INDIA'S TRADE NEWS AND VIEWS

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Brazil's Roberto Azevedo to head World Trade Organization
Brazil's Roberto Azevedo was named head of the World Trade Organization at a time it struggles to find ways to revive stalled talks on freeing global commerce and to help develop poorer nations…

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

Govt pares exports target to $325 bn
ENS Economic Bureau

New Delhi, 9 May 2013: Moderation in demand and shaky recovery in the developed markets have forced the government to scale down the export target. The exports target for 2013-14 is $325 billion as against $360 billion in 2012-13, Parliament was informed on Wednesday.

"Government has set an export target of $325 billion for the year 2013-14," minister of state for commerce and industry D Purandeswari said in a written reply to the Rajya Sabha.

The economic slowdown in major markets like the US and Europe impacted India's export adversely last fiscal.

The country's exports fell for the first time in three years by 1.8 per cent to stand at $300.6 billion taking the trade deficit to a record high level of $191 billion.

Declining exports also adversely impacted the current account deficit which widened to 6.7 per cent of GDP in the third quarter of the last fiscal.

The Reserve Bank of India (RBI), estimates the CAD for 2012-13 to be around 5 per cent of the GDP, on the back of modest improvement in exports in the last few months.

"As per provisional figures, export registered an increase of 0.8 per cent for the month of January after a continuous fall during May, June, July, August, September, October, November and December 2012," Purandeswari said.

The government had, however, refrained from fixing a target when it announced its foreign trade policy on April 18 this year.

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Services PMI falls for third straight month in April
The Financial Express

New Delhi, 7 May 2013: Indian services growth eased dramatically during April as new orders came in at a much slower pace, prompting firms to rein in hiring plans, a business survey showed on Monday. The HSBC Services Purchasing Managers' Index, based on a survey of around 400 companies, fell to 50.7 last month, its lowest since October 2011 and the weakest reading in the current expansion cycle. The index had stood at 51.4 in March.

It was the third straight month of decline, and took the index dangerously close to the 50 mark that separates growth from contraction.

Services make up almost 60 percent of Asia's third largest economy and a slowdown does not augur well for the country, coming after data last week showed manufacturing activity also lost steam.

The new business index, which rose to an 18-month high in January, fell for the third straight month to 52.6, its lowest since November 2011, from 53.3 in March."Activity in the service sector decelerated further in April led by slower growth in new business. This led to a slowdown in employment growth," said Leif Eskesen, economist at survey sponsor HSBC.

Strong overseas demand for Indian services has taken a hit from the ongoing downturn in the euro zone, its main trading partner, which could add to exporters' problems and slow new outsourcing deals for Indian software companies. Indeed, firms were less optimistic about the future in April, with the business expectations index falling from March's three month high. A similar survey last week showed India's factories lost momentum in April as output grew at its weakest pace in over four years.

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Govt sets up committee to boost exports from MSMEs
PTI

New Delhi, 28 April 2013: Worried over widening trade gap, the government has set up a six-member inter-ministerial committee under the chairmanship of Finance Secretary R S Gujral that will suggest measures to boost MSME exports.

Micro, Small and Medium Enterprises (MSME) sector contributes about 40 per cent in the country's total exports and over 8 per cent to India's Gross Domestic Product (GDP).

"The committee will suggest short and long term measures to enhance exports from MSME sector. It will submit its recommendations by mid-May," an official said.

The official said there is an urgent need to look at the MSME sector as exports are not doing well due to which the country's trade deficit has touched an all-time high of US $190.1 billion in 2012-13.

Although the government is taking every step including recent announcement of incentives and revamping special economic zone (SEZ) policy in order to increase shipments from the country, "more needs to be done", the official added.

India's exports declined by about 2 per cent to US $300.5 billion in 2012-13, way below the US $360 billion targeted at the beginning of the year, due to the global demand slowdown.

The widening trade gap is adding woes on the Current Account Deficit (CAD) front, which has emerged as a tough policy challenge for the government. CAD crossed 6.7 per cent of the GDP in the third quarter of last fiscal.

"Issues related with MSMEs need to be looked into greater depth as the sector would also help in boosting the growth of manufacturing sector," the official added.

The other members of the committee include Commerce Secretary S R Rao, Revenue Secretary Sumit Bose, MSME Secretary Madhav Lal, Financial Services Secretary Rajiv Takru and Chief Economic Adviser Raghuram Rajan.

According to experts, the government should take steps like providing credit to the sector at affordable rates.

"Government should also increase the marketing funds for MSMEs. It will help them in marketing and branding of their products in the international market," Apparel Export promotion Council Chairman A Sakthivel said.

As per estimates, the share of MSME exports has fallen from 40 per cent to 36 per cent to the country's total exports.

The sector accounts for around 45 per cent of the manufacturing output and provides employment to about 60 million persons through 26 million enterprises.

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RBI panel favours differential tax regime for exporters
PTI

New Delhi, 7 May 2013: Seeking to boost exports and bridge the ballooning current account deficit, a Reserve Bank of India (RBI) committee, on Monday, suggested a slew of measures such as introduction of differential tax regime, and increasing the scope of interest subsidy scheme for exporters.

“The global trade environment may not improve in the immediate period. There is, therefore, an urgent need to boost India’s exports so that the trade deficit is narrowed down, and CAD stays within the projected cap,” the RBI said.

The Reserve Bank had constituted a technical committee on services/facilities for the exporters under the Chairmanship of RBI Executive Director G. Padmanabhan to suggest ways for improving financial support from alternative sources.

Among others, the committee has made recommendations relating to review of Gold Card Scheme for extension of export credit to exporters, appropriate inclusion of export finance under the priority sector lending, and raising of foreign currency loans on pool basis for extension of export credit to exporters.
It said there was a need to widen the scope of interest subvention to ensure larger exporter segment derive benefit from the Scheme.

The committee has recommended for “inclusion of additional sectors such as electronics and all engineering goods, especially automotive sector, and all exports originating from domestic tariff area units to SEZs”.

It said that like Singapore and Sri Lanka, which offer differential tax rates to promote exports, the Government may consider offering this facility to Indian exporters.

It also asked for early introduction of GST (Goods and Services Tax) to make the tax structures more streamlined for exporters, who incur numerous levies, such as VAT (value added tax), purchase tax, turnover tax, octroi, electricity duty, which are making the export pricing uncompetitive.

Further, the committee recommended continuation of export credit refinance policy for three years which would provide certainty in availability of funds to the banks for managing their asset-liability positions, and would also build confidence among the exporting community.

It asked for setting up of a nodal agency for borrowing in foreign currency from abroad on a pool basis, and further lend to these companies in India at competitive rates.

“Borrowing on a pool basis will increase the bargaining power of this nodal agency with overseas lender thereby ensuring cost effective solution to exporters for its technological innovation/ upgrades/ capacity expansion,” it said. Exim Bank could be nominated as the nodal agency for this initiative, it added.

CAD, which is the difference between the inflow and outflow of foreign currency, had touched a record high of 6.7 per cent in the December quarter of last fiscal year.

Exports declined by 1.76 per cent to $300.6 billion in 2012-13. The trade deficit during the period has touched an all time high of $190.91 billion.

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Along with exports, India's imports too see eastern shift
Asit Ranjan Mishra, Livemint

New Delhi, 7 May 2013: While faltering economic growth in the US and recession in Europe have forced India to look to the developing markets to boost exports, they have also prompted the country to diversify its import sources along the same lines.

The share of India's imports from Europe fell to 17.32% in 2012-13 from 19.32% in 2009-10, and from the US to 4.94% from 5.89% earlier, show new data released by the commerce ministry.

India's merchandise exports contracted 1.76% in 2012-13 to $300.6 billion, while imports grew only by 0.44% to $491.5 billion.

While the imports of electronic items from the US increased to $2.1 billion with a share of 6.8% in 2012-13, rising from 6.42% in 2009-10, imports of transport equipment and machinery declined, leading to a fall in the overall share of imports from the country.

China has been a major beneficiary of this, taking a significant share in India's import basket, though India's imports from the neighbouring country contracted 5.6% to $54.3 billion in 2012-13.

China's share in India's import of transport equipment rose to 13.8% in 2012-13 from 8.2% in 2009-10, while its share in iron and steel rose to 66.5% from 22.7% and in fertilizer to 56.4% from 43.9%.

The shift in India's imports is the result of a restructuring in global production facilities and supply chains moving eastward, said Biswajit Dhar, director-general at the New Delhi-based think tank, Research and Information System for Developing Countries.

The share of countries such as Australia and South Africa in India's import basket is falling because India has shifted most of its gold imports from such countries to Switzerland, with which it has the second highest trade deficit, at $28.8 billion in 2012-13, only after the $40.8 billion deficit with China.

The shift is taking place because Switzerland has the best quality gold refiners who ensure responsible and conflict-free gold supplies, said Pankaj Parekh, vice-chairman at the Gem and Jewellery Export Promotion Council.

"South Africa and Australia are mostly gold miners and not gold refiners. Indian government has allowed canalising agencies to import gold from refiners on a consignment or loan basis without upfront payments, which is why gold imports from Switzerland have increased," Parekh said.

Gold was the second largest commodity in India's import basket at $53.8 billion in 2012-13, after crude oil imports at $169.3 billion in the same year.

The increase in the import share of countries such as Kuwait, Qatar, Venezuela and Nigeria is explained by a surge in petroleum imports from such countries, with India being forced to reduce its oil imports from its traditional supplier, Iran, because of sanctions imposed by the US. The share of Iran in India's import basket declined from 4% in 2009-10 to 2.36% in 2012-13.

Imports from Japan have increased mostly because of a pick-up in the imports of machinery, transport equipment, and iron and steel, while Malaysia gained a larger share in India's imports because of a shift in the import of vegetable oils from Indonesia.

The share of imports from Singapore and South Korea has also been falling on account of slowing imports of electronic items from such countries.

The share of imports from European Union countries such as Germany, Italy, France and the UK, is dropping because these were badly hit by the global economic downturn, said T.S. Vishwanath, a trade expert and principal adviser at APJ-SLG Law Offices.

"Because EU countries mostly supply either intermediary or finished products, and not raw materials, imports from such countries remain volatile, depending on economic conditions," he said.

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Happy trade tidings for India?
Biswajit Dhar, Livemint

6 May 2013: Finally, there seems to be some good news on the merchandise trade front. After declining for most of the previous fiscal, exports from India moved into positive territory in the last quarter. In the first nine months of 2012-13, the major cause of concern was the steady decline in exports, down by almost over 5% as compared with the previous year. However, a pick up in exports since January this year has not only reversed the declining trend, it has also played a part—together with a perceptible slowdown of import growth—in preventing another large expansion in the trade deficit. As compared with a steep 56% increase during 2011-12, provisional figures available from the department of commerce indicate that deficit on the merchandise trade account increased by less than 4% during 2012-13. The reining in of trade deficit could help tamp down current account deficit (CAD) to gross domestic product (GDP) ratio from the alarming 6.7% during the third quarter of the previous fiscal to around 5% according to recent predictions of the Reserve Bank of India (RBI). At the same time, RBI has sounded a note of caution as the expected level of CAD will remain twice the sustainable level.

The decline in India's exports reflects ongoing uncertainties in the global economy. According to recent estimates provided by the International Monetary Fund (IMF), the global economy expanded by 3.2% in 2012, well below the 4% growth registered a year earlier. The emerging market and developing economies contributed to this decline, growing by just 5% as against 6.4% a year earlier. These findings are hardly unexpected given that China's GDP growth was below 8%; off the 9% plus rate recorded in the preceding year, coupled with the slowing of the Indian economy. The advanced economies too saw a setback in the hesitant recovery that they had seen in 2011; witnessing an average growth of just 1%. The larger economies in the Association of South East Asian Nations (Asean), Indonesia, Malaysia, Philippines, Thailand, Vietnam, were the only exceptions, having recorded higher growth rates that were well above 6%. IMF predicts that this scenario will continue in 2013, particularly because of the sluggish growth of the emerging market and developing economies.

Were Indian exporters able to exploit the markets in the relatively faster growing economies and to stamp their presence? Available figures allude to the singular inability of the exporters to exploit the expanding markets, more so in the previous fiscal. It is clear that together with the government, the exporters will have to put in place strategies which help in repositioning Indian products in the dynamic regions of the world.

India’s inability to penetrate the Chinese market should be one of the key concerns for policymakers. Although the Chinese economy has started cooling since last year, it nonetheless remains the fastest growing economy whose dependence on the global economy for inputs is quite considerable. In recent months, China has shown an increasing tendency for imports: in March this year, China recorded a trade deficit of nearly $900 million, with imports surging by over 14% from a year earlier.

In 2012-13, India’s exports to the world’s second largest economy fell by more than a quarter, triggered by the steep fall in iron ore exports. This was caused primarily by the judicial ban on illegal mining in Karnataka and Goa. As a result, China has dropped off as India’s third largest exports destination for the first time since 2005. China also lost its position as the second largest trading partner, falling behind the US. The decline in exports to China was so sharp that it negated a modest decline in India’s imports. As a result, India’s already precarious trade imbalance with China has aggravated further; in the last fiscal, the $21.6 billion trade deficit was more than 1.6 times India’s exports to its neighbour.

The most worrisome aspect of India’s export performance is its dismal performance in the Asean region where exports fell by more than 10% during the previous year. The concerns are twofold. The first is that this region was among the very few that recorded higher growth in 2012, and India’s inability to exploit these expanding markets is, therefore, quite inexplicable. This dismal export performance is even more confounding given that India’s exports had increased by more than 43% a year earlier. The second and the more significant source of concern is that Indian exporters have preferential market access in these economies, following the implementation of the India-Asean free trade agreement (FTA). Expectations were that this FTA would allow India to exploit these fast-growing economies better and that this region would emerge as a major destination for India’s exports. However, several years after the implementation of FTA, the share of India’s exports absorbed by this region has hardly moved beyond 10%.

The experience with other FTA partners such as Japan and Korea is hardly different. The share of these North East Asian countries’ in India’s total exports has remained range-bound to 14-16% over the past several years before it came down to around 13% in 2012-13. With both Japan and Korea, registering higher than trend rate of GDP growth in 2012, exports from India should have performed better than they eventually did.

Biswajit Dhar is director general at Research and Information System for Developing Countries, New Delhi.

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India tells China to speed up action on bridging widening trade deficit
Amiti Sen, Business Line (The Hindu)

New Delhi, 8 May 2013: India has raised strong concerns with China over rising bilateral trade deficit that has crossed $40 billion in 2012-13 despite promises by Beijing of initiating steps to contain it and has demanded early action.

Chinese Vice-Minister of Commerce Chen Jian is scheduled to meet Commerce Secretary S.R. Rao next week in New Delhi to discuss how to move forward on proposals flagged by India last year including greater market access in pharmaceuticals, agriculture and the IT sector to bridge the trade gap.

This will be a preparatory meeting before Chinese Premier Li Keqiang’s visit on May 20 where the two sides are expected make a number of announcements, many of them related to improving bilateral trade ties.

“We have expressed our displeasure to the Chinese Ministry of Commerce for not responding to the proposals made by India last year during the Chinese Commerce Minister’s visit. China has indicated that this time during the Premier’s visit it would sign a formal protocol and have a work plan for all the working groups,” a Commerce Department official told *Business Line*.

India’s exports to China dropped a whopping 25 per cent to $13.52 billion in 2012-13 from $18.11 billion largely due to a slowdown in the Chinese economy.

The fall in imports from China was much lower at 5.59 per cent to $54.30 billion from $57.51 billion the previous year.

Bilateral trade deficit, as a result, widened to $40.8 billion from $39.4 billion, which is almost a fifth of the country’s total trade deficit.

While India mainly exports raw materials to China like iron ore, copper and raw cotton, the Commerce Department is of the view that there is immense scope to export pharmaceuticals, IT and more agriculture products if the country drops its various restrictions.

India has suggested that the registration process of the Chinese State Food and Drug Administration should be simplified and registration granted sooner.

Moreover, Indian companies that have received approvals and accreditation by drug regulatory authorities should be provided a green channel.

In a bid to increase IT exports, India has proposed that the Chinese Government give instructions to its state-owned companies to start doing business with Indian companies and also levy the lowest applicable tax on the industry.

It has also suggested that qualified technical engineers and software professionals be given business visas and work permits valid for three years to facilitate movement.

India has also been lobbying to sell buffalo meat, tobacco and oilmeal to China as all these products have a big market in the neighbouring country and could play an important role in lowering the trade deficit.

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India threatens to stall trade talks with EU
Nayanima Basu, Business Standard

New Delhi, 9 May 2013**:** India has threatened to stall the negotiations on an ambitious free-trade agreement (FTA) with the European Union (EU). At a meeting of the chief negotiators next week, India is expected to give an ultimatum to the 27-nation bloc on recognising it as a 'data-secure' country.

At a meeting between Commerce, Industry and Textiles Minister Anand Sharma and EU Trade Commissioner Karel de Gucht last month, India clearly told EU without greater access into the European market for its professionals, it would "not be able to continue" the talks.

"India has offered the best deal to any partner so far. There is enough on the table from the Indian side in all sectors of EU's interest. Now, it is necessary that ambitions are tempered to ensure early closure of negotiations. Our main demand is greater opening of the EU market for our professionals. If we cannot get that, we will not proceed any further. If they cannot resolve the issue through negotiations now, so be it. We will not be able to proceed further," a senior commerce department official told Business Standard.

India is expected to convey this message "very strongly" to the EU at the meeting of the chief negotiators on May 15. The meeting would be followed by a last-ditch-effort meeting between Sharma and de Gucht in June. "To give meaningful market access to Indian IT (information technology)/ITeS (information technology-enabled services) companies, we need a declaration of data adequacy status from EU. Without this, any market access offered by EU in mode 1, particularly for smaller IT/ITeS companies, is ineffective… Otherwise, what is the point in dragging on the talks?" the official asked.

The deal, talks for which began in 2007, has become a contentious issue for the government. Now, with the Lok Sabha elections due next year, the government isn't likely to take any chances and invite criticism on failure to sign the deal, one that wouldn't even benefit the citizenry, especially the swelling services sector.

According to EU law, European countries doing outsourcing business with countries not certified as data-secure have to follow stringent contractual obligations, which increase operating costs and hit competitiveness. Though almost all Fortune 500 companies have entrusted India with critical data, EU has refused to declare India 'data-secure'. India has repeatedly told EU the existing provisions of Article 43A of the IT Act were adequate to ensure EU citizens' data was secure.

EU had been rigid in granting the coveted status to India, as it felt India lacked adequate data protection laws and incidences of security breach were rampant in India.

During a recent interaction with Indian industry, Joao Cravinho, EU ambassador to India, had said EU wouldn't be able to provide much under the trade pact, as it was a legislative issue. He said the matter would be resolved once India signed the deal with EU. For EU to make the changes and grant data-secure status to India, a meeting of the 27-nation bloc's data protection commissioners has to be convened. This would be followed by a voting process, after which the European parliament would take a decision.

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Raise cut-off limit in plan to issue more visas, India tells EU
Amiti Sen, Business Line (The Hindu)

New Delhi, 4 May 2013: India has asked the European Union to have a higher cut-off for triggering visa curbs introduced in the latter's proposals offering additional 40,000 visas to Indian professionals every year.

This is part of the ongoing India-EU free trade agreement talks. New Delhi has argued that a lower cut-off margin could render the concessions meaningless.

In a safeguard clause, the EU will allow individual member countries to take measures to check entry of professionals from India as soon as 20 per cent of the committed number is breached.

Since the EU's offer is one of the main bargaining chips to nudge India to agree to deep tariff cuts in cars and alcohol, any limit on the number of visas is not acceptable, a Commerce Department official said. These additional visas are to be issued by the EU-member countries without any Economic Needs Test to show its impact on local workforce, which is otherwise mandated by many countries. "The threshold level is way too low. This means that as soon as a member gives out one-fifth of the total number of visas it has agreed to issue, it could be free to impose restrictions. This is like giving with one hand and taking back with the other," the official said.

India has listed the issue as top priority to be discussed in the meetings of the negotiating group before the next India-EU ministerial meet scheduled in June. The main problem with EU's proposed commitments for additional professional visas could be the fact that it imposes different burden on different countries, with the heaviest weight on the UK.

UK's share of 12,000 is 30 per cent of the total - despite the country making up only 12 per cent of the EU's population.

The Commerce Department argument is that since these visas are short-term, for up to six months, it would not be burdensome for any country.

India has also asked the EU to grant secondary mobility inside the EU-member state to Indian professionals so that they can move from one EU country to the other without restrictions.

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Indian IT companies set to be hit as Canada tightens visa norms for foreign workers
Adith Charlie, Business Line (The Hindu)

Mumbai, 6 May 2013: Canada has joined the US in tightening the visa regime for foreign workers, a move that could be detrimental for Indian IT service companies with operations in that country.
Seen by experts as a 'knee-jerk' reaction to the recent controversy surrounding iGate and Canadian bank Royal Bank of Canada (RBC), the move is set to increase the time and costs associated with procuring a temporary work permit.

The Accelerated Labour Market Opinion (ALMO) programme, a fast-track immigration programme to secure a temporary work permit in two weeks, has also been suspended.

Labour Market Opinion

Indian companies will now have to revert to the Labour Market Opinion (LMO), a time-consuming process, compared with H1B visa regime in the US. A LMO is an authorisation that a recruiter has to obtain from the Canadian state, if a job has to be offered to an Indian.

Moreover, the employer has to prove that it had advertised for the position across Canada, but was unable to find a qualified Canadian to do the job. The latter is what makes it time-consuming.

"Earlier, with the ALMO programme, employees of IT companies with a good track record of compliance, would get work permits in two weeks time. The suspension of the programme means companies will have to go through the LMO route, thereby pushing up the permit filing time by 3-5 months," said Gagan Sabharwal, Deputy Director, Global Trade Development, NASSCOM.

IT companies will have to factor in the delays in securing work permits before entering into contracts with a significant onshore component, added Sabharwal.

Moreover, a new fee will be imposed on employers when they apply for an LMO. In addition, the Canadian Government also intends to increase work permit fee from the present $150. However, it has not specified the quantum of the rise.

Canada's temporary foreign worker programme came to the forefront last month after news reports suggested that the RBC was using temporary foreign workers hired by outsourcing firm iGate, replacing existing staff. Following the disclosure, RBC Chief Executive Gord Nixon apologised for being "insensitive" to local employees. iGate said its hiring practices were "fully compliant" with the Canadian law.

"The new visa laws will see an additional fee being charged for the work permit applied in Canada. There will be a direct cost implication. Though there are some changes on the immigration side, I do not believe that there will be any long-term strategic structural change. Our focus will continue to be very strong in the Canadian market with investments and job creation in the country," said Phaneesh Murthy, President and Chief Executive Officer of iGate.

In its third change, Canada has also disallowed a rule allowing companies to pay temporary foreign workers 15 per cent less than prevailing wages for high-skilled positions, and five per cent less for low-skilled ones.

Most IT companies did not respond to queries on the changed circumstances.

Farid Kazani, CFO of mid-size IT solutions company Mastek, said that the impact of the new development on his company would be negligible. "In Canada our onsite requirement is less. Also, we hire locals with domain knowledge in insurance," he said.

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'Mobility is a trade concern, not a political issue'
The Times of India

Bangalore, 4 May 2013: Mobility -- the entire gamut of immigration, visa compliance, people movement -- is extremely critical for tech businesses today. It's a pure trade issue and not a political issue, said Som Mittal, president, Nasscom.

"The US should consult the bilateral clauses available under the WTO and GATT (general agreement on tariffs and trade) before the final wording of the bill is done. Else, it will have devastating implications for both the economies," he said.

Referring to the Comprehensive Immigration bill that is in the making in the US, he said the US should not try to introduce trade restrictions on India. Such a move will eventually lead to trade wars between the two countries. "India is a large retail market that the US can never ignore. Some 70% of IT, hardware and software products that are consumed by India are developed by US companies. Ignoring this will impact the competitiveness of the US economy," he said.

Nasscom has started seriously lobbying with people at the ground level, including closely interacting with people who worked on the bill."The immigration bill is a special charter for us. The government has also taken up the issue.

Together we can make our voice heard by the US administration," Mittal said. "All said and done, it is a serious bill, may be passed eventually as well. We are lobbying hard with authorities to change the discriminatory elements and the language used in the draft.

We are expecting some serious alteration to happen so that more clarity is brought in, else this is going to be a lose-lose scenario for everyone and no one will win. There will be longdrawn debate on the bill," he said."The debate around the Comprehensive Immigration Reform bill is going to be intense," said Eamonn Dornan, a US immigration law specialist.

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India to be world’s top rice exporter for second straight year
Deutsche Presse Agentur

Bangkok, 7 May 2013: India could export 8.3 million tons of rice this year, making it the world’s leading rice exporter for two years in a row, the Food and Agriculture Organisation (FAO) said today.

India last year surpassed Thailand as the top exporter for the first time in three decades, shipping 10.3 million tons of milled rice compared with Thailand’s 7.0 million.

“We estimate that at the end of this year, India will remain the number one rice exporter, with Vietnam and Thailand slightly behind with 7.8 and 7.7 million tons, respectively,” said Hiroyuki Konuma, FAO’s regional representative for Asia.

The FAO’s Rice Market Monitor report projected Asia’s rice production in 2013 to rise 2.2 per cent, to 452 million tons of milled rice.

“This will be the third year of bumper harvests for rice in Asia,” Konuma said.

The FAO attributed the increased production to good weather and Government price supports for farmers in India and Thailand.

It estimated that India’s stockpile would reach 22 million tons by year-end 2013, down 7.6 per cent from 2012, while Thailand’s will reach 16.3 million tons, up 29 per cent from 2012.

Thailand, which offers farmers a fixed price of about $ 500 per ton of rice, was hoping its price support scheme would boost international rice prices while bolstering farmers incomes.

But the FAO said benchmark international rice prices had fallen 4 per cent in the first four months on 2013.

“The large stocks accumulated by the Thai Government through the paddy-pledging programme weighed on market sentiment,” the FAO said.

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Sugar exports from India poised to rebound
Bloomberg

London, 4 May 2013: Sugar exports from India, the world's second-biggest producer, are set to climb next season as an end of state curbs on local sales sends domestic prices lower and encourages mills to boost overseas shipments.

Supply will be available for exports in the 2013-14 season that starts in October, according to Abinash Verma, director general of the New Delhi-based Indian Sugar Mills Association (Isma). Domestic prices in India for white sugar are about 10 per cent higher than futures in London, discouraging exports for now.

Global refined sugar prices have dropped 11 per cent in the past year as oversupply of sweetener overwhelmed processors. India's government said April 5 it will allow mills to freely sell sugar in the local market for the first time in four decades. The crop starts being harvested in India in October.

"With deregulation in India, there may be changes in the marketing patterns of the mills resulting in more material hitting the market immediately when crushing starts," Vijay Iyengar, managing director of Agrocorp International Pte, a Singapore-based commodity trader, said by phone on April 30. "In the months between October to let's say when the crush is going on, to March or April, sugar prices should be under pressure and at that point, there could be some exports."

White sugar futures on the National Commodity & Derivatives Exchange Ltd in Mumbai are Rs 2,928 a quintal ($542.90 a tonne) today, compared with $500 a tonne on NYSE Liffe in London. The London price is down 4.5 per cent this year after falling 33 per cent the past two years.

India shipments

Shipments from India have been about 35,000 tonnes since the current season started on October 1 compared with 3.4 million tonnes for the entire 2011-12 season as high domestic prices discouraged exports, Isma estimates. Exports in 2013-14 could be 500,000 tonnes if domestic prices fall below global levels, according to Charlotte Kingsman, an analyst in New Delhi at Kingsman SA, a Lausanne, Switzerland-based research company.

The nation's stockpiles will climb 37 per cent to 9.2 million tonnes by October from a year earlier, the most since 2008-09, said Vinay Kumar, managing director of the National Federation of Cooperative Sugar Factories Ltd.

Indian sugar makers were curbed by a policy that set limits on sales by each mill to cap prices, while states fixed cane rates to help 50 million farmers. The government also said it will stop buying sugar from producers at below market prices, with the changes to take effect this season. A notification of the exact date has yet to be published.

"Freedom unfortunately means that people tend to sell quicker than they buy," Robin Shaw, an analyst at Marex Spectron Group in London, said on May 1. "Producers need cash and they can only get cash from sugar, so they have to sell their sugar while the buyers don't need to buy in advance, so you could see that the first effect of de-control will be a tendency to sell."

Sugar surplus

Sugar output in India will be 24.6 million tonnes in 2012-13, beating consumption of 22.5 million tonnes, leaving a surplus of 2.1 million tonnes, according to Isma. Production may be as high as 25 million tonnes, Green Pool Commodity Specialists Pty, a Brisbane, Australia-based researcher, estimates.

"Uttar Pradesh had a very good crop and Maharashtra wasn't as bad as what people thought," Tom McNeill, a director at Green Pool, said in a telephone interview on April 30. "There were numbers as low as 20 million tonnes for this year and it's going to end up near 25 million, an incredible outcome really, but that's because cane prices have been very good."

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Tea export earnings up 20%
P. S. Sundar, Business Line (The Hindu)

Coonoor, 29 April 2013**:** India's tea export earnings in 2012-13 increased by 19.91 per cent over the last fiscal, reveals an analysis of the latest data available with Tea Board and exporters' organisations. This has mainly due to 2.85 per cent increase in the volume shipped despite the unit price rising by 16.59 per cent.

The average price for Indian tea rose to Rs 179.76 a kg from Rs 154.18 in 2011-12. This was the highest average price fetched by Indian tea so far in the world market.

Prices moved up keeping with general inflationary conditions and the increased demand for Indian tea due to shortage in the supplies from different countries. In effect, the volume shipped rose to 220.46 million kg (mkg) from 214.35 mkg.

With higher volume being shipped for higher price, the overall earnings increased to Rs 3,962.92 crore from Rs 3,304.82 crore. This increase of Rs 658.10 crore marked a growth of 19.91 per cent.

The same trend was witnessed for North Indian tea where the volume shipped increased to 125.36 mkg at from 118.74 and average price to Rs 226.18 a kg from Rs 196.85 resulting in the overall earnings to rise to Rs 2,835.44 crore from Rs 2,337.39 crore.

In the South, the volume exported fell marginally to 95.10 mkg from 95.61 mkg but prices rose to Rs 118.56 a kg from Rs 101.19, thereby taking the overall earnings to Rs 1,127.48 crore from Rs 967.43 crore.

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Cashew exports slip 21% in FY13
PK Krishnakumar, The Economic Times

Kochi, 7 May 2013: Slack buying from Europe and high raw nut prices have caused a 21% plunge in the cashew kernel exports from India. The sharp fall in quantity has not been reflected fully in the value, which dropped by 8%, as the unit price was higher during most part of the year.

Cashew exports totalled 1,03,645 tonne, valued at Rs 4,046 crore, for 2012-13 as per the initial estimates. Higher price of the raw nuts and lower price of kernel exports led to a squeeze in shipments towards the end of the year.

"The economic problems in Europe hit cashew exports. Though the US was active, we were able to sell more there compared to a year ago in the absence of Vietnam," said Hari Krishnan R Nair, chairman of the Cashew Export Promotion Council of India (CEPCI). In terms of value, it is still the second-biggest year for cashew exports, he added. All-time-high in cashew exports happened in 2011-12 when it touched Rs 4,390 crore.

Earlier, the exporters had the cushion of domestic market when the exports were bad. But last year, they were troubled by the rising import of cashew kernels. Since the imports were under-invoiced to lessen the impact of 35% import duty, these kernels were cheaper than the locally-produced ones.

The government is planning to double the duty to discourage such imports, which are coming from Vietnam and Brazil. "We asked the government to consider fixing a duty per kg for imports to prevent under-invoicing," said P Somarajan, proprietor of Kailas Cashews.

Towards the end of the year, the global prices of cashew kernels dipped, putting the exporters in a fix as they had purchased the nuts for processing at a higher price. India imports over half of its requirement of raw nuts of 14 lakh tonne. The price of raw kernels from Africa zoomed to $1,050-1,100 per tonne during the year before dropping to the present level of $800-900 per tonne.

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Gems and jewellery exports fall 9% in 2012-13
Business Standard

Mumbai, 30 April 2013: India's gems and jewellery exports fell more than nine per cent to $39.03 billion for the year 2012-13 compared to $43.09 billion in the previous year. The fall is due to weak demand from the developed world, Gems and Jewellery Export Promotion Council (GJEPC) said on Tuesday. However, the sector will see a turnaround in 2013-14.

"The outlook for 2013-14 looks positive with an estimated growth of 12-15 per cent. The US and Japanese jewellery markets will bounce back with an estimated five per cent growth, while China will remain stable at 10 per cent growth," said Vipul Shah, chairman of the council. Gems and jewellery make up for about 14 per cent of India's total exports.

It may be recalled that the Prime Minister's Economic Advisory Council also said last week that gem and jewellery exports will increase 12 per cent in 2013-14 which will help curb the current account deficit. Falling gold prices will be another booster for jewellery demand.

GJEPC today announced the annual performance for the Indian gems and jewellery sector.

During 2012-13, imports of rough diamonds went up by 12.65 per cent indicating an increase in cutting, polishing and other manufacturing activities in India. However, import of cut and polished diamonds fell 61.45 per cent, indicating a decline in India's foreign exchange spending.

Commenting on the annual results, Shah said, "At a time when the industry is going through a challenging period, government regulations related to the reintroduction of bonded warehouse facility for diamond exporters and revision in duty drawback rate facility for gold jewellery exporters has helped strengthen the industry."

Interestingly, he said there are several initiatives that would materialise during the year. These include proposals for regulatory measures such as introduction of consignment imports of diamonds, start of rough diamond tenders and auctions in India, formation of committee for looking into lending norms for banks to the diamond and jewellery sector.

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India plans safeguard duties on iron, steel items from China
PTI

New Delhi, 2 May 2013: India plans to impose safeguard duties on some iron and steel pipes, tubes and profiles to protect domestic producers from a flood of imports from countries like China and Italy.

The Directorate General of Safeguards under the Finance Ministry has initiated an investigation on impact of large scale import of seamless pipes, tubes and hollow profiles of iron or non-ally steel from countries such as China and Italy.

"It has been found that prima facie increased imports of seamless pipes and tubes have caused and are threatening to cause serious injury to the domestic producers... and as such it has been decided to initiate an investigation in the matter," it said in a notice.

It sought comments from interested parties by May 21. The application for imposition of restrictive duties was jointly filed by Jindal Saw Ltd and Indian Seamless Metal Tubes Ltd and was supported by Maharashtra Seamless Ltd. The applicants account for more than 50 per cent of the total domestic production of seamless pipes and tubes in India.

The DGS will investigate imports between 2009-10 and 2012-13.

"The imports have increased from 307,581 tons in 2009-10 to 373,777 tons till 2012-13, recording an increase of 22 per cent," it said adding even though there was a decline in 2012-13 over the previous fiscal, but quarter wise analysis showed a sharp rising trend from Q2-Q3 on absolute basis.

In view of surging imports and loss of market share, the inventories with the domestic industry have also increased significantly - 5691 tons in 2009-10 to 14,170 tons in April-December 2012-13 fiscal.

An immediate safeguard duty is being sought for a period of four years.

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Telcos Want PMO to Fix Gear Policy
The Economic Times

New Delhi, 2 May 2013: The industry lobby representing GSM operators has sought the intervention of the Prime Minister's Office to try and stop the implementation of the proposed policy which gives preference to domestic manufacturers of electronic and telecom network gear.

The policy also mandates a minimum 30% local sourcing of all crucial components.

The PMO had recently raised concerns on the draft Preferential Market Access (PMA) norms and suggested that the 'security' and 'manufacturing locations' be delinked from the policy, while also warning that the new rules could create market distortions.

The GSM industry lobby, too, has taken a similar stance."Implementation of PMA as currently envisaged will hamper manufacturing in India and add impediments to the growth of her telecommunications sector, slowdown network rollout and add considerable pressure on monitoring and reconciliation of the manner of procurement," the Cellular Operators Association of India (COAI) said in its April 30 communication to the Prime Minister's Office.

The industry body also said that attempts to "link the local manufacturing to security consideration is inappropriate and security could not be guaranteed by mandating that equipment be manufactured in India".

It also pointed out that the telecom sector was currently facing a significant crisis of investor confidence due to the increasingly uncertain regulatory environment, and warned that new rules such as PMA would further undermine prevailing investor confidence levels."Applying the PMA to private sector procurements, however, constitutes an unprecedented interference and significant disruption in the global telecommunications market place, while raising significant questions about India's commitment to the rule-based trading system established under the WTO," added COAI.

The PMO, too, had raised similar concerns. It had said that security objectives could be met through audits, while also suggesting that these issues must be handled separately, in addition to recommending a moratorium on the implementation of this policy until satisfactory assessment of domestic manufacturing capabilities had been made.

ET recently reported that the communications ministry, in its reply to the PMO, had said that telecom was an important critical information infrastructure where any disruption would impact all economic and strategic sectors in the country and added that security of such networks were of paramount importance.

The COAI also demanded that global hitech companies having a broad portfolio should be allowed to continue importing, especially products with high complexity and low- to moderate consumption in India.

Distress Call

The draft preferential mkt access policy also mandates minimum 30% local sourcing of crucial network gear components PMO had raised concerns on the PMA norms and suggested that 'security' and 'manufacturing locations' be delinked from the policy.

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Little support for pharma MNCs on patent issue
Sidhartha, The Times of India

Geneva, 27 April 2013: Multinational drug companies that are complaining against the Indian government and patent authorities using flexibilities under the World Trade Organisation's Agreement on Trade Related Aspects of Intellectual Property rights are finding little support in the international community.

WTO director Pascal Lamy told TOI in an interview that despite the recent debate following the Supreme Court ruling upholding the Indian Patent Office's decision against a patent for Novartis anti-cancer medicine Glivec, there was no question over the law.

Terming the judicial decision as "independent" review, Lamy said, "It's a decision taken by the judiciary and it's independent. The flexibilities are there and they have never been questioned by anyone in the WTO. After all, they all agreed. The question was not on the rule and they are structured specifically to provide access to medicines."

The statement will come as a good news for Indian government which had come under attack from Big Pharma, although it maintained that the decision was in line with the Indian patents law and was aimed at checking "evergreening" and keeping drug price affordable.

Data shows that the MNCs may be making unnecessary noise as Novartis alone had received close to 150 patents in India, while Roche topped the list of medicine patents that add up to over 160.

In fact, the other decision related to grant of compulsory licence or waiving the patent rights for Nexavar, a renal cancer medicine, produced by Bayer Corporation had earlier generated more heat.

But the Patents Office and the Indian government had justified the move saying local player Natco Pharma will sell the same medicine for as low as Rs 8,000 compared to Bayer's patented drug that costs over Rs 2.8 lakh.

Officials said that foreign governments are under pressure from the civil society that are backing cheaper drugs to help fight dreaded diseases such as AIDS and cancer and India is seen to be at the forefront of the fight.

Following, Natco's victory, there is demand for issuing compulsory licence for at least three other cancer drugs.

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US natural gas exports to India, a 'win-win' proposition
PTI

Washington, 8 May 2013: Energy-hungry India, which invested nearly $4 billion in US' tight oil and shale gas sectors from 2008 to 2012, has strongly advocated the export of American natural gas to it, saying it presented a "win-win" co-operation opportunity for both nations.

"As shale gas has become economically viable to produce, the US has emerged as one of the world's most important gas producing countries," Indian Ambassador to the US Nirupama Rao said, while speaking at the American Enterprise Institute (AEI), a Washington-based think-tank.

"Growth in shale gas production in the coming years is now expected to substantially reduce, if not eliminate, the need for the US to import natural gas, and companies are instead looking to reach new markets beyond electric power, industrial and residential uses, both in the US and overseas," she said.

Rao strongly advocated the case for export of US natural gas to India.

"The potential of exports of natural gas from the US, on account of its linkage to the Henry Hub (HH) prices, would imply considerable savings in terms of landed costs in a country like India. We estimate that these savings would be in the range of USD 4-5 per million metric British Thermal Units (mmbtu)," Rao said.

She pointed out that according to the Energy Information Administration (EIA) of the US Department of Energy, in a few years time, around 2020, the total production of natural gas in the US will exceed domestic consumption.

"This scenario opens up the possibility of the export of liquefied natural gas (LNG) cargoes from the US to other energy scarce countries, including India, where there is significant untapped potential for natural gas demand in all end use segments," she said.

"This would result in cheaper electricity, lower subsidies on urea and other nitrogenous fertilizers, and a more economical fuel for a variety of industrial and consumptive gas usages. Thus, there is a clear and present benefit to India, if exports of US natural gas are permitted to India," the Indian ambassador to the US said.

"The point that I would like to stress is that the advantage is mutual and that natural gas exports represent a 'win-win' co-operation opportunity," Rao said.

According to another EIA study, roughly 20 per cent of the USD 133.7 billion invested in US tight oil and shale gas from 2008 to 2012 has come from abroad, with Indian companies accounting for a total investment of nearly USD 4 billion so far.

These investments represent more growth, jobs and progress for the US economy and should, in my view, be welcomed, Rao said.

Meanwhile, influential Congressman Joe Barton voiced support for export of natural gas to American allies, saying it would enhance US' power and influence.

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India says US cannot point fingers on local input norm
Amiti Sen, Business Line (The Hindu)

New Delhi, 2 May 2013**:** In a move to counter the US gripe against compulsory local sourcing for solar projects, India is digging up cases where American states have mandated domestic sourcing.

At a meeting earlier this week of the WTO Committee on Trade Related Investment Measures, India said water utilities in many US states — South Carolina, Pennsylvania, and West Virginia among others — have made domestic sourcing of ductile iron pipes and fittings compulsory for use in water projects. New Delhi's charges come two weeks after it sought clarifications from the US at a WTO subsidies committee meeting on local content requirements in renewable energy programmes in Michigan, California and Texas.

India's arguments can play a decisive role in the case the US has lodged against India at the WTO for making it compulsory for all investors in programmes under the National Solar Mission to buy some of the inputs locally.

"It is appalling that the US has raised a dispute against India for local content mandate when it has been using it for so long in multiple areas. New Delhi has patiently prepared its case against all such instances and will now fire from all sides," a Government official told *Business Line*.

Ironically, at the moment India does not have much commercial interest in the areas where the US has set local content norms, but removal of restrictions could open new vistas for business.

"We are mainly trying to point out to the US that we are not the only ones trying to encourage domestic industry through local content norms. It is hypocritical to point fingers at us when they are doing the same," the official said.

India asked the US to explain how these measures could be considered consistent with the TRIMs Agreement that prohibits sourcing restrictions without ample justification.

Interestingly, the US has used the same argument in its case against India for domestic sourcing under the Jawaharlal Nehru National Solar Mission. The Mission, which seeks to promote use of solar energy and also build local capacities, made it compulsory under the first phase for all investors to use solar modules manufactured in India and source 30 per cent of the inputs locally.

India's defence is that since the power will be purchased by an arm of public sector NTPC, it qualified as government purchase and was, therefore, exempt from the TRIMs rules.

The US, however, is determined not to allow India to extend the domestic sourcing norm to solar thin films (exempt so far) in its second phase as American companies are major suppliers of thin films for solar projects in the country.

“Once a larger debate on local content being mandated by various countries in different projects starts at the WTO, it will be easier for India to persuade the US to drop its case,” the official said.

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India seeks change in food subsidy cap at WTO
Sidhartha, The Times of India

New Delhi, 8 May 2013: The proposed food security law may attract penal action at the World Trade Organization for a possible breach of the subsidy cap allowed under these rules, prompting the government to seek an amendment to the norms.

Although a proposal from the G-33, spearheaded by Indonesia, China, Pakistan, the Philippines and India, had already been moved in the run-up to the ministerial meeting in Bali in December, the proposed food security legislation has increased the urgency.

At the heart of the problem is WTO's agreement on agriculture which mandates that procurement from poor farmers be capped at 10% of the value of production. With international prices on the rise, and local price fixed at 1986-88 levels, most developing countries with large populations are now staring at the prospect of breaching the ceiling.

Similarly, food sold through the public distribution system also faces restrictions. In case of India, the prospects appear stronger given that the food security law will increase the procurement requirement and increase the subsidy level.

"The food aid commitment is increasing and welfare of the people is a sovereign function of the government," said an official who did not want to be identified. While the G-33 had suggested that the norms need to be reviewed, developed countries led by the US have opposed the proposal, saying it will reopen a decision taken in 1994. Indian officials, however, said while the WTO wanted subsidy reduction by the rich, it was not meant to hit poor farmers, such as those in India.

"It's not our proposal alone. It represents the views of countries that account for nearly 40% of the world population. It's a problem that all of us will face," said an official.

But there is good news for India as some major players such as the European Union, Norway and Australia have shown flexibility, leaving the US virtually isolated.

India has taken a strong position saying it is unwilling to negotiate another issue on the Bali agenda - trade facilitation - which is being pushed by the developed countries, led by the US.

"During a meeting in Geneva last week, we said that we are willing to show flexibility. We can discuss the issue but the agenda has to be comprehensive," a senior official said.

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WTO panel wants large developing countries to open up market more
Amiti Sen, Business Line (The Hindu)

Geneva, 25 April 2013: India’s rights as a developing country to take on lower market opening commitments than developed country members at the World Trade Organisation could be challenged if a report of an expert panel questioning the flexibilities is accepted by all members.

New Delhi, however, will not accept the contents of the report as it “went against the interests’’ of the country, an Indian Government official told *Business Line*.

Developed countries essentially want countries such as India and China to undertake deeper tariff cuts to make their markets more accessible to developed countries.

The report on ‘Defining the future of trade’, prepared by a group of 12 independent experts, also suggests inclusion of new issues in multilateral trade talks earlier rejected by developing countries like India such as investment, competition policy, trade finance, labour, climate change and trade and even corruption and integrity.

“There is nothing in the report of interest to us. Why should we endorse it?” the Indian official said. The report launched on Wednesday stresses that it is time to embrace a new perspective on managing reciprocity and flexibility.

“Flexibilities should be based on needs and capacities and should target specific challenges and not focus only on categories of countries,” it said.

Although the threat is not immediate as the new flexibility norms and issues are being proposed only for fresh negotiations, but it may be a signal of how things could shape up in future.

The main problem that has led to the deadlocked Doha Round of the WTO is the feeling amongst developed countries that they have not been able to extract enough market opening commitments from large developing countries such as India, China and Brazil because of the less than full reciprocity clause of the WTO. Led by the US, several developed countries claimed that unless the large developing economies offered more market access to them, a deal was not possible. These countries argued that the large developing countries need to be treated differently from the smaller and more vulnerable developing countries.

This view has been, to a certain extent, endorsed by the report compiled by the group of experts hand-picked by WTO Director-General Pascal Lamy that includes businesses, consumer groups, research organisations and also a labour body.

The D-G, however, pointed out that the suggestions in the report were not a solution to conclude the Doha Round that was launched over 11 years ago.

“This report is not a quick-fix to conclude the Doha Round. This is to provide food for thought to WTO members and many stakeholders of the multilateral system,” Lamy said.

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‘Lamy panel report ignores development concerns’
The Indian Express

29 April 2013: In the context of fresh position papers being crafted for the World Trade Organization, a significant development is the panel formed by Pascal Lamy, DG WTO, to examine challenges for international trade in the 21st century. Its report recently issued, contains many recommendations that could adversely impact developing countries like India. *Abhijit Das, Professor & Head, Centre for WTO Studies at the Indian Institute of Foreign Trade*, New Delhi talks to The Indian Express on the issues.

How do you evaluate the Lamy Report?

Overall, the report lacks balance and is not development friendly. It has gone against the known positions of a large number of developing countries on many issues. Instead, it has chosen to project the views of developed countries on most of the issues. Its silence on how to address the biggest challenge confronting the WTO — successful and balanced conclusion of the Doha Round — raises questions about the relevance of the panel. It is unlikely to see any convergence of support among WTO members in favour of its recommendations.

What are the key recommendations of the report?
From the perspective of developing countries, perhaps the most troubling aspect is that it effectively suggests review and modification of WTO rules with a view to curtailing special and differential treatment provisions that favour the developing countries. Many of these rules were a result of hard bargaining during the Uruguay Round of trade negotiations. Many developing countries acquiesced to taking on onerous obligations as they had the assurance of some flexible treatment. Rewriting these rules would not only change the existing rights and obligations of WTO members, but also reinforce the perception that development considerations have little space in the WTO. While delineating the agenda for trade reforms in a changing world, the report recommends establishing labour standards along international value chains. Implementing this recommendation would erode the price competitiveness of developing countries. It would provide yet another instrument to the developed countries to block competitive exports from developing countries.

The report calls for involving NGOs. Your views.
The report forcefully argues that the WTO should engage more directly with NGOs as this would result in better informed decisions. Now this is fraught with considerable risk. This process would result in promoting NGOs who have the financial wherewithal to participate in such an engagement, excluding many in developing countries. There could also be a tendency to cherry pick NGOs known for articulating the views of the donor agencies of developed countries. These factors could severely disadvantage developing countries in the proposed dialogue and consultation process.

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'Doha Round of talks on global trade is deadlocked, not dead'
Amiti Sen, Business Line (The Hindu)

27 April 2013: This September, World Trade Organisation Chief Pascal Lamy is ready to make way for the new Director General after eight years at the helm of tottering trade talks. But, he is not quite willing to give up on the Doha Round. "The Round is deadlocked, not dead," Lamy said in an interview to Business Line. The DG gave a take on his assessment of what ails the Round and the prospects at the Bali Ministerial Excerpts:

Q. With countries still taking extreme positions on the small package of issues picked up for agreement at Bali in December, what are the chances of its success?
A. We are running out of time and need to move fast. I think the big issue that has moved, and is of most economic significance, is trade facilitation. You know the number for moving trade through borders is about 10 per cent of trade value. If you shrink that by half, the value of 5 per cent of world trade is available. More importantly, it is available to small businesses for whom the 10 per cent entry ticket is often the border they cannot cross. I think it is doable. It is very complex, as harmonising and streamlining procedures are complicated. But, it is an administrative issue. You won't have taxi drivers or farmers or workers on the street if the procedure was simpler.

Q. But, developing countries like India say there needs to be balance within the agreement and in terms of better customs co-operation and have spelt out steps that are being ignored by developed countries?

A. It (agreement) is doable…If people want to conclude it, they can do it. The issue is how you scale up development country commitments as a function of needs assessment and capacity-building, because a number of these countries need support to modernise their customs system. On the table, there is some kind of a monitoring mechanism, which includes needs assessment, capacity building and capacity to scale up operations. The fact that there is recognition, that there are different capacities for entering into this commitment, just organises this process in a more pragmatic way.

Q. What about the G-33, including India's proposal of not counting Government procurement from poor farmers at support prices as a trade distorting subsidy?
A: The proposal came quite late as compared to the rest and so far hasn't converged with both sides. The proponents of the proposal say they need flexibilities to purchase food at higher than market prices and cannot do that with the existing disciplines. So, the disciplines need to be revised. The other side says this round is about improving agricultural trade through more market access. This is asking for one step backward, which is not acceptable. The problem lies on the purchasing side. When you decide to buy at higher than market prices, then the difference between market prices and the price at which you buy is price support. And is there a fix for this. Well, it is not for me to say. The chair of the negotiating group has to manage this process. But, so far this hasn't converged.

Q. Does it worry you that the two issues of trade facilitation and price support for poor farmers are being linked?
A. If India says it wants a mini single undertaking as an early harvest at Bali, what can we say? Every nation is sovereign in this organisation. They can decide the trade-offs and their offensive and defensive, and they can decide to present their case. It's a game of negotiations. I have been a negotiator. I have been trying to explain to my partner that something was formidably important for me while I knew it wasn't. The only question that they (the membership) need to bear in their mind is whether they collectively will better off or worse if there is no deal in Bali.

Q. There are smaller economies which feel that their trade deficit might worsen if trade facilitation happens?
A. I heard this view, which is mathematically impossible. If all exports are facilitated and all imports are facilitated then how can some benefit more?

Q. But there is a line of argument that most of the developed countries have good infrastructure in place, so there is nothing in it for developing countries …
A. If that were true, section one of the trade facilitation proposal would be cooked already. Section one is there because of differences between developed countries. They will have to change the way they operate, like pre-shipment inspection, evaluation fees, advance ruling and single window. India is probably the best placed country to realise that how mastering IT has the capacity to improve speed, safety and customs perceptions.

Q. After speaking to several officials of member countries in Geneva, one gets an impression that nobody is willing to move?
A. They all have negotiating positions. They are all fighting their corners. My diagnosis at this stage is that trade facilitation is doable. LDC development is doable. I am less sure about a compromise on the G33 proposal, because in my view, positions are further away on this than the rest. There have been suggestions by some at some stage and it is all part of the discussion that ensuring that stock disposal doesn't lead to the international market might need a quid pro quo. This would imply not only to make flexible rules of the amber box (subsidies that are prohibited) in this specific case but also strengthen rule in green box (subsidies that are allowed) on what you do with this stuff which at the moment is reasonably flexible. Given the number of parameters to play with, it is formidably complex. But it also gives us a chance. If there is enough goodwill, you may by fixing a few things and have a bit of space that you did not have before.

Q. If an agreement on a small package happens in Bali, what happens to the rest of the Round?
A. That's the principle of early harvest. It doesn't kill the Round.

Q. But what about implementation of what is agreed upon? Does it wait till the entire Round is finished?
A. That's up to the members to decide…. My guess is that if you have an agreement on something which everybody can live with, which everybody believes is good for everybody, they better do it.

Q. One gets a feeling that the Doha Round was already under a dark shadow when it was launched because it was too ambitious….
A. With retrospect, we can say many things. We use the single undertaking (that nothing gets settled till everything is settled), a sort of trick in order to balance trade offs, which is complex, the virtue of which is in theory that you compensate your offensive with defensive. The fact is that it has not worked well with 20 topics and with three times more members in the negotiations. The Uruguay Round technology probably never tested this size.

Q. What about the development agenda of the Round? Were the commitments taken on by developed countries too high?
A. The development agenda was inescapable. The rules of trade were framed at the time when the balance of forces between the developed and developing countries were different. And there is always been a recognition that these need to be adjusted. But, given the fact that developing countries are developing, this rebalancing must have a viable geometry so that you really fix the problems of those who are still in development and capacity needs. I totally recognise that this necessitates viable geometry, but what about China, India, Mexico, Indonesia and Brazil which, if you look at the numbers, had formidably benefited from expansion of trade in this period.

Q. Despite the jump in trade in large developing countries, isn't their per capita GNP several times lower than developed countries?
A. The argument is not that there should not be a viable geometry. The argument is that the viable geometry should be organised in such a way that it promotes convergence.

Q. Will the fate of the Doha Round have a bearing on what already exists in terms of multilateral trade rules that were agreed upon in the previous Rounds?
A. Long term probably. It is a fact that trade is a living animal. Patterns of trade change. Obstacles to trade change. And if you are in the rules business, you better adjust your rule book in order to remain a public good that offers levelling the playing field, stability and predictability. We need to change. Otherwise who will adjust the rule book? The dispute settlement system would be mauled with interpretation because the rules were written with one world in mind and they are interpreting it in another world. If WTO members cannot agree to revamp the rule book regularly, and probably in a way which is more flexible than the big spaghetti bowl of single undertaking, the public good is damaged.

Q. Are you suggesting that they should choose topics that are easily doable and do it in stages?
A. Overall, they should listen more to reality, to what really matters to people, to what really makes opening trade work. But this is politics. This is not universal rationality.

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Brazil's Roberto Azevedo to head World Trade Organization
Dilasha Seth, The Economic Times

New Delhi, 9 April 2013: Brazil's Roberto Azevedo was named head of the World Trade Organization at a time it struggles to find ways to revive stalled talks on freeing global commerce and to help develop poorer nations. He will replace Pascal Lamy at the helm of the Geneva-based body in September.

The 55-year-old has been the Permanent Representative of Brazil to the WTO and other International Economic Organisations in Geneva since 2008. His backers, including India, believe that as an insider, he will be able to forge a consensus between conflicting members before the 9th ministerial in Bali, seen as key to the future of the multilateral trade talk started way back in 2001 in Doha.

Azevedo has said that he believes in ensuring that developing countries must secure a share of international trade commensurate with their needs, referring to the preamble of the Marrakesh Agreement that was signed in 1994, thereby establishing WTO. Welcoming the appointment, commerce and industry minister Anand Sharma said, "It is significant that this apex trade body is being headed by an able nominee from the developing world. He is assuming office at a crucial juncture as there is considerable expectations from the December Bali Ministerial Conference."

Differences between the developed and the developing nations have prevented a successful conclusion of the multilateral trade talks as India and other developing nations defend their agricultural markets to protect millions of subsistence farmers from easy imports that may result from the multilateral agreement. "Reduction in the agriculture subsidies by the developed nations will definitely see a breakthrough," said Manoj Pant, professor, JNU.

Azevedo has on several occasions challenged Europeans and the US against the farm-subsidy policies. "Since India and Brazil are working together as BRICS, having a Brazilian as the director general of WTO is a good sign", said Anwarul Hoda, former, deputy director general, WTO and presently chair professor at ICRIER. How far this will help the developing economies and India will depend on his leadership qualities, he felt. "Azevedo has never been the minister, which may be an initial hurdle in terms of clout in dealing with ministers. But then a DG can only go to an extent of moderating or give a direction to the talks," he said.

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