INDIA'S TRADE NEWS AND VIEWS
24 April to 8 May 2014

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'Economic openness is best reflected in a country's trade'
Hamid Ansari, Business Standard

26 April 2014: Throughout our long history, we have been a trading people. Evidence of this is to be found in archaeological remains and recorded history pertaining to west, central and east Asia.

In the last 30 years, world trade in merchandise and commercial services has increased by about seven per cent per year on average, reaching a peak of $18 trillion and $4 trillion, respectively. In the same period, developing economies raised their share in world exports from 34 per cent to 47 per cent and their share in world imports from 29 per cent to 42 per cent.

Despite the recent global economic slowdown, this trend is likely to get strengthened in the future. We will, therefore, find ourselves living in a more interconnected and interdependent global market place with higher levels of trade and capital flows.

Experience shows that development depends largely on a fast pace of economic growth and measured pace of economic openness. While economic growth has its own determinants, economic openness is best reflected in a country's trade and investment flows with the rest of the world.

Trade remains the most reliable and productive way of integrating into the global economy. It does so in six ways. It:

- Helps boost development and reduce poverty by generating growth through increased commercial opportunities and investment, and broadening the productive base.
- Creates employment opportunities, generates stable jobs and usually higher incomes, thus improving livelihoods.
- Allows developing countries to access new markets and new materials, which open up new production possibilities.
- Enhances competitiveness by helping reduce the cost of inputs, acquire finance through investments, increase the value added of their products and move up the global value chain.
- Encourages innovation by facilitating exchange of know-how, technology and investment in research and development. It expands choice and lowers prices for consumers by broadening supply sources.
- Strengthens relations between nations by bringing people together in peaceful and mutually beneficial exchanges and as such contributes to peace and stability. This aspect could be most relevant in our own south Asian region.

Since the beginning of economic reforms and liberalisation of our trade policies in the early 1990s, India's integration with the rest of the world has grown steadily, compared to the first four decades after independence.

In the last decade, India's share in global exports and imports increased from 0.7 per cent and 0.8 per cent respectively in 2000 to 1.7 per cent and 2.5 per cent in 2011. Our ranking among leading exporters and importers improved from 31 to 19 and 26 to 12 between 2000 and 2011. Despite this, our share of global trade is disproportionately small, given the size of our economy and population and in comparison to other large emerging economies such as Brazil and China.

The global economic slowdown in 2008 has thrown up new challenges for us with export growth being continuously negative since May 2012 primarily due to reduced demand from the developed world. With the Doha Round of multilateral trade negotiations stalled, regional trade arrangements are on the rise in most parts of the world. This has led to some trade diversion in favour of intra-regional trade.

Some other challenges, with longer-term implications, are mentioned in the World Trade Report 2013. These relate to:

- The emergence of international value chains, the rise of new forms of regionalism, the growth of trade in services, the greater incidence of non-tariff measures, higher and more volatile commodity prices, the rise of emerging economies, and evolving perceptions about the link between trade, jobs and the environment.
- Apprehension that globalisation brings about rising inequality in incomes. This could result in social pressures and demand for political changes thereby nullifying the gains.
- There would thus be a need for long-term policies for education and training and short-term policies for managing these transitions to ensure future growth, stability and social harmony.

Some other factors relating to availability and pricing of energy, natural resources and primary commodities would be critical, as would be the challenge of availability of water resources for agricultural products so essential for international trade. Equally relevant would be a stable financial and monetary system and policy decisions with regard to trade facilitation, competition and the environment.

Fiscal consolidation, managing inflation, and calibrated liberalisation of capital inflows would help create an environment conducive to greater trade and investment flows. So would diversification of exports along the product space, especially technology-intensive products, and across markets.

Expediting ongoing negotiations for our own FTAs/RTAs/PTAs in Asia, Europe, Africa and Latin America will be essential to counter protectionist tendencies in other parts of the world. Tapping the potential of the service sector, such as tourism, including health tourism, would help mitigate fall in other service exports. On the import side, reducing our dependence on oil imports will remain a perennial challenge.

With limited fiscal space available for the government and with protectionist measures of trading partners showing signs of rising, the policy options left with us are more at the micro level. These relate to improvement in the poor state of our physical infrastructure, especially ports, airports and highways. Our fiscal regime, including taxes and customs duties, needs to be more efficient.

Today, India is ranked 132nd in the "ease of doing business" and 127th on "trading across borders". Addressing these issues could exponentially promote India's export growth and make our external sector an engine for rapid growth.

Edited excerpts from a convocation address by M Hamid Ansari, Vice-President of India at the Golden Jubilee and 48th Convocation of the Indian Institute of Foreign Trade, 17 April, 2014 at New Delhi

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Focused export schemes may not be widened
Vrishti Beniwal & Nayanima Basu, Business Standard

New Delhi, 7 May 2014: The government is likely to turn down industry's demand to widen the scope of focused export schemes for pushing exports under Foreign Trade Policy 2014-19. Instead, it is exploring options that do not have fiscal implications and are compliant with World Trade Organization norms.

Officials said the commerce and finance ministries didn't favour additions to the focused market scheme (FMS) and the focus product scheme (FPS), as this would have revenue implications.

Besides, the government fears such export promotion would not be WTO-compliant. "Most items are already covered in these schemes. If you keep expanding the list by adding small items, it will lose relevance. If we include everything, it isn't focused. We are looking at alternatives to boost exports," said an official, on condition of anonymity.

Exports of a particular product or to a particular market get relief under these schemes. While FMS covers 83 countries, 29 come under the new focus market scheme and 41 under the special focus market scheme. FPS covers 548 items, while an additional 144 are covered by the market-linked focus product scheme.

But officials said this year, the government was planning to restructure the FTP, not focus only on incentives. The focus of the new policy will be consolidating markets, products, services and standards. "FMS and FPS are outright reward schemes. The revenue loss is rising because of the sops given in these schemes. So, non-tariff measures could be considered to boost exports," said a finance ministry official.

Though the FTP will be unveiled by the government that comes to power after the ongoing elections, the bureaucratic machinery has already started preparing for it by considering industry representations. A brief on the matter is being prepared for the next government.

The commerce & industry ministry is planning to roll out the FTP after the 2014-15 Budget is presented (likely in the beginning of July). As the current FTP will expire by July, the new one might be rolled out by August.

"Instead of giving a plethora of incentives under FMS, FPS and other schemes, the focus will be on analysing fiscal instruments. This means we will try to enhance those incentives which are already in place and how to better utilize those rather than offering sops to more products," said a senior official in the commerce department involved in framing the policy. Some, however, feel reward schemes such as FMS and FPS, which offer duty credit scrips, are the best way to promote exports.

"The countries with which we have foreign trade agreements, bilateral investment promotion & protection agreements and comprehensive economic partnership agreements should also be brought under FMS. This will give the double advantage of low tax in those countries, as well as the benefits of FMS. The commerce ministry will evaluate the performance of products under FPS. We can see a few products for which we have developed strength moving out, and others coming in," said Ajay Sahai, chief executive and director-general of the Federation of Indian Export Organisations.

In March, India's exports fell 3.15% to $29.58 billion. For 2013-14, exports stood at $312.35 billion, against $300.4 billion in 2012-13, growth of four%. The government had set an export target of $325 billion for 2013-14.

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India seeks NDMA first to resume trade talks with Pakistan
Dilasha Seth, Economic Times

5 May 2014: India will resume trade talks with Pakistan only after Islamabad officially brings it on par with other trading partners. The backtracking by Pakistan at the last minute in March over cabinet clearance for non-discriminatory market access (NDMA) hasn't gone down well with the Indian side. While any talks will take place only after a new government is formed, Indian officials made it clear that the process can only move further once Pakistan agrees to free up access. Voting in India's general election ends on May 12 and counting will take place on May 16.

The Pakistani government uses the NDMA nomenclature as an equivalent of the term 'most-favoured nation (MFN)' to avoid political resistance at home. Under World Trade Organization (WTO) rules, every member has to grant MFN status to other members. This MFN status is part of a road map drawn up by the two countries to normalise trade relations. Pakistan had agreed to give India non-discriminatory access in December 2012. India accorded Pakistan MFN status in 1996.

"It is up to Pakistan to take the road map forward. This time round when they come, they have to come with their cabinet approval first. We understand that they are working with an honest intent, but things always get stuck at the last minute," said a government official. There is no point progressing without cabinet approval, said another top bureaucrat.

The official trade between the two countries is about $2 billion annually, but significantly more comes through unofficial channels, highlighting the opportunities the two countries have missed because of political reasons.

Pakistan called off the cabinet meeting in March to discuss NDMA status in return for concessional tariffs on a range of its goods exported to India, saying that it would like to engage with the next government. In its latest offer, India promised a reduction in the 30-45% tariff on textiles to 5%. Pakistan had been pushing for dutyfree access for textiles, similar to what India gave Bangladesh in 2011.

Last week, Pakistan's senate recommended that the government exclude agriculture while granting MFN status to India and negotiate that sector under a special arrangement. The Indian side seems to be amenable to this. "Pakistan can put agriculture in their sensitive list. We do not have a problem with that," the Indian official said.

After a 16-month hiatus, the trade ministers of the two countries met along with the commerce secretaries in New Delhi in January to give a fresh impetus to the trade talks. Indian experts said the initiative now lies with Islamabad. "The recurring flip-flops by Pakistan nullify efforts of the two sides to improve bilateral trade, which currently happens through unofficial channels and is about five-six times the official trade. India's stance must be to wait for an NDMA by Pakistan, before participating in more talks," said an expert who didn't want to be named.

In March, India had shared with Pakistan an unofficial document known as a 'non-paper' expanding the items on which concessional tariffs would be available. The number of items on which it would 't be given access was drastically pruned to 100 sensitive items from 614 items now. In return, Pakistan was to allow 1,209 items that are currently banned from India, besides further opening up the land route for trade. Currently, Pakistan allows only 137 items to be imported through the Wagah-Attari land route. It was considering opening up the land route to all items.

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India, South Africa trade up 31% at $7.6 b
Business Line (The Hindu)

Mumbai, 25 April 2014: Bilateral trade between India and South Africa grew 31 per cent to $7.6 billion in the just ended financial year, against $5.8 billion in the same period last fiscal.

Speaking to Business Line on the occasion of 20 years since the end of apartheid in South Africa , Pule I Malefane, Consul General, Republic of South Africa, said both the countries managed to improve trade relations despite the economic growth in South Africa slowing down to 2.5 per cent in the financial year ended March, 2014, against 3.8 per cent logged in the same period last fiscal.

“Many Indian companies have invested in South Africa last fiscal. Prominent among them are $15-billion investment by Apollo Tyres, and $8 billion by KLT Automotive and Tubular Products. Exim Bank has opened a branch in South Africa to promote bilateral trade,” he said.

The long standing democracy not only attracts foreign investment but also ensures that their interest is protected and any trade issues are settled amicably under the well defined law of the land, said Malefane.

IBSA meet soon

The next meeting of the international tripartite grouping between India, Brazil and South Africa (IBSA) is expected to be held in the later half of this year. The three countries have formed the body to represents three important poles for galvanising South-South cooperation and greater understanding between three continents.

“The meeting was supposed to be held in the first half of 2014, but had to be postponed as all the three countries are going to polls this year. We will fix a data before end of this year,” he said. The intra-IBSA traded recently touched $23 billion.

Malefane expects free trade agreement will also be discussed afresh by the new government which will take charge soon.

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EU decision to ban Indian mangoes imports is pre-mature: Rajeev Kher
PTI

New Delhi, 1 May 2014: India today said the European Union's decision to ban import of vegetables and mangoes was "pre-mature" and shocking and asked the 28-nation bloc to lift the restrictions. "EU's action of banning vegetables and mangoes in our view is pre-mature and it shocked us...," Commerce Secretary Rajeev Kher said here.

He said that EU's agency on sanitary and phyto-sanitary, and India's National Plant Protection Organisation and Agricultural and Processed Food Products Export Development Authority (APEDA) were already discussing the quality issues.

Concerned agencies from both the sides had reached at an understanding and India had already initiated the process to put in place the proper mechanism to deal with the matter related with exports of vegetables and mangoes from India to EU, he told reporters. "For all exports, we have specified a procedure which would necessarily have to involve pack-home before the shipments are made and in our estimation that would have taken care of the problem," he added. Kher said that India has urged the EU's director general for trade to arrive at an early solution for the issue.

Commerce Minister Anand Sharma has already written a letter to EU Trade Commissioner Karl De Gucht on the matter saying that the ban has caused considerable apprehensions and alarm in the country. "It is surprising that the EU Commission has chosen to take this unilateral action without any meaningful official consultation," Sharma's letter has said. It has said that India has mandated strong (SPS) sanitary and phyto-sanitary (related with plants and animals) standards and those norms are enforced by state-run regulatory body, which ensures appropriate compliance. The EU's decision is "unfair" and it would potentially jeopardise India-EU agri trade.

On Monday, the EU banned the import of Alphonso mangoes, the king of fruits, and four vegetables from India for the period from May 1 to December 2015 after authorities found consignments infested with fruit flies. The ban was imposed on Alphonso mangoes, eggplants, the taro plant, bitter gourd and snake gourd to tackle "significant shortcomings in the phytosanitary certification system of such products exported to the EU." Imports have been restricted as 207 consignments of mangoes and some vegetables shipped from India in 2013 were found to be contaminated by pests.

The UK imports almost 160 lakh mangoes from India and the market for this fruit is worth almost 6 million pounds a year.

India, the world's largest mango exporter, sells about 65,000-70,000 tonnes of all varieties of the fruit overseas out of its total production of 15-16 lakh tonnes.

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EU mango ban to leave bitter-sweet taste
Sohini Das & Kalpesh Damor, Business Standard

Ahmedabad, 30 April 2014: As the European Union (EU) bans mangoes from this country starting 1 May, it could leave a bitter-sweet taste in Indians' mouths. While mango lovers would have the tastiest alphonso and kesar varieties at more affordable rates, traders and exporters stand to lose a few hundred crores.

Local prices have been down 15 per cent for the last few days. Traders expect a further fall of 25 per cent in 15-20 days, as excess supplies start coming. While the EU is not a major market for Indian mangoes (accounting for less than 10 per cent of total exports), nonetheless, any ban hits traders who have to struggle to find new markets to divert excess stocks. Traders say losses could be Rs 100-120 crore.

The Agricultural and Processed Food Products Export Development Authority (Apeda), however, is not panicking. Sudhanshu, western in-charge, says, "Of the 55,000 tonnes of exports in 2012-13, 3,890 tonnes went to the EU. This year, too, exports were allowed till April 30. The season for alphonso, major part of exports, lasts till mid-May. Already, 50 per cent has been exported." Apeda does not compile export data by categories.

While exporters would have a tough time cracking new markets, exports to the existing markets of the US, West Asia, China and Southeast Asia would increase. West Asia is a traditional market for Indian mangoes. It accounts for 50 per cent of exports.

Abhijeet Bhasale, managing director of Pune-based import-export house Rainbow International that is also into e-tailing through mangowale.com, said, "With the EU banning imports, exporters will not immediately be able to switch to other markets." He added India was likely to double exports to the US to 620 tonnes this year due to the capacity increase of the irradiation unit at Lasalgaon in Maharashtra.

Bhasale said overall export figures were higher than Apeda ones as many exporters were not registered with the latter. "Exports to EU were 6,000 to 7,000 tonnes last year."

Data from the National Horticulture Board show wholesale prices of alphonso having fallen from Rs 68-92 a kg on April 1 to Rs 40-50 a kg on April 30 in Mumbai. A Surat-based exporter said mango prices had come down 15 per cent in a week.

Nanjibhai Patel, a Junagadh-based trader said prices were likely to be down 25 per cent in 15 days as the season began. He added as traders attempted to divert excess supplies to other markets, they might end up getting lesser prices in the export market, too. The kesar variety is likely to take a hit in exports, as the season starts May on. Traders said kesar mango, produced mainly in Gujarat, was the second-most exported after alphonso, followed by the Banganapalli, Rajapuri and Dussehri.

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India may lose top rice exporter spot to Thailand
Reuters

Mumbai, 24 April 2014: India's rice exports could slide by nearly a quarter this year and knock the country off its perch as top exporter of the grain, due to stiff competition from Southeast Asian rivals that have recently slashed prices, sector executives said.

A drop in Indian exports could help Thailand trim a record inventory, chalked up under a controversial rice-buying scheme. Thailand might also be able to reclaim its status as the world's biggest rice exporter, which it lost to India two years ago. It will also leave more rice in Indian hands at a time when the country's stocks are bulging and it faces the prospect of a record harvest, creating problems of storage.

"We are almost out of the market now. Thailand and Vietnam are selling aggressively and it is difficult for Indian exporters to match those prices," B V Krishna Rao, managing director at Pattabhi Agro Foods, India's biggest non-basmati rice exporter said. "Thailand will again become the world's biggest rice exporter. Our non-basmati rice exports could drop to 4 million tonnes (mt)."

India toppled Thailand in 2012 to become the world's biggest rice exporter, after the government lifted a four-year-old ban on non-basmati rice shipments in 2011 to trim a growing mountain of the grain following bountiful harvests. In the 2013-14 financial year that ended on March 31, India's total rice exports stood at a record 10.5 mt, comprising four mt aromatic basmati rice and 6.5 mt of the non-basmati variety.

While India's shipments of the basmati variety are likely to remain steady in 2014-15 at around four mt, total rice exports could drop to eight mt due to the slide in exports of non-basmati rice, officials said. Desperate for revenues, Thailand has this year been selling larger quantities of the grain from state warehouses at low prices to private traders. Thai-origin rice was offered at the lowest price in an international tender from Iraq's state grains buyer to purchase at least 30,000 tonnes, European traders said on Tuesday.

The push could boost Thailand's rice exports to nine mt in the 2014 calendar year from 6.7 million a year ago, according to a March report issued by a US Department of Agriculture attache in Thailand. India's exports in the 2014 calendar year are expected to be lower than that, industry executives said.

Thailand is now offering five per cent broken rice at $390 to $395 a tonne free-on-board basis, compared to India's offer price of $400.

The Southeast Asian nation usually charges a premium over Indian rice due to its longer grains.

"India and Thailand are quoting nearly the same price for five per cent broken rice. Thailand's prices need to go up by $40 a tonne to make Indian exports viable," said M Adishankar, executive director at Sri Lalitha, a leading rice exporter based in the southern Indian state of Andhra Pradesh.

Problem of plenty

Since the first week of February, Thailand has cut export prices of five per cent broken rice by nearly 12 per cent, compared with a two per cent drop in export prices from Vietnam, the world's second-biggest exporter. Indian prices rose two per cent during the same period as the rupee strengthened.

"For some grades Thailand has been offering discounts compared to Indian prices. Indian exporters can't lower prices substantially due to the appreciating rupee," said M P Jindal, president of the All India Rice Exporters Association.

A strong rupee cuts the returns of exporters. The Indian currency has risen nearly three per cent since the start of February.

The imposition of a 110 per cent import duty on rice last year by Nigeria, a major importer of the grain from India, could further hamper exports from the South Asian country.

India mainly exports non-basmati rice to African countries such as Nigeria, Senegal and Benin, while Iran, Saudi Arabia and United Arab Emirates are key buyers of its basmati rice.

"Shipments to Nigeria are hit due to the new duty structure," said Adishankar of Sri Lalitha.

Other African buyers are switching to Thailand as the government has been aggressively selling stocks from its warehouses, the exporters said.

Slowing exports will add to India's problem of plenty in foodgrains. Rice inventories with India's state-run agencies have already jumped above 30 mt as on April 1, government data shows, against a target of 14.2 mt. Moreover, the country is estimated to produce a record 106.19 mt rice in the year to July 2014.

"Slowing exports mean more and more farmers will sell their crop to the government, but it doesn't have enough storage space," said a rice miller based in Kakinada, Andhra Pradesh.

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Record cashew exports last fiscal
GK Nair, Business Line (The Hindu)

Kochi, 25 April 2014: Cashew exports rose to a record high last fiscal in volume and value compared with the previous fiscal.

Total shipments during 2013-14 increased by over 13 per cent to 1,13,620 tonnes from 1,00,105 tonnes. Total value realisation was Rs 4,975.96 crore (Rs 4,046.23 crore) despite an increase in the average unit value to Rs 439.34/kg, according to Cashew Export Promotion Council of India (CEPCI).

“Performance in all the segments of exports, including cashew nut shell liquid, roasted and salted cashew kernel showed an upsurge as market conditions were favourable,” K Sasi Varma, Executive Director and Secretary, CEPCI, told Business Line.

Export of cashew nut shell liquid also rose during last fiscal to 9,226 tonnes valued at Rs 37.26 crore from 9,192 tonnes valued at Rs 29.84 crore during April-March 2012-13, he said.

Processing units

Varma said that the cashew processing facility in the country could process over two million tonnes of raw nuts but the availability is limited, making up some one-third of the requirement.

Therefore, the processing-exporting industry has to depend on imported raw nuts for decades.

Unfavourable exchange rate, coupled with high (non-parity) prices, has caused a drop in imports of raw nuts which is likely to affect exports later on, Varma said.

Imports of raw nuts decreased during 2013-14 to 7,58,111 tonnes valued at Rs 4,457.72 crore from 8,92,365 tonnes valued at Rs 5,331.74 crore, he said.

Low yields

Though raw cashew nut production in India has more than doubled in the last two decades, poor yield is still a cause for concern compared to competitors such as Vietnam.

The area under the crop has increased to over 10 lakh hectares in 2013-14 from around 9.8 lakh hectares in 2012-13.

The production last fiscal is estimated at around 7.4 lakh tonnes against 7.3 lakh tonnes the previous financial year, according to official sources.

Viet statistics

Vietnam, of late, has emerged as the top producer of the commodity displacing India.

Total raw cashew production in Vietnam in 1993 was 1.86 lakh tonnes from 69,100 hectares. It shot up to 12.73 lakh tonnes from a total area of 3.31 lakh hectares in 2011, according to the latest FAO statistics. The yield from a hectare is currently 3.8 tonnes in Vietnam against India’s 772 kg.

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Coffee exports surge 11% in April
PTI

New Delhi, 6 May 2014: India's coffee exports rose by over 11% in value terms at Rs 535.83 crore in April this year on better realisation following firm global prices, according to the Coffee Board.

Coffee shipments from India — the world's fifth biggest exporter — stood at Rs 480.77 crore in the corresponding period of last year. However in volume terms, shipments fell by over 4% at 31,836 tonne in April this year from 33,211 tonne in the year-ago period. "The export realisation remained as high as Rs1,68,362 per tonne in April, 2014, against Rs1,44,762 per tonne in the year ago because of better global prices," a senior Board official said.

But the volume of coffee exports from India remained lower last month as domestic traders held back stocks anticipating recovery in global prices, which have firmed since February on likely drop in production in the world's largest coffee producer Brazil, the official added.

According to the Board, global coffee prices have already risen by over 80% this year owing to concerns over drought conditions in Brazil and an outbreak of coffee leaf rust plant disease in Central America. In the last week of April, arabica-quality coffee prices at New York had touched 219 US cents on April 24 — the highest since February 2012. Robusta futures price for July had risen to $2,156 a tonne from $2,086 a tonne.

The Board official said harvesting of coffee in the country has got over now. Overall domestic production is expected to be in line with the Board's estimate of 3,11,500 tonne for 2013-14 crop year, down by 2.1% from 3,18,200 tonne produced in 2012-13.

India exports coffee to Italy, Germany, Belgium, Jordan, Turkey and Russia, among others.

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Textile exports make a comeback in FY14
Indivjal Dhasmana

New Delhi, 26 April 2014: Textiles were the only star turn in an otherwise humdrum Indian export performance in 2013-14.

Cotton fabric exports grew 19.90 per cent to $8.07 billion in the first 11 months of 2013-14, accelerating from 8.30 per cent growth in the same period of 2012-13. Cotton garment exports grew 8.14 per cent to $8.15 billion and synthetic fabrics and made-ups grew 12.95 per cent to $4.63 billion in the first 11 months of 2013-14 against contractions of 14.19 per cent and 12.47 per cent, respectively, in the comparable period of 2012-13.

"The currency fluctuation helped us. We became more competitive and were able to rework our pricing. Also, we were able to grab the Chinese market share because they were selling at a higher price," said HKL Magu, an apparel exporter who supplies to Calvin Klein, Superdry and Next.

Magu is expecting a 15 per cent rise in his 2013-14 turnover and sees demand surging in 2014-15. Not only exports, India's textile production grew 4.6 per cent in April-February 2013-14 even as the index of industrial production shrank by 0.1 per cent.

Recovery in merchandise exports overall was slow in 2013-14, despite the rupee's depreciation. Exports rose just 4.43 per cent to $281.82 billion in April-February 2013-14 against a 2.62 per cent decline in the corresponding period of 2012-13. The rupee depreciated over 11 per cent, year on year, during April-February 2013-14.

Though export data for the previous financial year shows a rise of 3.98 per cent from the prior year, disaggregated numbers for most items are available only till February. Trade revival was marred by the two largest components of India’s export basket: crude oil and petroleum products, and gems and jewellery. Drugs, to an extent, also slowed the recovery. Exports of crude and petroleum products, which constitute a fifth of India's total outbound shipments, climbed 2.13 per cent to $56.56 billion in April-February 2013-14 from $55.38 billion in the corresponding period of the previous year, when they had grown 9.15 per cent.

The average price of Brent crude fell to $107.59 a barrel in 2013-14 from $110.12 in 2012-13. Lower realisations ensued as refinery products fetched less. Sluggish overseas demand also contributed.

“The rupee’s depreciation is not helping because global demand is low. Our petroleum exports are not elastic to price,” Madan Sabnavis, chief economist of CARE Ratings, a credit rating agency, said.

Ajay Sahai, director-general and CEO of the Federation of Indian Export Organisations (FIEO), attributed the slow growth in petroleum product exports to low rates in global markets. Reliance Industries’ latest results show exports from its two refineries reached $41.1 billion in 2013-14, up 4.5 per cent from $39.3 billion in the previous year. The company’s exports had climbed 9.16 per cent in 2012-13 from $36 billion in 2011-12.

Exports of gems and jewellery, where data is available for the full year, contracted 8.86 per cent to $39.5 billion in 2013-14 from $43.3 billion a year ago as the government curbed the import of gold, a key raw material. Jewellery exports had shrunk 3.3 per cent in 2012-13.

The government hiked the import duty on gold for a third time in eight months to 10 per cent last April, besides seeking export of 20 per cent of imported gold.

Vipul Shah, chairman of the Gems and Jewellery Export Promotion Council, said, “More than other curbs on gold imports, I will ask for cutting down the import duty on gold. In that case, exports of gems and jewellery can grow 15 per cent this financial year, as the world markets are recovering.

Like previous years, three export lines apart from petroleum and jewellery crossed $10 billion in 2013-14: transport equipment, machinery and drugs. As regulatory strictures hit Indian drug companies in the US and other advanced markets, pharmaceutical exports climbed 2.71 per cent to $13.55 billion in April-February 2013-14 from $13.17 billion in the corresponding period of the previous year, when they had grown 10.97 per cent.

Utkarsh Palnitkar, partner and head of the life sciences practice at consultancy firm KPMG, said 40 per cent of India’s drug exports head for markets that have strict inspectors and this chunk could be hurt by regulatory zeal. Exports to markets like Africa and West Asia, which make up the remaining 60 per cent, would remain insulated from the erosion, he added.

Transport equipment exports rose 19.53 per cent to touch $20.05 billion in April-February 2013-14 from $16.77 billion in the same period a year ago, when they had fallen 13.67 per cent. India’s automobile industry may be struggling with slowing sales at home but foreign markets provided them succour in the previous financial year. Among other significant items of export, machinery was up 6.66 per cent at $14.17 billion in April-February 2013-14 against $13.63 a year ago, when they had grown 5.79 per cent. Electronic exports declined 4.72 per cent to $6.96 billion, steel rose 30.36 per cent and basmati rice 42.32 per cent.

R S Sheshadri, director at Tilda Riceland, one of India’s leading basmati rice exporters, attributed this to the 20-30 per cent increase in price Indian basmati fetched in the international market in 2013-14 as compared to the same period last year. Though, volume wise there might not have been a significant rise in basmati rice exports.

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India's leather exports to take a hiding
Bhaskar Balakrishnan, Business Line (The Hindu)

4 May 2014: The recent EU ban on imports of Indian Alphonso mangoes after pests were reportedly found in consignments has generated considerable concern. Now the EC has notified the WTO of its plan to introduce new restrictions on leather goods imported into the EU. These new rules target hexavalent chromium, or Cr(6), in leather products and could take effect in early 2015.

This could seriously hit the global leather goods trade. Almost 60 per cent of India's leather exports, worth $5 billion in 2012-13, go to the EU. India along with other affected exporting countries such as China, Vietnam and Turkey, needs to take proactive action to meet this threat.

Chromium tanning, used in 80 per cent of leather production globally, results in higher strength and resistance to temperature. The chemical used is chromium sulphate, which is trivalent chromium, and not harmful.

However, exposure to sunlight and air can oxidise the trivalent Chromium to Cr (6). In cars, for instance, the leather can be subject to high temperatures and sunlight in summer. Cr (6) can cause lung cancer if inhaled, especially by workers in chromium mining, electroplating, welding and tanneries.

In January 2012, Danish authorities submitted a dossier to the EC on reported cases of contact dermatitis and allergies caused by Cr(6) in leather articles such as shoes, handbags and gloves. A study of over 16,000 patients with eczema in Denmark concluded that the majority of cases were caused by leather products — particularly footwear.

Wide-ranging impact

The dossier requested action on an EU-wide basis to safeguard human health. According to the dossier, the mechanisms of and conditions under which Cr (6) is formed are known and "most tanneries in the European Union have already developed and widely implemented measures to control and minimise its formation".

This last assertion means tanneries and leather manufacturers in the EU will get a huge competitive advantage if the restrictions are applied. Consumers would end up paying higher prices for the products. The EU has in the past lobbied hard to get export restrictions and duties on semi-finished leather lifted. Meanwhile, Germany banned the presence of Cr (6) under the German Ordinance on Commodities (BGVO) since August 2010, which explicitly mentions clothing, furniture and bags. Producers or retailers of leather goods are obligated to ensure that Cr (6) is not present.

On November 2012, the Risk Assessment Committee endorsed and widened the recommendation by Denmark, to cover "leather articles and articles containing leather parts that, under normal or reasonably foreseeable conditions of use, come into contact with the skin. The limit set for such articles is less than 3 mg/kg of Cr (6) in total dry weight of leather, which could reduce by 80 per cent the risk of contact. The proposed restrictions would go into effect in the first quarter of 2015. Existing stocks of leather goods and second-hand leather articles already within the EU would not be covered.

Examples of products that will come under the restrictions are: footwear, gloves, articles of clothing, accessories such as hats, belts and braces, watch straps, purses and wallets, bags, horse-riding gear, dog-leashes, auto seats, covers for car steering wheels, and furniture. Suppliers have time until the new curbs apply in 2015 to take care of their existing stock that does not comply with the new requirement.

Disruptive

The EU move to ban leather articles that contain more than 3 mg Cr (6)/kg is out of proportion to the problem of chrome allergies caused by leathers. It will cause severe disruption in the global leather industry.

Only about 0.2 per cent of the European population is said to be sensitive to chromium but chrome-tanned leather has been worn for over 100 years and this sensitivity has been known but managed. People allergic to Cr(6) can wear socks to reduce contact and can wear synthetics if necessary. Before any restriction is considered there should be substantial further investigation into issues such as managing allergies to leather items; control of Cr(6) formation in finished leather; viable substitute for chrome in shoe leathers; consequences of the restriction throughout the world; and whether the restriction will actually solve the problem of chrome allergies.

Obviously the proposed restriction will have a drastic and adverse impact on Indian leather exports to the EU. Other countries such as China, Vietnam, Turkey, etc., with substantial leather goods exports to the EU, will also be affected.

While techniques to reduce Cr (6) levels have been adopted by EU tanneries (such as chrome6-free process), and there are technologies that totally eliminate chromium (glutaraldehyde process), time and technical support are required for tanneries to make the adjustments.

India's leather industry needs to take early action. This should include submitting a well argued counter to the WTO questioning the basis for the ban, supported by other affected countries. Technology upgrades are required too, to cut Cr(6) levels to the minimum. This will require improved tanning and processing techniques such as Chrome6free and others developed and used by EU tanneries.

The writer is a former Ambassador of India with special interest in EU affairs

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Urea imports down by 30% to Rs 15,353 cr in 2013-14
PTI

3 May 2014: Urea imports decreased by 30 percent to Rs 15,353 crore in 2013-14 due to a fall in global prices and lower volumes. The country had imported urea worth Rs 20,016 crore in 2012-13. According to the Fertiliser Ministry data, imports in terms of quantity have fallen by 12 percent to 7.08 million tonnes (MT) in 2013-14. The country had imported 8.04 MT of urea in the entire 2012-13 fiscal. One reason attributed to lower volumes is availability of carry-over stocks.

"There was a decline of average USD 50 per tonne in the prices at which urea was imported in 2013-14 at about USD 340 per tonne, while the previous year's average price stood at about USD 389 per tonne," Indian Potash Chairman P S Gahlaut said. Urea is imported by three state trading enterprises - Indian Potash Ltd, MMTC and STC on behalf of the government to meet domestic shortfall.

The country produces about 22 MT against an annual domestic demand of 30 MT. The government also imports urea from OMIFCO, which is a joint venture project of IFFCO and Kribhco, with an offtake agreement at a fixed price. In the year ended on March 31, 2014, the nutrient imported by IPL and STC has decreased to 2.54 MT and 0.74 MT, respectively as compared to 3.62 LT and 2.03 LT in the year 2012-13. However, there was an over three-fold increase in imports by MMTC to 1.68 MT as compare to .54 MT during the period under review. According to data, the offtake of urea from Omiffco in the year 2013-14 has also increased to 2.12 MT against 1.83 MT in the year 2012-13. Urea is provided to farmers at a fixed subsidised maximum retail price (MRP) of Rs 5,360 per tonne. The difference between the cost of production and MRP of urea is provided as subsidy.

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India begins probe into stainless steel dumping by China, Korea
PTI

New Delhi, 25 April 2014: India has initiated an investigation into alleged dumping of a certain variety of stainless steel by China, Korea and Malaysia following a complaint by Jindal Stainless Ltd.

The commerce ministry's designated authority, the directorate general of Anti-Dumping and Allied Duties (DGAD), has begun a probe into alleged dumping of "certain Hot-Rolled Flat Products of Stainless Steel 304 series".

In a notification, the DGAD has said the applicant has provided sufficient evidence that the normal value of the product in these countries is significantly higher than the net export price. The evidences have prima facie indicated that the product is being dumped from China, Republic of Korea and Malaysia, it said.

"The authority finds sufficient prima facie evidence of dumping of subject goods by the countries, injury to the domestic industry and causal link between the dumping and injury, the authority hereby initiates an investigation ...," the notification said. In the probe, the directorate would determine the existence, degree and effect of alleged dumping and will recommend amount of anti-dumping duty, "which if levied would be adequate to remove the injury to the domestic industry".

The DGAD is the nodal agency under the commerce ministry for such investigations.

The period of investigation is April 2012 to June 2013. However, for the purpose of analysing injury, the data of previous three years (2009-2012) would also be considered, the notification added.

The country's largest stainless steel producer, Jindal Stainless Ltd, in its submission has said that the "application has been made by or on behalf of the domestic industry".

This particular variety of the steel is used for manufacture of process equipment, re-rolling, reactor vessels, material handling equipments, railways, pipes and tubes, automotive components, building and construction, industrial fabrication and power sector.

Unlike safeguard duties, which are levied in a uniform way, anti-dumping duties vary from product-to-product and from country to country.

Countries initiate anti-dumping probes to check if their domestic industries have been hurt because of a surge in cheap imports. As a counter measure, they impose duties within the multilateral regime of the

WTO. Anti-dumping measures are taken to ensure fair trade and provide a level playing field to domestic industry. It is not a measure to restrict imports or cause an unjustified increase in the cost of products.

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US defers decision on downgrading of India's intellectual property regime
Economic Times

New Delhi, 1 May 2014: The United States on Wednesday deferred decision on India's intellectual property regime, providing partial relief from the much anticipated downgrade that could have led to trade sanctions against the country.

The US Trade Representative (USTR) would now conduct an 'out of cycle' review for India's case later this year.

ET had on Wednesday cited this as the first and the most likely possibility for the US to adopt, in the backdrop of ongoing elections in India.

The USTR reviewing whether India's intellectual property environment has deteriorated enough to warrant a label of 'priority foreign country', a label which could trigger American trade sanctions against India.

The prospect of engaging with a new political establishment, which may have fresh takes on many contentious issues raised by the US government may have prompted it to adopt a 'wait and watch' approach. However the US TR has not minced words in harshly attacking a series of recent patent related policy moves and legal pronouncements here.

The US trade government agency held that 'IP protection and enforcement challenges are growing, and there are serious questions regarding the future of the innovation climate in India across multiple sectors and disciplines'.

In the pharmaceutical sector and increasingly in other sectors, such as the agro-chemicals and green technology sectors, some innovators face serious challenges in securing and enforcing patents in India, said US' special 301 report which grades select countries on what it thinks have defaulted in providing IP protection.

On the expected lines, the US TR is sharply critical of India's judicial and subsequent policy interpretation of section 3(d), which aims to sieve out frivolous patents and thwart attempts of 'evergreening' of patents and compulsory licensing .

The report says that section 3(d) may be setting different standards for patenting different 'inventions', by setting a higher threshold for drugs. India's interpretation could limit the patentability of potentially beneficial innovations such as drugs with fewer side effects, decreased toxicity, improved delivery systems, or temperature or storage stability and those innovations which enjoy patent protection in other countries, the report said.

The US would monitor developments around compulsory licensing of patents in India. Seeking greater transparency on current 'inter-ministerial process that is considering over a dozen patented medicines as candidates for government- initiated compulsory licenses', US has urged India to take inputs from innovators in such matter.

It has also expressed concern over India promoting compulsory licensing in its National Manufacturing Policy as a tool for government entities to implement technology transfer in the clean energy sector.

By allowing opposition of patent before and after the grant, India allows applications to be tied up in costly challenge proceedings for years. The patent term for innovator begins from the application filing date, thus impeding an applicant's ability to make investments and conduct business, US feels.

It has also demanded data protection for pharma innovator firms without which it cribs 'companies in India reportedly are able to copy certain pharmaceutical products and seek immediate government approval for marketing based on the original developer's data'.

Online piracy in India, which has the third largest userbase worldwide at 120 million users and the rampant practice of video piracy through camcording disturbs US.

US Chamber of commerce, which has been lobbying for pressure on India, welcomed the decision.

"We are encouraged that USTR recognizes the growing concerns with India's deteriorating IP environment, and support the decision to initiate an 'out-of-cycle' review of India. We hope that this step will generate much needed dialogue for the US and Indian governments to address the concerns identified in the Report. We look forward to working with the next Government of India to promote a robust IP climate" said US Chamber of Commerce's Global Intellectual Property Center (GIPC) Executive Vice President Mark Elliot.

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India will not join US' unilateral IPR law probe
Business Line (The Hindu)

New Delhi, 1 May 2014: India has refused to participate in any unilateral investigation carried out by the US on the country's intellectual property laws, but is prepared to discuss the matter bilaterally.

"It is the US that has decided to carry out such an investigation, but we don't have to be a party to it. We are not bound by our commitments at the WTO or bilaterally," Commerce Secretary Rajeev Kher said at a press conference on Thursday.

The office of the US Trade Representative on Wednesday stopped short of blacklisting India as a 'priority foreign country' in its 'Special 301' report on countries with lax intellectual property regimes. The USTR kept India on the 'priority watch' list and said it will carry out an 'out of cycle' review of the country's IP regime when the new government is in place.

Open to discussion

Kher said that though India's intellectual property regime was fully compliant with WTO rules and the Trade Related Intellectual Property Rights regime, it did not mind discussing any concerns that the US may have on the matter.

The Commerce Secretary is to meet the Deputy USTR Wendy Cutler next month to discuss trade issues, including intellectual property, following which there will be a meeting of the Trade Policy Forum — the platform for bilateral trade policy talks.

“I had a conversation with Deputy US Trade Representative Wendy Cutler last evening on the report. I made it clear that India is willing to engage in bilateral conversation and TPF was the best mechanism for this,” he said.

US-based pharmaceutical multinationals have been lobbying hard to get India included in the ‘priority foreign country’ list, which would have led to unilateral trade sanctions against the country.

Compulsory licence

The drug companies are upset with India’s 2012 decision to grant a compulsory licence to an Indian company for manufacturing a copied version of Bayer’s cancer medicine Nexavar; this move brought down prices by 90 per cent. They also want India to drop Section 3(d) of its Patent Act, which does not allow ‘ever-greening’ by refusing patents for incremental innovations.

India says that its position on all the areas of their concerns, which also include the issue of data exclusivity and patent linkages, was well evolved, legally sound and complied with WTO norms.

Kher said that India was not apprehensive about the ‘out of cycle’ reviews as it had not broken any law. “It appears to be a wise decision on the part of the US not to hasten to get into a decision which would have adversely affected bilateral trade relationship and a larger economic engagement between the two countries, particularly at a time when we are at a stage of political transition,” he said.

The US was India’s third largest trading partner in 2012-13 accounting for exports worth $36 billion and imports of $25 billion.

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India Rejects U.S. Panel Request in Solar Dispute, Probes State Programs
World Trade Online

30 April 2014: India is fighting back against U.S. charges that its national solar program violates World Trade Organization rules, both by rejecting the U.S.'s first request for a dispute settlement panel last week and by questioning solar power programs that have been enacted by four U.S. states.

The U.S. is challenging the local content requirements in both phases of India's Jawaharlal Nehru National Solar Mission (JNNSM), an initiative designed to boost the country's solar power sector. The U.S. made its first panel request on the Indian solar program at the April 25 meeting of the WTO Dispute Settlement Body (DSB).

But India rejected that request at the meeting, saying it believed a mutually agreed solution was still possible and therefore was not in a position to agree to the panel's establishment.

Under WTO rules, India can reject the first panel request, but not a second one. The U.S. can wait for the next DSB meeting in May to make its second request or it can call for a special meeting to take place before then.

At the DSB meeting, the U.S. repeated the points it made in its panel request – that India's local content requirements in both Phase I and Phase II of the JNNSM violates the national treatment obligations of Article III.4 of the General Agreement on Tariffs and Trade.

The U.S. is also charging that India is violating Article 2.1 of the Agreement on Trade-Related Investment Measures, which forbids countries from applying investment measures that are inconsistent with its national treatment obligations. The U.S. is not alleging a violation of the WTO Agreement on Subsidies and Countervailing Measures (ASCM), which it had previously done in its first request for consultations.

Solar power developers participating in the JNNSM are required to purchase domestic-made solar cells and modules to enter into power purchase agreements with Indian power companies, according to the U.S. panel request. If they meet the local content requirement, these developers can also receive additional benefits and advantages, the U.S. charges.

The U.S. and India held consultations over the first and second phases of the JNNSM on March 20, 2013, and March 20, 2014, respectively. However, those consultations did not resolve the dispute.

The U.S. panel request came two days after environmental groups including Greenpeace and the Sierra Club urged U.S. Trade Representative Michael Froman to drop the WTO challenge. The groups argued that the need to stop global climate change should outweigh commercial considerations for U.S. solar firms.

"While it is critical to support and build a U.S. solar industry, the development of our solar industry should not come at the expense of India's ability to develop its solar industry," the April 23 letter said.
At the same time India is fending off the U.S. challenge, it is shining the spotlight on renewable energyincentive programs put in place by the U.S. states of Minnesota, Delaware, Connecticut and Massachusetts that provide benefits for companies that use renewable energy equipment manufactured in that state.

In questions submitted to the U.S. in April 2013, India asked the U.S. to explain how these programs are not prohibited subsidies as outlined in Articles 3.1 and 3.2 of the ASCM. Under the ASCM, prohibited subsidies are ones that are contingent upon export performance or on the use of domestic over imported goods.

For instance, the Massachusetts program identified by India provides an additional rebate if companies use "a significant component" that was manufactured by a company with "a significant Massachusetts presence."

The U.S. responded to the questions in a seven-page reply that was circulated to all members on April 24. In each case, the U.S. provided a detailed explanation of the programs, but did not directly address India's allegations that the programs in question were inconsistent with the ASCM.

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India threatens to drag EU to WTO on mango
Asian Age

3 May 2014: India on Friday threatened to take European Union (EU) to the World Trade Organisation (WTO), if it did not lift its ban on the import of Indian mangoes and vegetables. “We do hope that the EU will see sense, considering the strength of the economic partnership between India and EU, and not precipitate the situation any further, which leads us to go to the WTO,” said Union commerce and industry minister Anand Sharma.

He termed EU's move to ban Indian mangoes as an "arbitrary action without any consultation." The minister said that government has invested in creating world-class laboratories throu-gh the Agricultural and Processed Food Products Export Development Authority (APEDA) and their certification processes are acceptable to the EU, the US and other countries.

Mr Sharma noted that he had already written a letter on the matter to EU trade commissioner Karel De Gucht. "The EU has no justification and I have said in my communication that it will definitely have a very negative fallout in respect of our economic relationship," Mr Sharma said.

EU has banned the import of Alphonso mangoes and four vegetables from India for the period from May 1 to December 2015 after authorities allegedly found consignments infested with fruit flies.He said APEDA has the mandate of certification of agri produce exports and that is acceptable to all countries. "That is why APEDA and the commerce ministry have taken up this matter," he said, expressing hope that the issue would be resolved. On Thursday, commerce secretary Rajeev Kher said that the issue should be addressed through consultation and not preferably at WTO.

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