products, gems and jewellery products.

"Manufacturing exports from India have not taken off to the fullest potential even though India has several advantages in manufacturing, including engineering skills, a growing domestic market, an established raw material base and a large pool of skilled labour," the study said, adding that the gap between the trade deficit on manufactured goods has widened to $31 billion by 2012 from a surplus of $4.6 in 2002.

The manufacturing sector contributes 13.5% to the GDP with India's share in global manufacturing at only 1.8%. This is in stark contrast to the experience of other Asian nations which were at similar stages of economic development, particularly China, where manufacturing constitutes 34% of national GDP and 13.7% of world manufacturing.

Dhar said the new government should adopt a policy mix — focus on reviving the labour intensive sectors to boost jobs and at the same time foster high-tech manufacturing to accelerate exports and rein in the trade deficit.

[Back to top]

Sugar industry body ISMA seeks hike in import duty to 40% from 15%
PTI

New Delhi, 27 May 2014: Sugar industry body ISMA today expected that the new government would provide a stable policy for the sector that supports 50 million farmers and sought hike in import duty of the sweetener to at least 40 per cent. Import duty currently stands at 15 per cent. Industry has been demanding an increase in import duty to boost sales of domestic sugar as the country has surplus production.

"The sugar industry has great expectations from the new government as it is facing financial difficulties for a long period and needs stability. We urge the government's support in providing a stable policy for the Indian Sugar Industry and help the rural economy grow further," Indian Sugar Mills Association (ISMA) President Ajit Shriram said in a statement.

Industry owes about Rs 12,000 crore to sugarcane farmers due to high cane price compared with sugar prices.

Noting that sugar industry supports about 50 million farmers and generates employment for about 12 per cent of the total rural population, he said: "a stable policy will benefit all stakeholders- farmers, consumers and industry.

"We are also hopeful that the new regime will give enough impetus to green energy and push the ethanol blending program to save foreign exchange and also increase import duty on sugar to at least 40 per cent." The ISMA President also expressed confidence that the country will see development and growth under the able leadership of Prime Minister Narendra Modi.

Sugar production of India, the world's second largest producer and biggest consumer, fell by 3.23 per cent to 23.9 million tonnes till May 15 during current 2013-14 marketing year 2013-14 ending September. For the entire year 2013-14, sugar production is pegged at 24.2 million tonnes, four per cent less than the last year's level of 25.1 million tonnes.

The annual domestic consumption is estimated at 23-23.5 million tonnes.

[Back to top]

Garment exporters seek zero duty, early FTA with EU
R Ravichandran, Financial Express

Chennai, 4 June 2014: Tirupur Exporters' Association (TEA), which represents the Rs17,000-crore knitwear/ readymade garment capital of India, has raised a number of issues with the new Union ministers of commerce and textiles, including zero excise duty on man-made fibre, zero customs duty on machinery, early implementation of GST and early FTA with the EU.

In a meeting with commerce minister Nirmala Sitharaman, A Sakthivel, president of TEA, said excise duty for man-made fibre should be zero, which will help increase usage of such fibres for export in a big way as the world market is open for such garments throughout the year.

He also urged the minister to allow import of special machinery intended to manufacture synthetic garments and processing fibres at nil duty so that more entrepreneurs make investment in manufacture of synthetic garments, which has a major market globally.

According to him, since the EU contributes more than 50% to TEA exports, early signing of a free trade agreement (FTA) with it will be helpful in increasing India's market share.

Sakthivel pointed out that as of now, Bangladesh, being a least developed country, enjoys duty-free status and total exports from the country have reached $22 billion against India's exports of $15 billion only. The new Foreign Trade Policy for 2014-19, to be unveiled during the year, should look into issues such as market-linked focus product scheme, incremental export incentivisation scheme and status holder incentive scheme to improve India's competitiveness, Sakthivel said.

According to him, to protect the export sector from increasing credit rates, a separate chapter for the export sector is required and the sector should be delinked with the base rate system being followed by banks. “Till a separate chapter for export is announced, the bank credit rate given to exporters may be fixed at 7.5%,” he said.

In the meeting with textiles minister Santosh Kumar Gangwar, Sakthivel informed him that garment exporters are facing problems because of non-availability of certain special fabrics.

[Back to top]

Government cuts import tariff value on gold, silver
PTI

New Delhi, 3 June 2014: Government today slashed import tariff value on gold and silver to $408 per 10 grams and $617 per kg respectively, in view of weakness in bullion prices globally. In the second fortnight of May, tariff value on imported gold stood at $424 per 10 grams and silver at $650 per kg.

The import tariff value - base price at which customs duty is determined to prevent under-invoicing - is revised on a fortnightly basis taking into account the volatility in global prices. The reduction in tariff value on imported gold and silver has been notified by the Central Board of Excise and Customs, an official statement said.

In the last few sessions, global gold prices have been ruling on a lower side as positive US economic data backed the case for the Federal Reserve to keep on reducing monetary stimulus which has dimmed the metal's appeal.

In Singapore, both gold and silver were trading down at $1,246.9 per ounce and $18.70 per ounce respectively, today. Taking global cues, domestic gold rates in the national capital touched 11 month low at Rs 27,400 per 10 grams.

Due to government curbs, the country's total gold and silver imports dropped 40 per cent to $33.46 billion in 2013-14, as against $ 55.79 billion in the previous year.

Gold is the second largest import item for India after petroleum. The government had taken several measures to curb gold shipments to address the high current account deficit. These measures include raising the import duty to 10 per cent on the metal and also made it mandatory for traders to export 20 per cent of the imported gold.

[Back to top]

Saudi Arabia bans Indian green chilli
Business Line (The Hindu)

Kochi, 2 June 2014: Saudi Arabia has started enforcing its ban on import of Indian green chilli (green pepper), with the Customs Department preventing the arrival of a six-tonne consignment last week.
The Saudi Agriculture Ministry has decided to ban import of green pepper from India on the grounds that the Indian product contains unacceptable levels of chemical fertilizers and pesticides. The ban took effect from last week.

Saudi Arabia, which is the fifth-largest importer of vegetables from India, has increasingly been concerned about the quality of food products it imports.

The country had complained that Indian farmers use high doses of chemical fertilizers and pesticides to speed up growth and increase harvest.

The Saudis had issued an advisory to the Agricultural and Processed Food Products Export Development Authority (APEDA), pointing out that high levels of pesticide residues were found in some green chilli consignments from India, and warned that imports will be banned if the contamination continues.

Following the advisory, APEDA had asked chilli exporters to test their products before shipping to make sure that Saudi Arabia's quality requirements are adhered to.

Last month, the European Union banned the import of the famed Alphonso mangoes and four other vegetables from India on the grounds that some of the commodities were contaminated by fruit pests.

[Back to top]

EU ban on mangoes: UK Food department offers to provide technical help, training
Vidya Ram, Business Line (The Hindu)

London, 22 May 2014: UK-based mango importers said they were encouraged following a meeting with Government officials on Wednesday.

Lord de Mauley, a Minister with Britain's Department for Environment, Food and Rural Affairs (DEFRA), hosted the meeting with the Fresh Produce Consortium, representatives from the Asian Business Association, CII and Deputy High Commissioner Virendra Paul, as well as regulators from British agencies to discuss developments since the European Union imposed a ban on five Indian fruits and vegetables, including mangoes from May 1.

The EU's Food and Veterinary Office is set to conduct its next visit to India, due to take place in September, following previous visits in April and December. "It was very clear that while DEFRA can't change anything – with just one vote at the commission – they have indicated they will help in anyway they can," said Monica Bandhari of importer Fresh Fruity Ltd, who has been one of the lead campaigners against the ban, following the meeting. This included DEFRA's offer to provide technical advice and training for Indian authorities and exporters for the necessary EU certification, and facilitating discussions between the European Commission and Indian regulators. A follow-up round table will take place in July. "The intention is to work with all the stakeholders to get the processes right so the ban imposed till December 15 is lifted soon," said Lord de Mauley in a statement following the meeting. With over 90 per cent of the EU's mango imports from India, the UK has been the EU country most affected by the ban with industry bodies and politicians expressing concerns about the damaging economic impact of a lost mango season particularly on small and medium-sized businesses.

[Back to top]

Anti-dumping duty on chemical imported from US, EU, Korea
PTI

New Delhi, 2 June 2014: The government has imposed anti-dumping duty ranging between $0.21 and $0.36 per kg on import of a chemical used by pharma companies from the US, the EU and Korea for five years to protect the domestic industry.

The Revenue Department imposed the anti-dumping duty on 'Methylene Chloride' also known as 'Dichloromethane' on recommendations of the Directorate General of Anti Dumping & Allied Duties (DGAD).

The duty range between $0.21 and $0.36 per kg, said a notification by the Cental Board of Excise and Customs. After a probe into imports, the DGAD had reached a conclusion that "the domestic industry has suffered material injury on account of subject (Methylene Chloride) imports from the subject countries (European Union, United States of America and Korea)". It recommended imposition of definitive anti-dumping duty on the import of the chemical.

[Back to top]

Commerce Ministry proposes steep dumping duty on solar cells
Amiti Sen, Business Line (The Hindu)

New Delhi, 23 May 2014: The Commerce Ministry has recommended anti-dumping duty on solar cells imported from the US, China, Malaysia and Chinese Taipei. The penal duties are in the range of $0.11 per watt of power produced to $0.81 per watt of power produced.

The recommendation made by the Directorate General of Antidumping Duty in its final findings will now be vetted by the Finance Ministry. If implemented, the measure would come as a big relief to domestic solar cell manufacturers who have been either forced to shut down operations or were producing below capacity due to competition from cheap imports.

In its findings, the DGAD said that it was established that the products were being dumped (sold below normal value) causing injury to the domestic industry.

Duties on Chinese, US products

Anti-dumping duty proposed on Chinese products are highest ranging between $ 0.64 per watt and $ 0.81 per watt of power produced. Anti-dumping duty proposed on US manufacturers range from $ 0.11 per watt and $ 0.48 per watt of power produced.

According to the Indian Solar Manufacturers Association, more than 70 per cent of the installed PV capacity is idle in the country and hundreds of employees have been laid off.

[Back to top]

WTO Panel Established in US-India Solar Spat
Bridges Weekly Trade News Digest

28 May 2014: A WTO panel is set to hear the US' complaint against India's local content requirements in its national solar programme, in the latest complaint on renewable energy to reach the global trade arbiter. The dispute (DS456) involves certain domestic content requirements for solar cells and modules under Phases I and II of India's Jawaharlal Nehru National Solar Mission (NSM).

Washington had filed a previous complaint last year regarding Phase I of the programme; US officials explained that a second complaint was then needed to also address the changes under Phase II, which featured the inclusion of thin film technology in this new phase of the Indian scheme.

The NSM was launched in January 2010 by former Prime Minister Manmohan Singh, who had hoped to make India a global leader in solar energy through the development of solar power generation facilities. India's newly elected Prime Minister, Narendra Modi, has vowed to advance this objective further, building on the success seen in the state-level scheme of Gujarat, of which he was previously chief minister.

Domestic content requirement

According to the guidelines for NSM put forth by India's Ministry of New and Renewable Energy, solar power developers are invited to participate in a global bidding process. However, certain power purchase agreements are reserved for developers who meet the domestic content requirement, whereby all solar cells and modules used must originate in India.

The US contends that the domestic content requirement in the Indian scheme is inconsistent with the latter's obligations under Article III of the General Agreement on Tariffs and Trade (GATT), alleging that imported solar panels and solar modules receive less favourable treatment than similar Indian products. US officials suggest these requirements actually undermine the promotion of solar power by "impeding access to the best available technology from the global marketplace."

Furthermore, the US claims India's measures are inconsistent with Article 2.1 of the Agreement on Trade-Related Investment Measures. Solar power developers who maintain the domestic content requirement receive special advantages, the US says, including long-term tariffs for electricity.

Strained trade ties

The US-India trade relationship has been under noticeable strain in recent months, with disagreements touching upon on an array of topics, including intellectual property right protections. Separately, the US International Trade Commission is investigating a broad range of Indian policies with an alleged discriminatory impact on US trade and investment.

Whether the result of the general election will improve matters remains unclear, analysts say, especially given Washington's previously lukewarm attitude toward Modi. However, in a statement last Tuesday congratulating the new Prime Minister, US Secretary of State John Kerry reiterated the importance of a friendly Indo-US relationship, calling it "absolutely vital."

[Back to top]