INDIA'S TRADE NEWS AND VIEWS

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Indian exports rise 4.25% in February
Asit Ranjan Mishra, Livemint

New Delhi, 11 March 2013: India's merchandise exports grew for a second consecutive month in February by an annual 4.23% to $26.26 billion (around Rs.1.43 trillion) after contracting for eight months in a row.

Exports are looking up and the trend is expected to continue as shipments to Europe have increased and the US market continues to do well, according to Commerce Secretary S.R. Rao.

"Most heartwarming is that sectors which have the largest weightage, such as engineering, have started doing better," Rao said. "Textiles and refined petroleum exports have arrested the slide and are making up for the deficit."

In the first 11 months of the financial year to 31 March, engineering exports were down 3% to $51 billion. Other sectors that performed well include rice, oil meals, pharmaceuticals and chemicals.

To revive exports and tackle India's widening current account deficit, Finance Minister P. Chidambaram has promised to announce a slew of measures through the forthcoming supplement to the foreign trade policy. The current account shortfall in the July-September period rose to a record 5.4% of the country's gross domestic product.

Rao said the commerce ministry is engaged in wide-ranging discussion with various stakeholders, and a policy will be announced by the end of this month, including measures to revive special economic zones, whose fortunes have been fading after the government imposed minimum alternative tax and withdrew other incentives.

In December, the commerce ministry widened and extended the 2% interest subsidy on bank loans for labour-intensive sectors to specific engineering industry sub-sectors such as iron and steel, and electrical transformers, till 31 March 2014 to boost exports.

Until now, the subsidy has been available to sectors such as handicraft and handlooms, carpets, ready-made garments, processed agriculture products, sports goods and toys, apart from small-scale industries. The World Trade Organization has projected global trade to expand 4.5% in 2013, while export demand from developing countries will rise only 3.3% during the year.

Imports in February increased 2.6% to $41.18 billion, leaving a trade deficit of $14.92 billion. While oil imports continued to expand at 15.45% to $15.1 billion, non-oil imports contracted 3.57% to $26 billion. Gold imports, which have been pushing the trade deficit, fell 7.6% to $52.4 billion in the 11 months to February. In the same period, exports shrank 4% to $265.95 billion, while imports grew marginally by 0.25% to $448.04 billion.

India has a trade deficit with 83 countries, which contributed $227 billion, but a surplus with 152 countries contributing $60 billion till January, according to Anup K. Pujari, Director General of Foreign Trade.

The revival in February shows Indian exports are responding to positive global developments, said Rafeeque Ahmed, president of lobby group Federation of Indian Export Organisations.

"However, since we are much away from our targets fixed for 2012-13, we need to revisit our strategy for imparting competitiveness to exports while simultaneously pursuing aggressive marketing to realize better exports in 2013-14," Ahmed said.

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Share of exports in India's overall GDP rises to 17.7% in FY12
PTI

New Delhi, 6 March 2013: The share of merchandise exports in the country's GDP has increased from 13.9 per cent in 2009-10 to 17.7 per cent in 2011-12, Parliament was informed today.

In a written reply to the Rajya Sabha, Minister of State for Commerce and Industry D Purandeswari said that exports have always played an important role in the economic development of most countries.

"This is evident even in Indian case from the continuous upward movement of percentage share of merchandise exports in the overall GDP of India from 13.9 per cent in 2009-10 to 16 per cent in 2010-11 and 17.7 per cent in 2011-12," she said.

She also said that as per the WTO trade statistics, India's share in the total global exports has also been increasing since 2007.

In 2007, 2008, 2009, 2010 and 2011, the country's share in the total global exports stood at 1.07 per cent, 1.21 per cent, 1.31 per cent, 1.48 per cent and 1.67 per cent respectively.

"The long term vision of the government is to make India a major player in world trade and assume a role of leadership in international trade organisations commensurate with India's growing importance," the Minister said.

During April-January period, overseas shipments declined by 4.86 per cent to USD 239.6 billion.

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Foreign Trade Policy will aim to boost exports, Says Anand Sharma
The Economic Times

New Delhi, 5 March 2013: Commerce and Industry minister Anand Sharma on Monday said that the Foreign Trade Policy will aim to boost exports by bringing down transaction costs improving access to credit and lowering the cost to credit.

"We are looking to have FTP after all the consultations are complete it will take at least one month because India is a big country and we don't want to rush it," Sharma said after his meeting with the Confederation of Indian Industry (CII) delegation on the export sector. The policy is likely to be rolled out in second half of next month.

P Chidambaram on Monday also flagged the need to boost export, pitching is as the only long term solution to India's current account deficit that has touched an all time high.

He promised all the help to commerce ministry in the upcoming foreign trade policy. He has already budgeted a 20% increase in the budget allocation on interest subsidy for export promotion and has raised hopes of an equally higher outgo for other schemes and incentives.

FTP is expected to see an extension of the export sops announced in December to more sectors. Finance minister has assured us of support and details will be formulated shortly, Sharma added. The interest subsidies for export promotion in 2013-14 has been pegged at 1200 crore for the fiscal against 1000 crore last fiscal.

"I think given the 20% increase in the budgetary allocation on interest subvention, I am hopeful of a 25-30% increase in allocation for other schemes to be announced in the FTP," said Ajay Sahai, director general and CEO of Federation of Indian Exports Organization. The 2% interest subvention scheme may be extended to other sectors from gems and jewellery, leather, textiles and some more engineering sub sectors.

Last December, Sharma announced extension of the 2% interest subsidy available to certain sectors till the end of March 2014, expanding coverage to a few engineering sub-sectors to make exports more competitive.

Export of engineering goods declined 4% in the first 10 months of the fiscal, gems and jewellery exports were down by 9.6% and textiles and readymade garments exports were down by 7.9% during the period compared to last year. Sanjay Budhia, chairman, CII National Committee on Exports said that incentives of the focus market scheme and focus product scheme should be extended to SEZs.

"It is time to make the SEZs more competitive, else and also the Minimum Alternate Tax should be removed, as it defeats the entire purpose of an SEZ".

FIEO has also suggested an export marketing fund to help exporters compete in the foreign markets. After eight months of contraction, exports turned positive in January rising 0.82% from a year ago.

However, with a 4.9% dip in exports in April-January as against corresponding period last year, the exports are unlikely to touch $303 billion of last year, forget the $360 billion target set for the fiscal.

Sharma said, "2012 has been a difficult year, January we were marginally in the positive territory for the first time in eight months. Hopefully we should remain in the positive zone when the February final numbers come out and also in March but, we will not be meeting that big target but let's see how much close we can get to 300 billion".

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SEZs back on govt radar after exports' uptick
Dilasha Seth, The Economic Times

New Delhi, 12 March 2013: Special economic zones that had slipped down the government's priority list are back in favour as desperate government looks for ways to revive exports. The upcoming foreign trade policy is likely to extend sops such as focus market scheme and focus product scheme to make SEZs attractive.

So far, these incentives were available only to domestic tariff areas or DTA, an area outside the SEZs.

"SEZs are generally not a part of the foreign trade policy. However, in these times of sagging exports we are planning to announce a set of incentives like extending focus market scheme and focus product scheme to boost exports and make SEZs attractive," said a commerce ministry official.

Focus market scheme helps offset high freight cost and other externalities to select international markets to enhance India's export competitiveness in these markets.

The objective of the focus product scheme is to promote products that have high export intensity / employment potential, to offset infrastructural inefficiencies and other associated costs involved in marketing these products. Focus markets scheme covers Africa, Latin America and large parts of Oceania and there are over 1,000 focus products.

Industry has also been demanding abolition of Minimum Alternate Tax levied on SEZs. "SEZs have become unviable due to minimum alternate tax and dividend distribution tax, so we have requested the government to incentivize these by extending the FMS and FPS to them and also cut Minimum Alternate Tax /Dividend Distribution Tax," said Sanjay Budhia, chairman, CII export chairman, CII National Committee on Exports.

The government was of the view that SEZs already get tax benefits, unlike the domestic tariff areas, said Ajay Sahai, director general and CEO of Federation of Indian Exports Organization. "Also there were budget constraints. However this time, the finance minister has indicated full support to the commerce ministry," he added.

Sahai also said there may be investment-linked I-T deduction for SEZs. "It may also form a part of the FTP announcement for 2013-14", he said. In his budget speech, finance minister P Chidambaram had said, "I look forward to the changes that will be made to the Foreign Trade Policy next month and I assure my support to measures that will be taken to boost exports of goods and services."

Interest subsidies allotted for export promotion is 1,200 crore for 2013-14, against 1,000 crore last fiscal, a 20% increase. According to a study by Federation of Indian Exports Organization in 2009, overall export compound annual growth rate or CAGR was at 20% whereas for the focused markets it stood at 36%. Similarly, the CAGR for exports before the announcement of the scheme stood at 16%, which increased to 36% post scheme.

Last year, the commerce ministry had discussion paper on SEZ reforms had noted that SEZs are less viable compared with DTAs, as benefits such as Focus Product Scheme, Focus Market Scheme, Duty Drawback, etc. were unavailable to SEZ units.

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RBI to keep tabs on all export dealings
The Times of India

New Delhi, 10 March 2013: Major irregularities have surfaced in the country's external trade with about 65%-96% of export data found not matching against their corresponding banking transactions. A recent check was conducted by the central bank which revealed that the unmatched data is worth more than Rs 2 lakh crore of exports.

Bringing all export transactions under the scanner of the Reserve Bank of India (RBI), the government has asked the central bank to set up a monitoring cell that will coordinate with banks to track all banking transactions of exporters.

"The automated and unified data processing and monitoring system will scan all exports from the country," minister of state for finance Namo Narain Meena had informed Parliament on Friday. Under this system, all data will flow first to the RBI server and then to authorized dealer banks. The government has already started matching export data with the direct transaction receipts generated by banks; the data received through forms filled by exporters with the Customs department; and the software exports data collected through declarations made in SOFTEX forms.

The data received from the Customs department shows exports worth more than Rs 2.33 lakh crore are not matching with the banking transactions of these firms. Similarly, the data collected through SOFTEX revealed at least Rs 1.51 lakh crore of exports are not matching with their banking transactions.

The authorized banks appointed by the RBI to match export data have been asked to report to the central bank the realization data based on the documents submitted by exporters. A secured RBI website has been created for this purpose for the banks to coordinate with the central bank.

The RBI database will be updated on a real time basis to facilitate quicker follow up/data generation/policy formulation by the RBI regarding exports. "This will involve two-way traffic of data to and from a separate server at the RBI without interfering in any way with the dedicated RBI server," Meena said.

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Plan ready to compile inter-state trade data
Vikas Dhoot, The Economic Times

Accurate data could improve the credibility of state GDP numbers and planning for infra projects

New Delhi, 13 March 2013: The government is ready with a roadmap to capture interstate trade data, considered as essential for the proposed Goods and Service Tax regime.

Tracking of trade flows between states has never been attempted before in the country. Economists say such data could improve the credibility of statelevel GDP numbers and help in better planning for infrastructure projects on the basis of goods movement trends.

The commerce ministry will soon submit a report on creating such a interstate database to the Fourteenth Finance Commission, stating that domestic trade figures could be released on an annual basis to start with.

The Thirteenth Finance Commission had stressed on the need to compile inter-state trade data, especially in the context of the proposed goods and services tax regime which requires such transactions to be 'zero rated.'

The Directorate General of Commercial Intelligence and Statistics (DGCIS), which compiles India's foreign trade data, and the Central Statistics Office have submitted recommendations for creating an inter-state trade database, after conducting a pilot project to track trade flows between four states—Tamil Nadu, Kerala, West Bengal and Sikkim.

"We presently compile data on interstate trade through railways, river, air and sea," said Dipankar Sinha, director general at DGCIS. "Statistics of interstate movement of goods by road is not collected by any agency and has never been done before."

Such data can lead to significantly better policy planning and recommendations have been shared with the commerce ministry, he added. About 60% of the total freight movement in the country takes place by road and this share is likely to increase as India's road networks are developed further.

"Today, we can't ascertain states' gross domestic product at market prices, for which inter-state trade data is the missing component. This often renders state-level fiscal policies ineffective as they are based on wrong numbers," said NR Bhanumurthy, professor at the National Institute of Public Finance and Policy.

Although commercial tax departments have production data, they don't know the destination of the goods. Moreover, checkpoints at state borders don't rigorously inspect the transported goods' quantity or value.

The DGCIS has noted that states' descriptions of goods varied widely and were vague or incomplete.

The pilot study, conducted after extensive consultations with states, has thrown up the need to bring states onto common reporting codes for commodities and get state commissionerates of commercial taxes to share primary trade data with the DGCIS.

"We expect the total number of records across the states combined to run into crores during a year," Sinha said. "But 90% of the time taken for compiling the pilot data, was spent on codification of the commodities." Processing such goods trade would be "extremely difficult" till states agree on using common descriptions and codes, he added.

According to a CSO official, while most states do not follow any codification system, a few utilise some arbitrary coding system based on local requirements.

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US-India row over poultry, steel shifts formally to WTO
Amiti Sen, Business Line (The Hindu)

5 March 2013: The US and India are all set to begin their formal fight against each other at the World Trade Organisation over a poultry import ban imposed by New Delhi and penal duties on steel charged by Washington.

The panels for deliberating on the two cases have been now finalised and the hearings will begin soon, a Commerce Department official told Business Line.

The decision of the poultry panel would determine if India can continue to stop import of cheap chicken legs from the US citing the risk of avian influenza or bird flu.

The panel on steel duties, on the other hand, would look at the validity of the penal duties imposed by the US on hot-rolled steel sold by Indian companies on the ground that these were subsidised by the Indian Government.

Strengthening arguments

“Both countries had sought the establishment of dispute settlement panels in the middle of last year, but things got delayed due to disagreements over who would be included in the panels,” the official said.

The countries involved have to approve the panels as they have to be assured of their neutrality.

India has used the last few months “productively’’ to further strengthen its arguments in both cases and has also sought help of other Ministries and Departments, a Ministry official said.

“The Animal Husbandry Department is working on risk assessment studies on individual products to further strengthen our case for banning poultry from countries affected by bird flu,” the official said.

The US, which is batting for its domestic poultry industry that sees a market worth $300 million in India, has argued in preliminary discussions with India that its measures are inconsistent with the relevant science, international guidelines and the standards India has set for its own domestic industry.

While the US is currently allowed to export poultry to India, it is not able to ship anything as India’s strict avian influenza regulations increase the risk of import curbs and importers don’t feel confident to place long-term orders.

The Indian poultry industry will be hit badly if the US starts exporting its cheap chicken legs as it would drive down prices drastically.

India is on a firmer wicket on the steel case where it has complained against the countervailing or penal duties, as high as 500 per cent in some cases, imposed by the US on companies such as Essar, Tata, SAIL and Jindal.

These companies have not been able to export hot-rolled steel products to the US for the past few years due to the levy.

"The US argument that the iron ore sourced by Indian steel makers from NMDC is supplied at subsidised rate because it is a public body is completely baseless as ore is sold at the prevailing market prices. We have enough proof to substantiate our case," the official said.

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U.S. Challenges India's Solar Energy Incentives at WTO: What's at Stake
Metis Energy Insider

7 March 2013: The transition to a clean energy economy is imperative not only to tackle the climate crisis, but also to spur development through new economic opportunities, new investment, and the creation of new green jobs. In seeking to capture these benefits, however, governments are increasingly turning to trade rules to challenge one others' domestic renewable energy industries, thereby undermining the global clean energy transition we all seek. Put simply, all governments must have the ability to develop domestic renewable energy industries to fight climate change and the entrenched fossil fuel industry behind the crisis.

In the most recent example, the United States has filed a case at the World Trade Organization (WTO) to challenge India's use of subsidies and "buy local" rules in its domestic solar program. This case exemplifies the misguided and harmful impacts of these challenges. It is particularly important because of India's potential as one of the world's largest solar markets and because of the local and global benefits to India's transitioning from fossil fuels to renewable energy.

In order to understand the importance of this case, it is important to first understand the progress that the Indian government has made in supporting solar. India's solar mission provides strong support to solar deployment and includes a goal of developing 20,000 megawatts of solar power capacity by 2022. A key objective of the program is to boost the capacity of India to domestically manufacture solar panels. To achieve this objective, the government of India has required Indian developers of solar photovoltaic ("PV") projects using crystalline silicon technology to buy solar modules manufactured in India in order to take advantage of the programs benefits, including subsidies and guaranteed long-term competitive rates for solar power. These requirements to purchase locally manufactured solar panels are referred to as domestic content rules.

The government of India initially exempted thin film solar cells -- lower efficiency solar panels used in large-scale industrial solar projects -- from the domestic content rules because of low domestic capacity to manufacture such cells. This loophole created an opening for foreign countries, including the United States and China, to export thin-film cells to India. The U.S. exports of thin film solar cells to India have been particularly successful thanks to low interest loans from the U.S. Overseas Private Investment Corporation and the Export-Import Bank.

The result is that foreign thin-film panels now dominate India's market. Whereas global thin film installations are a very small portion of total solar deployment, in India they are the vast majority. To correct this imbalance and protect India's solar manufacturers, India is now considering expanding the use of domestic content rules to thin-film technologies in the second phase of its program, which may curtail imports of U.S. solar panels to India.

Concerned about the impact that the potential expansion of India's domestic content rules to thin-film technologies would have on its exports, the United States filed a claim at the WTO. In its claim, the United States asserts that India's domestic content rules appear to have violated trade rules in the General

Agreement on Trade and Tariffs, the Agreement on Trade-Related Investment Measures, and the Agreement on Subsidies and Countervailing Measures by allegedly providing more favorable treatment to domestic solar producers and products than to foreign ones.

According to WTO rules, the U.S. and India have 60 days to try to find a resolution. If no resolution is reached, the U.S. can then request the establishment of a WTO panel to determine whether India has violated trade rules. A recent WTO panel ruling which found that Ontario, Canada's domestic content rules in its renewable energy sectors violated trade rules does not bode well for India's case.

What's at Stake

Historically, as countries have industrialized, domestic content rules have been a standard policy tool used to foster, nurture, and grow their new industries. In this process, countries have sought to find the appropriate balance between allowing some degree of foreign competition while still protecting the new industry until it is internationally competitive.

In the case of India, allowing some degree of foreign competition may be important to stimulate its domestic companies to increase their efficiency and competitiveness. But, foreign competition must not undermine the ability of India to grow its own solar industry.

Here's why we think India must be in the driver's seat when it comes to determining the future of its renewable energy industry, and what is at stake in this case.

First, the growth and success of India's solar industry is being undermined by the power of its coal industry, which receives enormous subsidies and enjoys strong political backing in India. One way to challenge the power of the fossil fuel industry in India is to successfully develop a viable domestic renewable energy industry. The use of domestic content rules is one way to develop a domestic solar industry with skin in the game, which is necessary to counter the power of the fossil fuel industry.

Second, the presence of strong renewable energy industries in multiple countries, including India, can help spur competition and innovation that can ultimately drive down the global price of renewable energy technologies in the medium and long-term.

Third, local content rules can help increase the political support for renewable energy programs by generating multiple local benefits, including new investment opportunities in a growth industry, opportunities for technological innovation, job creation, and new sources of tax revenue. For a country like India, with hundreds of millions of people still living in poverty, these added benefits are critical.

And fourth, because our planet is at stake. Our global climate will remain in peril if only some countries develop renewable energy industries while others continue to rely on fossil fuels. There is absolutely no question that in order to avoid catastrophic climate impacts, all countries must be seriously investing in renewable energy technologies and transitioning away from fossil-fuels now. The global solar industry has seen significant gains in the last few years. In 2012, more than 100 gigawatts of solar PV were installed worldwide, breaking new records. Now is the time to encourage countries to keep developing their domestic solar capacity in order to tackle the climate crisis, not to slow this process with trade disputes.

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No barrier to India biz, says US solar firm
M. Ramesh, Business Line (The Hindu)

Chennai, 1 March 2013: In the background of the US government taking India to the World Trade Organisation over India’s ‘local content requirements’ for solar power plants set up under Government of

India programmes, US company First Solar has said it is not too bothered by such local content requirements.
(The government has mandated local content requirements for projects set up under the Jawaharlal Nehru National Solar Mission.)

Opportunity Areas

First Solar, which makes thin-film technology based solar cells and modules, and has about 20 per cent of the Indian market, told analysts a few days ago that it did not see the local content requirements as “a significant barrier to our goals for the marketplace.”

Noting that there is hardly any production coming out of local producers, First Solar said that it saw “as much opportunity outside of the state-sponsored (Government of India-sponsored) programmes as much as we do inside those programmes.” “There is very little production currently going on,” James Hughes, CEO, COO and Director, First Solar, told an analyst, answering a question about thin-film module production in India.

Cost Issues

“So we don’t spend a lot of out time and effort fretting about the local content requirements, although we do actively engage the government and make our view known,” Hughes said.

First Solar says local content requirements would “only drive up cost for local markets and ultimately don’t benefit the economy.”

First Solar’s statement seems to be consistent with the stand taken by the Ministry of New and Renewable Energy that the requirements apply to a very small part of the country’s solar ambition — 20,000 MW of grid-connected and 2,000 MW of off-grid plants by 2020.

A large part of the vision comes from the programmes of the various States, none of which has prescribed local content requirements.

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Free trade pact with Asean likely to be signed in August
Business Line (The Hindu)

Chennai, 6 March 2013: The Free Trade Agreement between India and the Asean (Association of South East Asian Nations) is all set to become a more comprehensive one. A pact on trade in services, as well as investment, is going to be signed in the next few months.

Avinash P. Joshi, Director, Union Ministry of Commerce and Industry, said negotiations between the Indian Government and Asean (Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Vietnam) are over and an agreement to this effect would be signed in August. “We hope this would open up a huge opportunity in the services and investment relations with these countries,” he said.

Besides, pointing out that the trade with these countries in the first nine months of the current financial year has clocked over $55 billion, he said this is expected to go past $80 billion by the end of the year. In an “outreach session” on Free Trade Agreement, organised here today by the Confederation of Indian Industry along with the Union Ministry of Commerce and Industry, Joshi said total trade between India and the member countries of Asean has been growing at a compounded annual growth rate of 20.64 per cent, from 2005-06.

Talking about foreign direct investments into India, he said bilateral investments between Singapore and India have crossed $50 billion, with Indian investment in Singapore (at $27 billion) being marginally above Singapore investment in India ($24 billion).

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Bangladesh now India's largest trading partner in subcontinent
Asit Ranjan Mishra/ Elizabeth Roche, Livemint

New Delhi, 8 March 2013: Bangladesh has replaced Sri Lanka as India's largest subcontinental trading partner, with tariff issues and New Delhi's growing tensions with its southern island nation hurting the commercial relationship between the two countries.

Meanwhile, India's better ties with Bangladesh have seen an increase in agricultural exports to and textile imports from that country. New Delhi has even allowed concessional tariff rates on textile products from Bangladesh.

"There has been a fair amount of surge in agricultural commodity exports to Bangladesh. Their exports have also increased due to concessions given on textiles. Total trade volumes will be touching in excess of $5 billion (around Rs.27,350 crore today) in the current financial year," said a commerce ministry official who spoke on condition of anonymity.

Between April and January in the current fiscal year, India's trade with Bangladesh rose to $4.5 billion from $3.3 billion in the year earlier, while trade with Sri Lanka fell to $3.5 billion from $4.2 billion. Sri Lanka was one of the first countries that India signed a comprehensive economic partnership agreement with in 1998.

The commerce ministry official attributed the drastic fall in trade with Sri Lanka to the increase in customs duty by that country on automobiles imported from India, starting April last year. Sri Lanka increased the import duty on cars from 120-291% to 200-350%; from 51-61% to 100% on three-wheelers; and from 61% to 100% on scooters and motorcycles. Sri Lanka has also substantially increased the excise duty on automobiles. As a result, several Indian auto makers, including Bajaj Auto Ltd and Maruti Suzuki India Ltd, for which Sri Lanka is an important export market, have taken a hit.

"Because automobile exports to Sri Lanka is a high-value item, that one single measure has meant exports to the country have suffered," the commerce ministry official added.

In April-December of the current fiscal year, India's automobile exports to Sri Lanka were $357 million; automobile exports amounted to $1 billion in 2011-12.

The relationship between India and Sri Lanka has been testy in recent times over the issue of the treatment of Sri Lankan Tamils and also after some fishermen from Tamil Nadu were captured by the Sri Lankan coast guard for allegedly straying across the maritime boundary.

India has been pushing Sri Lanka to devolve more political rights to the minority Tamils to ensure their integration into the mainstream—something Sri Lanka has been resisting.

A United Nations vote in Geneva on a resolution censuring the Sri Lankan government on its human rights record regarding the treatment of Tamils is expected later this month.

Last year, India had voted in favour of such a resolution, souring relations with Sri Lanka. India's approximately 62 million Tamils share strong cultural links with Sri Lanka's Tamil minority. Sri Lanka's Tamils and majority Sinhalese have a troubled relationship mainly owing to the three-decade-old civil war that ended in May 2009.

A second government official, who also did not want to be identified, said that apart from political reasons and higher tariffs, the dip in India's exports to Sri Lanka was caused by the latter's desire to have more companies "set up manufacturing units in the country".

Still, the strained relationship between the two countries wasn't making it any easier, this person added. "To move to the next phase of economic ties with Sri Lanka is going to be difficult," the official said. "Let me put it this way—there is no bonhomie (between India and Sri Lanka) that they would want to push trade relations to the next level."

Referring to Bangladesh, the government official said there is no rancour in relations. There are three outstanding issues between the two countries that needed resolution—India ratifying the additional protocol to the 1974 land boundary pact; reaching an agreement on the sharing of the waters of the river Teesta; and the killing of people by the border guards of the two countries because of the un-demarcated front line.

"But look at the temperature (of political relations between the two countries)," the second official said, pointing to the increase in trade as a natural consequence of a number of steps taken by the Indian government, including allowing duty-free access of textiles, the opening of border *haats* (markets), improved banking facilities and the opening of transport links.

Indian foreign secretary Ranjan Mathai told reporters earlier this month that the choice of Bangladesh as the first country President Pranab Mukherjee visited after taking office reflects the importance India attaches to ties with that country.

"Bangladesh itself is a fast-growing economy. They have recorded something like 6% growth consistently. It is a large market, 150 million, with a very growing middle class. So Bangladesh itself, apart from the export opportunities or the opportunities of access to India, presents a number of opportunities," Mathai said.

India is looking for better ties with Bangladesh as a means to develop its insurgency-riven North-East. Growth in the region should lead to jobs for the young, making it difficult for insurgent outfits to recruit disillusioned and jobless young people, goes the logic.

The second government official said that later this year, India will start exporting 500 megawatts (MW) of power to Bangladesh. While 250MW will be given at concessional rates, the rest will be at market rates, he added.

On the Teesta, the official said Bangladesh was receiving 100% water without any cuts as there is no barrage on the river. "The Teesta pact will be symbolic" rather than anything else, which is also important, the person said.

C. Uday Bhaskar, an analyst with the South Asia Monitor think tank in New Delhi, said India would like to engage with Bangladesh irrespective of who is in power. "But (Prime Minister) Sheikh Hasina has been more receptive to India's overtures, so it's easier to realize India's objectives," he said.

Another expert said that India's emphasis on Bangladesh and Pakistan may have come at the cost of its relationship with Sri Lanka.

"In the process, we have actually neglected Sri Lanka. The negotiations for a services agreement (broke down) after 13 rounds of negotiations. We have not been able to pick it up," said Nisha Taneja, a professor at the Indian Council for Research on International Economic Relations.

Taneja said India should again start focusing on Sri Lanka and reduce its sensitive list with that country, even if it doesn't want to restart the services negotiations.

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India-Australia free trade pact can deepen ties
Business Line (The Hindu)

Chennai, 11 March 2013: Australia is eager to negotiate a comprehensive economic partnership (essentially a free trade agreement) to intensify and diversify the trade partnership with India, said Patrick Suckling, Australian High Commissioner. There is strong political commitment on this and four rounds of negotiations have been held, said Suckling, addressing the 23rd annual day of the Indo-Australian Chamber of Commerce in the city.

Goods tariffs have already been exchanged and services tariffs will be discussed soon, he said. A fifth round of negotiations will be held in May in Australia. Bilateral trade between the two countries stands at $22 billion and has the potential to double in a few years. Last year, India invested $11 billion in Australia. Indian exports to Australia doubled to $3 billion, in the last few years.

"Economic relations will be the bedrock of the relationship growing forward," said Suckling. Four top Australian banks, infrastructure, education, agri- business and biotech companies from Australia are in India. Indian interest in Australia encompasses aircraft technology, medical, IT and education, he said.

Trade Agenda

The G20 forum of which both India and Australia are members is looking to promote a quick economic recovery. "We are working closely with India on a sustainable global growth and trade agenda." The high commissioner said security cooperation, especially maritime security, will also be deepened between the two countries.

Australia is committed to negotiating safeguards with India to sell uranium, which is currently not exported as India is not a signatory to the non-proliferation treaty, said Suckling.

Safeguarding Indians

People to people relations are also growing, said Suckling. Around 450,000 people of Indian origin are in Australia. Indians are the fastest growing migrant group. Indians also comprise the second largest student population, after Chinese students. (In 2012, there were 55,000 Indian students in Australia).

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Insurance Bill now holds the key to FTA with EU
Asit Ranjan Mishra / Remya Nair, Livemint

New Delhi, 10 March 2013: The much-delayed free trade agreement (FTA) between India and the European Union (EU) may finally get through if the government is able to amend the law to allow greater foreign investment in Indian insurance firms.

Chief negotiators of the two sides are scheduled to meet next week in Brussels to thrash out the remaining issues in the deal. This will be followed by a meeting between trade ministers from both sides in April to close the deal.

Talks on the bilateral trade and investment agreement started in 2007. The two sides have missed at least four deadlines to complete negotiations.

“There is a very good chance of reaching a deal this time”, a commerce ministry official said speaking on condition of anonymity. “Everyone knows they (EU) are interested in opening up the insurance sector. Let’s see what happens in Parliament.”

Of the 23 private life insurance companies operating in India, 11 are joint ventures with European insurers. Of the 21 private general insurance companies in the country, seven are partnerships with firms headquartered in Europe.

The insurance amendment Bill proposes to raise the foreign direct investment (FDI) cap for the sector to 49% from 26%, but the standing committee on finance, headed by main opposition Bharatiya Janata Party leader Yashwant Sinha, is against this.

The government is trying to forge a consensus with opposition parties to ensure passage of the Bill and may table the Bill in Parliament in the second half of the budget session, said a finance ministry official, also declining to be identified.

The finance ministry is also exploring an option to allow foreign institutional investors to hold up to a 23% stake in Indian insurance firms, maintaining the FDI limit at 26%, if a consensus can’t be reached. “We have heard from some of the foreign promoters. Let’s see what can be done. Political consensus is needed to push through the bill,” the finance ministry official said.

Asked if the meeting in Brussels will be the last round of talks for a EU-FTA deal, the commerce ministry official said: “In a way yes, but discussions would still continue to fine tune the deal. I would call it a critical round.”

EU ambassador to India Joao Cravinho last month warned of “a closing window” of opportunity given that India’s general election is scheduled for next year.

Cravinho said differences over services—the mobility of professionals without restrictions that India has been pitching for—were more serious than those over reducing tariffs in the auto and wine and spirits sectors.

India also wants the EU to declare the country data-safe, which will help information technology and outsourcing companies. The EU, however, maintains the issue is not part of the FTA negotiations and should be dealt with independently.

“We will certainly be very supportive of India getting data adequacy status... It’s in India’s interest because there are billions of dollars of business involved, but it’s also in our interest because European companies will gain by using Indian companies to do their data processing. It will reduce our costs,” Cravinho said.

T.S. Vishwanath, principal adviser at APJ-SLG Law Offices, said the trade negotiations between the two sides are heading towards a conclusion as a majority of the issues have been sorted out. “On issues like reducing tariffs on automobile imports, India needs to convince the EU that it has a road map even if it does not eliminate duties at one go. Similarly, EU also needs to tell India how India can become a data secure country. A deal does not quite look difficult now,” he said.

Apart from insurance, the EU may insist on making FDI in multi-brand retail more flexible as it considers the current policy complex, said Arpita Mukherjee, professor at the Indian Council for Research on International Economic Relations.

“EU may insist on further liberalizing the sourcing clause, making backend investment requirements flexible and allowing FDI in e-commerce,” she said. Opening up the retail sector for foreign investment was one of the key demands of the EU. India last year allowed 51% FDI in multi-brand retail and 100% FDI in single-brand retail.

Though the commerce ministry says it had no plans to allow FDI in e-commerce, Planning Commission deputy chairman Montek Singh Ahluwalia on Friday signalled a change in government's thinking. "I have expressed my view that if we have FDI in conventional retail, the same principle should apply in online retail. Many people have brought this to my attention. I propose to raise this with (commerce minister) Anand Sharma," he told reporters.

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'India-Latin America trade to double in five years'
Humasiddiqui, The Financial Express

New Delhi, 7 March 2013: Trade between India and Latin America is likely to double in the next five years with direct shipping, air connectivity, visa on arrival and free trade agreements on cards.

''At the rate at which it is growing in about five years, we should be able to double it (from current level of $30 billion). If not, it will be $50 billion,'' said Dammu Ravi, joint secretary (Latin America and Caribbean) in the MEA.

Indian firms have so far invested $16 billion in the region, while more companies are exploring opportunities in trade, investment and mining. Today, 60 % of the current bilateral trade is in oil, hydrocarbons, minerals and agriculture commodities. But now it is moving into niche areas like pharma and IT services.

While transportation costs and the lack of familiarity with each other's markets were previously cited as the big impediments, the government is planning to improve connectivity to the region and a direct flight is expected to be launched next year. ''Indian Airlines can perhaps have direct connection to Panama, where we have large Indian community and a hub connecting north and south America,'' he said . Underlining the need for direct shipping, he pointed out that presently it takes about 45 days due for shipments to reach Europe and Singapore. The government is working on direct shipping, which will not take more than 30 days.

The joint secretary said the region was aiming at visa waiver and requesting all countries in the region to relax norms by clearing visa applications of Indians in a day. He pointed out that Indians holding a US visa don't need separate visas for all eight central American countries.

''Now in reciprocity, we are planning to give them visa on arrival facility. This facility is already available to 11 countries. We will extend it to more countries,'' he said.

''Though India is negotiating Free Trade Agreement (FTA) with Peru and Mexico, we know that when the Pacific Alliance takes shape, we will have FTA with Pacific Alliance which include all four countries and the entire area will become a very potent trade region for India.''

Talking to FE, Augusto Castellanos, director, Colombia's commercial office in India, said, ''The two countries are increasingly finding business opportunities with each other and are on track to diversify to generate sustainable growth for both countries. The growth in India is due not only to the fact that Indian companies are finding an important market in Colombia, but also because many of them based in Colombia have managed to cover the entire region, because of factors such as excellent location, easy access to north and south, free zones, with benefits such as income tax of 15 % and non-payment of import tariffs and VAT plus a double taxation agreement with India that will take effect in the coming months.''

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BRICS bank not to replace any existing institutions: Elizabeth Thabethe
Nayanima Basu, Business Standard

9 March 2013: For the first time since the country has joined the group in 2010, South Africa is hosting the BRICS Summit this year to be held from March 26-27. The Summit assumes much significance this time as a feasibility report on the proposed BRICS Development Bank will be presented to the leaders. *Elizabeth Thabethe*, South Africa's deputy minister for trade and industry, in an interaction with *Nayanima Basu* says it is a work in progress and the objective of the bank is not to replace any existing financial entity. Edited excerpts:

Will there be any announcement on proposed BRICS Development Bank in the upcoming summit?
The ministers of finance of BRICS countries have been tasked at the 2012 Summit to look into the feasibility and viability of the proposed BRICS Development Bank. A report on the findings will be presented to the leaders at the upcoming Summit, but I have to reiterate and reassure that it is not the intention of this proposed new development bank to replace any of the existing financing institutions. Its aim is to provide additional and also niche financing where it is not available or forthcoming, notably for emerging markets and developing economies in sectors critical for attaining their developmental goals.

So can we expect a formal declaration after presenting the feasibility report?
Establishing a development bank is not a small endeavour which is why the leaders at the previous summit requested the ministers of finance to thoroughly investigate all the aspects around the possibility of forming such an institution. This was taken very seriously and apart from being in regular contact electronically, the ministers and their teams have met four times in committee to discuss this issue further. It is a work in progress as there are still many issues with respect to such a bank to sort out. One can expect further discussions and negotiations going forward.

What is the progress on India-SACU (South Africa Customs Union) preferential trade agreement (PTA)? This was supposed to have been signed last year.
India and South Africa have been discussing the formation of a PTA for quite a long time. Both are developing regions which have similar interests in terms of market access. Therefore, it was expected that the negotiations would be characterised by a process of give-and-take, in which India, on the one hand, will have a specific sector that it wants SACU to open, whilst, on the other hand, SACU will have specific sectors that it wants India to open. There are certain sectors which both partners have identified as strategic industries and they both have to tread carefully when negotiating these.

So what problem is the deal facing now?
There is no problem as such. There are some hurdles, but these are being negotiated and I am confident that it will be resolved. I cannot put a deadline and say that it will be signed tomorrow but the process is ongoing and the chief trade negotiators have been requested to work to the earliest conclusion of the discussions as possible.

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Efforts to increase export of agri commodities
PTI

New Delhi, 11 March 2013: Government on Monday said it is making all efforts to increase export of agricultural commodities, including wheat, rice, vegetables, meat and marine products, and India has emerged as the second highest exporter in this sector.

“The picture being painted that there has been a fall in export of agricultural products is incorrect. Processed agricultural products, vegetables and fruits are being exported as part of India’s foreign trade policy,” Commerce and Industry Minister Anand Sharma told the Lok Sabha during Question Hour.
He emphasised that government is giving a 5 per cent export incentive to this sector. “It is under Open General Licence and there are no barriers,” Mr. Sharma said.

The minister claimed that government is making all efforts to increase export of agricultural products and India is now the second highest exporter in this sector.

He, however, rued that 35 per cent of the agri-products still go waste which is a very high figure and hoped that with FDI coming in, the foreign players will open up more cold storages and processing industries.

Mr. Sharma said other products being exported include wheat, non-basmati rice (where India is the highest exporter in the world), bovine meat and marine products. He said all steps are being taken to get good remuneration for the farmers.

He admitted that there is shortage of edible oil and pulses and these are being imported. “About 8-9 million tonnes of edible oil and 3-4 million tonnes of pulses are being imported,” he said.

India also imports palm oil which is sold at PDS shops at subsidised rate.

Mr. Sharma said India has ample stocks and the export of agricultural products should earn the country valuable foreign exchange at a time when there is pressure on the current account.

In reply to a question, the minister said chillies are also among the products being exported by India. “The top five destinations for India’s export of processed agricultural products are USA, Indonesia, Vietnam, UAE and China. The top five destinations for India’s export of processed marine products are USA, France, Italy, South Africa and Spain,” Mr. Sharma said in his written reply.

Government has through a notification issued on February 4, 2013 allowed the export of 14 commodities and product groups of processed and value added agricultural products like cereal flours, meals, milk products, value added products of onion and so on.

“The government is taking steps to encourage exports of agro products, including processed food products through measures and incentives under Plan schemes of the Commodity Boards and Export Promotion Councils,” Mr. Sharma said.

He informed the Lok Sabha that Agricultural and Processed Food Products Export Development Authority (APEDA) and the Marine Products Export Development Authority (MPEDA) are implementing various schemes to extend financial assistance to eligible exporters.

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Humble guar gum India’s top farm export
Surojit Gupta & Sidhartha, The Times Of India

New Delhi, 10 March 2013: Guar gum has emerged as India's top farm export overtaking traditional heavyweights rice and cotton and looks set to power into the league of top 10 shipments from the country, thanks to the demand from the US oil and gas industry. Latest government data shows that guar gum exports have shot up nearly 139% on a year-on-year basis between April and January with shipments of about $4.9billion. In the previous year, it rose 374% in January alone compared to the same month of 2011. At $4.9billion, guar gum exports during the April-January period were a shade below the exports of plastics and linoleum products at $5billion. Basmati rice exports during the same period totalled $2.7

billion while raw cotton exports stood at $2.6billion. The shift in fortunes for the hitherto unknown guar gum has been phenomenal in recent years. Growing demand for the gum from the petroleum industry in the US has seen a sharp increase in the prices of the commodity, which is commonly known as guar phalli and has a variety of uses in sectors ranging from food to oil and gas drilling.

Magic Beans

Guar, from which gum is extracted, is mainly grown in Rajasthan and Haryana India accounts for nearly 80% of global production of guar gum, now bringing in $4.9 billion Used as controlling agent in oil wells for easy drilling Also used in textile, food & cosmetics industries Guar gum prices rose 1,000% in '12

The sharp rise in exports, thanks to the scorching demand from the US oil and gas industry, which uses the commodity while drilling for shale gas, has helped propel prices to stratospheric levels . The robust return from the crop has changed lifestyles and incomes in Rajasthan and Haryana where it is predominantly grown. TOI had earlier reported the dramatic impact of the sharp increase in guar gum demand and prices on lifestyles in Rajasthan. While the growth in demand may have slowed compared to the dizzy heights scaled in 2012, experts say the commodity will hold up for some time. Last year, prices shot up in the 900% to 1,000% range and a quintal of guar gum fetched more than Rs100,000 while prices for the seed shot up from Rs 3,000 to Rs 35,000. "More or less the demand will be there largely because of the requirements of US shale gas drilling," said Naveen Mathur, associate director commodities and currencies at Angel Broking.

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Govt allows additional 5 mn tonne wheat export from FCI
Business Standard

New Delhi, 8 March 2013: To clear bulging grain stocks, a group of ministers (GoM), headed by Agriculture Minister Sharad Pawar, today decided to allow export of an additional five million tonne (mt) of wheat from the Central pool. With this, total export permitted from FCI godowns now stand at 9.5 mt for the current financial year.

This time the export will be entirely done by private traders. In the past, wheat from the Food Corporation of India's (FCI) warehouses used to be exported with the help of state-run trading agencies such as State Trading Corporation of India, PEC and MMTC.

"The GoM has approved export of additional 5 million tonne wheat from the FCI stocks. Only private traders will be allowed to export this quantity," Food Minister K V Thomas told reporters after the meeting. He added that private traders will initially be allowed to export wheat that is lying in the Punjab godowns and they have to bear the transport cost till ports for the export purpose.

Asked if state-run trading firms will be allowed to export more, Thomas said: "PSUs are already allowed to export 4.5 mt of wheat from FCI godowns. They will continue to export. A separate cabinet committee on economic affairs (CCEA) note will be moved once the current allocated quantity is exhausted."

Earlier in the day, the CCEA, which met to discuss the matter, could not come to a conclusion over the amount of additional export from the central pool, following which it was referred the matter to the GoM.

Finance Minister P Chidambaram, Food Minister K V Thomas, Railways Minister P K Bansal and Commerce Minister Anand Sharma were also present in the GoM meeting.

The floor price for private traders for the export was fixed at Rs 1,480 a quintal ex-Punjab.

Additional exports would ease storage pressure in Punjab, Haryana and Madhya Pradesh. Wheat stock has piled up in the government godowns due to record procurement following bumper crop in the past two years.

As on February 1, the government had over 65 mt of foodgrains in its stock, more than double the required quantity. Of this, almost half was wheat.

The government is aiming to procure a record 44 mt of wheat in the 2013-14 marketing year starting April. Wheat production touched an all-time high of 94.88 mt in 2012-13 crop marketing year. Production is estimated to be 92.30 mt in 2013-14 marketing year.

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Rice exports set to cross 10 mt this fiscal

Vishwanath Kulkarni, Business Line (The Hindu)

New Delhi, 10 March 2013: Rice exports are set to cross 10 million tonnes in the current financial year on robust demand from West Asia, Africa and South-East Asian countries. Last year, the total rice exports stood at 7.3 million tonnes.

"Till January-end, the total shipments stood at 8.2 mt. We will exceed 10 mt by March 31," said R. Sundaresan, Executive Director, at the All India Rice Exporters Association.

Basmati shipments, which have gained momentum in the past two months on rising demand from Iran, would cross 3.5 mt over the last year's 3.21 mt.

Till January-end, the exports stood at 2.8 mt. Iran is the largest buyer of Indian basmati rice and accounts for close to 30 per cent of the country's shipments.

In value terms, the basmati exports may cross Rs 17,000 crore on better realisations. Last year, the basmati exports stood at Rs 15,450 crore. The average realisations are up by about 20 per cent at around $1,200 a tonne against last year's $1,000 a tonne, Sundaresan said.

Besides, the depreciating currency, which has made the Indian rice competitive in the world market, has boosted the rupee-term realisations.

The non-basmati rice shipments are expected to register an increase of 58 per cent at around 6.5 mt against last year's 4.09 mt. This is mainly on account of huge demand from African countries such as Nigeria and Ghana and also from Indonesia. The average realisations for non-basmati rice are around $400 a tonne.

"The overall growth in shipments is good, but the non-basmati rice continues to fetch a lower price than our competitors. There is a need to create awareness on our quality," said Vijay Setia, Director at Chamanlal Setia Exports Ltd, Amritsar-based exporter.

The growth in rice export volumes is expected to help India retain the top slot as the world's largest exporter. Last year, India had emerged as the world's largest exporter displacing Thailand.

"The consistent production of over 100 mt of rice in the past four years has helped us boost our exports. About 80 per cent of our non-basmati shipments have been to Africa, where we compete heavily with the parboiled variety from Thailand," said S. Venkatesh, Head of International Trade at LT Foods Ltd. India had lifted the four-year ban on exports of non-basmati rice in September 2011.

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India trumps Pakistan's Iran rice trade boom with oil rupees
Reuters

Dubai, 9 March 2013: Iran's oil export revenues are helping Indian rice exporters to claw back some of the lucrative business lost to cross-border truckers in Pakistan as a result of Western sanctions.

Indian rice exports direct to Iran have bounced back, thanks to shippers being paid up front in rupees from a huge pool of oil money owed to Iran by Indian refiners. "Now business is being done directly because Iran is allowed to open letters of credit in Indian rupees because the government has to pay money to Iran for the oil," said Suresh Manchanda, marketing director of a Delhi-based company which exports rice, wheat and sugar globally.

"For the importers back in Iran, Indian rupees are easily available to them via the government, so they can do business in a much easier way than doing business in any other currency," Manchanda told Reuters at the Gulf Food trade show in Dubai. "For all practical purposes the money never leaves anywhere, the money is already in India."

India is Tehran's biggest rice supplier but shipments were held up in early 2012 after Iranian buyers defaulted on payments. Many Indian suppliers then stopped sales on credit. Tightened sanctions on shipping and bank transfers between Iran and India started a boom in Pakistani rice trucked across the remote border into Iran by groups based in Quetta, grains traders from Pakistan and India said at the world's biggest food show last week.

Problems getting paid by private Iranian buyers hit by a slide in the value of the rial also saw the rice flow from India being routed through Dubai, with wholesalers there taking on the payment risk in return for a mark-up.

Before Western sanctions aimed at stopping Tehran's disputed nuclear programme began to bite, Indian official data show rice sales to the Islamic Republic were surging.

They more than doubled in the financial year of 2009-2010 and also rose in value by nearly 35 percent to over $600 million from April 2011 to the end of March 2012, but this was a period when India's overall rice export earnings almost doubled in value globally. Dubai's role in the India-Iran rice trade has withered since oil pool payments started.

From April 2011 to the end of March 2012, $821 million of Indian rice was shipped to the United Arab Emirates, more than anywhere else. But in just nine months from April to December last year Iran imported over $725 million of Indian rice, up 20 percent on the previous 12 months, while Indian exports to the UAE slumped to $287 million, official figures show.

There is effectively no limit to how much Indian rice exports to Iran can be funded by the oil money pool, because even when India's oil imports from Iran fell more than 40 percent from January 2012 to 2013, their value was still nearly $1 billion in one month.

"The new payment mechanism has been helping Indian rice exporters. Competitors in Pakistan don't have any such facility," M P Jindal, president of the All India Rice Millers Association said. "This year we are estimating at least a 10 percent rise in basmati rice exports. Exports are booming, especially to Iran and Iraq."

Pakistan exported around 30,000 tonnes of rice, worth $21 million, directly to Iran in the second half of 2012, a sharp fall from the 12 months to the end of June 2012 when sales approached 140,000 tonnes, according to the Rice Exporters Association of Pakistan (REAP).

Pakistan's rice sales to the UAE, the main shipping route into Iran, also dropped sharply to less than 52,000 tonnes in the second half of 2012, compared to nearly 228,000 tonnes in the previous 12 months, REAP data showed.

Iran relies on imports for about 45 pct of its annual rice consumption of 2.9 million tonnes, according to U.S. Department of Agriculture data.

Iranian buyers prefer Indian basmati rice, but shipping and payment problems faced by Indian suppliers created an opportunity for Pakistani dealers based near the border with Iran to make big profits, rice exporters based in Karachi said.

Those willing to take the risk of trucking goods along hundreds of kilometres of highways of western Pakistan to the remote border area with Iran could charge premiums well above Indian rice prices.

"Last year India had a lot of currency issues and then Pakistan was selling at around a $150 premium over India because India could not sell to Iran directly... It became a monopoly," Mohammad Raza, a Karachi-based rice exporter, said. "This year that's not happening... This year it has shrunk considerably, but it has not completely finished."

The success of India's oil pool for funding exports direct into Iranian ports over the last few months has hit Pakistan's rice truckers' profits hard, slashing premiums to well below $80/tonne in early 2013, he said.

These border traders who have problems getting paid by Iranian buyers are also driving a boom in barter of fuel for food, several rice traders at the show said. "The trucks are not going to Iran. They used to go there but not anymore because the money is not coming from Iran to Pakistan so the trade has virtually stopped," Tariq Ghori, director of Karachi-based Matco Rice Processing Ltd, told Reuters at the Gulf Food trade fair in Dubai last week.

Matco, one of Pakistan's biggest Basmati rice exporters with sales of over 100,000 tonnes last year, and Raza's company were not part of the border food trade boom because the risks of shipping across Pakistan are high and the competition from Quetta-based groups fierce. "They are done by people at the border. They have links with the Iranian people... Family ties, they know each other, speak the same language, so they do the trade," Ghori said.

"Big companies like us, sitting in the big cities, cannot do that trade." Many mainstream competitors shipping out of Karachi still rely on Dubai middlemen buy their product and sell it on to Iran, putting them at a disadvantage to Indian exporters now able to ship direct.

Many Indian rice sales to Iran were also done through Dubai on credit until a slump in the rial in early 2012 prompted several Iranian buyers to default on payments. Since then most Dubai traders will only deal with Iranian buyers paying up front or brandishing a letter of credit from their government to tap the oil revenue pool in India.

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Spices Board to provide slots to farmers in trade fairs
Business Line (The Hindu)

Kochi, 7 March 2013: The Spices Board is providing opportunities for growers for upcountry marketing of cardamom, clove and nutmeg, the three spices which are facing market fluctuations.

The Board will be providing slots for farmers and farmer groups to participate in the leading national and international shows in India to showcase products and to meet with upcountry merchants and traders.
FOCUS

The Board is focusing on cardamom, cloves and nutmeg in the forthcoming AHAR International Trade Fair being organised at Pragathi Maidan, New Delhi from March 14-18.

Interaction With Farmers

During the India International Trade Fair in Delhi during November last year, around 20 representatives from different cardamom growers' organisations have participated and interacted with upcountry merchants and traders.

The Board is inviting leading merchants to the stand for direct one-to-one interaction with farmers.
The stand will also showcase different culinary applications and educate the public on varied uses of these spices.

The Spices Board also extended invitation to most of the farmer groups in Kerala and Tamil Nadu.
Similar efforts will be taken up in the coming months in fairs Maharashtra, Madhya Pradesh, Rajasthan, West Bengal, Andhra Pradesh, Karnataka and Sikkim.

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Seafood exports dip on dull demand
PK Krishnakumar, The Economic Times

Kochi, 7 March 2013: Seafood exports are likely to fall short of $3.5 billion achieved last year due to falling demand and declining catches. Recession and debt crisis in Europe have slowed down purchases while an antidumping duty and a cut in government spending in the US have been a setback for exports.

The presence of anti-oxidant ethoxyquin in shipments to Japan are yet to be sorted out while China and Southeast Asia, which was major buyers last year, have not been active in the market this year.

"Southeast Asia is basically a primary market. They buy from us, add value and export them. When the secondary market is in doldrums, you can't expect the primary market to perform," said Norbert Karikkassery, president of Seafood Exporters Association of India, Kerala region.

During the April-December 2012 period, exports rose to 6,60,703 tonne valued at Rs 13,994.46 crore ($2.6 billion). The quantity is down 2.62% while value in dollar terms has fallen by almost 8% year-on-year partly due to rupee depreciation.

In rupee terms, there is an increase of 6.03% according to the provisional estimates of Marine Products Export Development Authority. Shrimps accounted for 52% of total earnings and their exports increased by over 16% during the period.

The prices of most the marine products except vannamei have fallen in the world market.

"Vannamei fetches Rs 400 per kg for the premium variety. The harvest, which will peak in May and June, could fall by around 20% compared with last year's output as farms in Nellore, Gudur and Kota have reported losses ," said Surya Rao, an aquaculture farmer in Andhra Pradesh.

The slump in exports has been attributed to lower shipments of fishes, squid and cuttlefish, which are caught from the sea.

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SMEs join tyre cos' clamour against duty hike on rubber
Msaritavarma, The Financial Express

Thiruvananthapuram, 7 March 2013: Immediately after Kerala chief minister Oommen Chandy confirmed that the Union finance ministry is about to notify a hike in the import duty of natural rubber, from Rs20 per kg to Rs34 per kg, the rubber-consuming industry roped in 4,500 rubber SMEs to join its clamour to shout down the hike. According to the SMEs, the import duty on natural rubber cannot be seen as the single major factor in the price differential of rubber.

Since over 90% of the country's rubber production comes from Kerala, the fall in prices has ruffled the state's economy. A delegation of ministers led by the Kerala CM met the Union commerce minister and Union finance minister on Tuesday.

"The move to clear a notification hiking the import duty on natural rubber from R20 per kg to R34 per kg is already on," Oommen Chandy told FE. From R230 per kg last year, natural rubbber prices have nosedived to R160 per kg this year, almost seeking policy intervention, he said.

Alarmed by the imposition of import price curbs on natural rubber, SMEs in AIRIA (All India Rubber Industries Association) have joined hands with ATMA (Automotive Tyre Manufacturers' Association) in urging the commerce, finance and MSME ministries. An increase in the import duty on natural rubber will severely hit 4.5 lakh people working in rubber SMEs, according to the representation by AIRIA. "There is no significant differential between the current domestic and international prices of natural rubber, which should warrant drastic action on the lines proposed. According to Rubber Board's data, the price differential between domestic and international prices is currently less than 5%. The key concern of natural rubber growers and their representatives was that there was a significant price differential, to the tune of R20 per kg, and necessitating import curbs was no longer required", said Niraj Thakkar, president, AIRIA.

AIRIA contests the rubber-grower organisation's argument that rubber prices can be attributed to imports. It quotes a press release by the Rubber Board, which says that "Rubber price is a function of several factors."

Thakkar argues that a panel constituted by the ministry of commerce to examine the duty structure had met on 27 December, 2012, recommending to maintain status quo with regard to the rubber import policy. AIRIA pleads that the economic slowdown is affecting both the rubber-consuming industry and the rubber plantation sector.

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Natco's compulsory licence for selling generic copies of Bayer's cancer drug Nexavar upheld by IPAB
Sanjay Vijayakumar & Divya Rajagopal, The Economic Times

Chennai/Mumbai, 4 March 2013: An independent authority has ruled in favour of the government's decision to allow a domestic pharmaceutical company to make inexpensive copies of German multinational Bayer's anticancer drug priced at Rs 2.8 lakh a month.

By saying that Natco Pharma can produce Nexavar, a patented medicine used to treat liver and kidney cancers, the Intellectual Property Appellate Board has in effect endorsed the so-called compulsory licensing regime under which Indian companies can make cheap versions of expensive life-saving drugs. "The court does not decide for, or against, a company. It takes a decision based solely on public interest," Justice Prabha Sridevan, chairman of IPAB, who pronounced the ruling at a marathon sixhour sitting.

"The price of a drug should be seen from the point of view of the public affordability and not based on R&D expenses."

In March last year, India granted its first ever compulsory licence, by ordering Natco Pharma to sell the cancer drug at Rs 8,800 for a month's therapy, and pay 6% royalty to Bayer on the total sales, which was disputed by Bayer. "In three years, Bayer has not taken any steps in revising the marketing strategy and cut the price of the product," said Justice Sridevan on Monday. The judge also noted that since 2010, Bayer has only been importing the drug for its philanthropic activities in India and not a single import was made for commercial use. Natco, which has been asked to increase the royalty it pays to Bayer to 7% from 6%, welcomed the decision while Bayer was dismayed.

"We strongly disagree with the conclusions of the IPAB. Bayer is committed to protecting its patents for Nexavar and will rigorously continue to defend our Intellectual Property rights within the Indian legal system. We will pursue the case in front of High Court in Mumbai with a writ petition," Bayer told ET in an emailed response after the verdict. "The order of the Intellectual Property Appellate Board (IPAB) weakens the international patent system and endangers pharma research." The Ipab order is the latest setback to multinational pharmaceutical companies which have been delivered a string of defeats in a country where it is becoming established that affordability of medicines trumps the privileges of patent-holders.

"It is great news as the prices of drugs have dropped by 97%. This provision in Indian law, which allows generic competitors to apply for compulsory licensing is very important to check the abuse of patent system in terms of prices, availability, meeting the needs of the public," said Leena Menghaney, campaign coordinator at Medecins Sans Frontieres, an international, independent organisation for medical humanitarian aid.

The most high-profile patent case is the one being fought by Novartis in the Supreme Court over its cancer drug Glivec. The Swiss company sought and failed to receive patent protection from IPAB, which said that the innovation was only incremental. While the Natco-Bayer dispute is regarded as a test case for the compulsory licensing regime, India's patent law amended in 2005 does not recognise incremental innovation for patenting. This has led to a number of disputes in which the global pharmaceutical companies have ended on the losing side. By disallowing patents for incremental innovation, India has fostered a thriving generics industry which is able to supply affordable drugs to hundreds of millions of poor people around the world. In March, the patent controller issued a 'compulsory licence' for the first time allowing generics company Natco to make Nexavar.

"Though this ruling has set a precedent for future compulsory licensing applications, large Indian drugmakers will be reluctant to apply for a compulsory licence due to their partnerships with multinational drugmakers. However, rulings like these sow a seeds of doubt in the minds of multinational drugmakers about the reliability of the intellectual property regime in India," said Sujay Shetty, head of the life sciences practice at PricewaterhouseCoopers.

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Punke Signals Hurdles For WTO Package, Slams Food Security Proposal
Inside U.S. Trade, Vol. 31, No. 10

8 March 2013: Deputy U.S. Trade Representative Michael Punke yesterday (March 7) left little doubt that pulling together even a small package of trade concessions for the next World Trade Organization ministerial will be difficult, partly because negotiations on trade facilitation face many hurdles and partly because developing countries like India and China are advancing a controversial proposal on food security that, in the U.S. view, could undermine existing subsidy rules.

On trade facilitation, Punke said the increased engagement between negotiators in recent months "is resulting in more clarity, but it is also revealing more gaps than it is bridges." Some of the differences that are emerging are over "very frustrating issues that ought to be very easy," he said. For instance, he noted that he spent hours in a meeting last week over "whether countries should post copies of their existing customs forms on their existing web pages."

In response to a question, Punke said that despite these challenges, it is not time to break off that issue and try to conclude a deal with only a select group of WTO members, as the United States has done for services. "I think that is jumping ahead a very significant number of steps, and I still retain a significant amount of hope that we can achieve a trade facilitation agreement multilaterally," he said.

On food security, Punke blasted the proposal advanced by India and supported by China and other developing countries, arguing that it would weaken agricultural subsidy rules.

The Indian proposal would create a "brand-new loophole that would allow developing countries to subsidize agriculture to an unlimited degree if they say that the purpose of that subsidization is to create a stockpile in order to promote some broad goals, like poverty alleviation and rural development," he said at an event organized by the Washington International Trade Association.

The Indian proposal "potentially would create a massive new subsidization of global agricultural markets, and the notion that that would be a good idea at all is highly suspect," he added. The proposal would allow governments to stockpile food purchases from poor farmers at above market prices, and would then classify these purchases as "green box," minimally trade-distorting subsidies, which face no limits under WTO rules.

India has insisted that a version of this proposal be included in a final package, but the U.S. and European Union have essentially rejected that idea, Geneva sources say (Inside U.S. Trade, March 1).

Punke said that the U.S. has been "very open" to talking with India about how it may address its food security needs. At the same time, it has also been "very honest in saying that the version of the solution that they have put on the table is very unlikely to be something that gains consensus in Geneva," he said.

The deputy USTR made clear that it is especially difficult to find a mutually agreeable accommodation on this issue if India, China and other members supporting it do not provide more information and guidance.

"The difficulty with the India proposal right now ... is we do not yet even have a clear articulation from the Indians of what the problem is that they are trying to solve," he said. Members of the so-called G-33 group that supports the proposal have not adequately clarified "how they are using existing WTO rules in this area, and why those existing rules are not sufficient to address the problem," he said. Greater transparency is necessary to have a meaningful conversation, he said.

"Unfortunately, the situation right now ... is that we still don't even have some very basic information that we've asked for to inform the conversation at that very basic level," he said. "So we remain open to problem solving, but it is going to take a lot of work on the part of the Indians and the Chinese and other members of the G-33 that put this proposal forward to do something that they haven't always been very good at, and that is to provide information."

More fundamentally, however, Punke argued that there is simply not enough time to work out this difficult issue in time for the December ministerial, which will take place in Bali, Indonesia. "[T]he notion that we would be capable of grappling with an issue that big, that goes in such a central way to the core of balances in the world today on agricultural issues, by Bali, which is only a few months away, to us is highly unlikely," Punke emphasized.

Trade facilitation is widely viewed in Geneva as the centerpiece for any Bali package and Punke described it as the "big ticket item" that has the greatest chance of being finalized by that summit.

At the same time, Punke acknowledged that trade facilitation cannot move as a standalone item in Bali, and said the "most promising" additional item is a Brazilian proposal on tariff-rate quota (TRQ) administration. "We are hopeful that that may be the type of carefully calibrated, technically not-too-difficult issue that we could pull together in the context of the Bali ministerial," he said.

In essence, the proposal would place disciplines on the administration of TRQs to ensure they are managed in a way that does not hinder trade (Inside U.S. Trade, Jan. 25).

Punke said he has "urged a significant degree of careful calibration in putting ideas forward, because a starting point of a small package is the concept that it is small." For instance, he noted that major U.S. priorities, including cuts on industrial goods, agricultural market access, and multilateral services liberalization, will simply not be achieved at the upcoming ministerial, or anytime soon in a multilateral WTO setting.

WTO members must recognize that there are going to be areas "where they are disappointed" that more does not come together in Indonesia, he said.

If countries want to table new proposals, Punke stressed that they need to do so quickly. "It is vital that anybody who has a proposal in the Bali context gets it out quickly, and I think the further into the calendar we go, the more inherent prejudice there will be against proposals because all of these things, even the ones that on their face appear relatively straightforward, take a lot of time to deal with," he said.

Punke also seemed to downplay the likelihood of a potential G-20 proposal on export subsidies, which has been discussed as a possible element for a Bali package, could make it into a final deal. This issue is of particular interest to developing countries like Argentina and Brazil, and Geneva sources have said those two countries are both developing ideas that could be tabled as a formal proposal for the ministerial package (Inside U.S. Trade, March 1).

Discussion of export subsidy disciplines "has always been conceptualized as part of a very broad discussion and a very broad array of tradeoffs, and I think agriculture ... is one of those issues where it is very difficult to pluck out of that original context and simply plop down in a new context," he said.

There are other proposals that are still in play for the ministerial, including a "monitoring mechanism" favored by developing countries that would examine the effectiveness of existing "special and differential treatment" mechanisms put in place by developed countries, he said. There are also a range of issues discussed at the 2003 WTO ministerial in Cancun that are being examined to see if agreements could be reached, Punke said.

In response to another question, Punke said there is an "awful lot of sentiment" in Geneva that there is no reason the talks to expand the 1996 Information Technology Agreement cannot conclude this year, although he shied away from setting precise deadlines. "The question will come down to the political will of all those participating to bring that result about. There is good momentum in that regard," he said.

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Anti-outsourcing talks hurt everyone
Seema Sirohi, The Financial Express

8 March 2013: In America, you don’t get anything unless you ask for it. But what you can sometimes get without asking is punishment, however inadvertent.

The immigration debate shaping up in Washington contains within it ideas against outsourcing that could come back to bite India, Indians and Indian companies. Unless, of course, they are met with an intelligent counter-strategy.

The debate is mainly about the 11 million illegal immigrants in the US, most of them from Mexico and Central American countries, and how to absorb them into the system without upsetting too many ‘vote banks’. A small but important part of the debate is about “high-skilled” foreign workers, H1B visas and green cards, which impacts Indian companies. In other words—it’s about outsourcing.

President Obama, unfortunately, made outsourcing a weapon against his rivals in both election campaigns. He used it effectively against Mitt Romney, calling him the outsourcer-in-chief for farming out work to “China and India” through his investment firm, Bain Capital. The often toxic rhetoric worked well, making the

“O word” a false repository of much that is wrong with the American economy and the high unemployment figures. Many of his Democratic party colleagues in the US Congress followed his lead. But now the campaign is over and it is time to take a realistic view. Outsourcing is a concern but it is not the reason for unemployment in the US. There is a shortage of high-skilled workers and bringing them on temporary visas is a solution. Therefore, penalising Indian IT companies with gratuitous visa fee hikes or specific rules that apply only to them is bad politics. But that is what might happen as various draft bills make their way through the process with senators and congressmen adding their pet provisions before hammering out a comprehensive piece of legislation.

Indian IT majors are particularly worried about what is called the 50-50 rule: if you employ more than 50 people and 50% of those are on H1B or L1 visas, you could be liable for even higher visa fees. Those fees were already raised in 2010 to $4,500 per visa to finance better “border security” against illegal Mexicans under a plan devised by senator Charles Schumer of New York who derisively dubbed Indian companies as “chop shops.”

It was about stopping one set of immigrants by squeezing another with what essentially was free money. The 50-50 rule affects only Indian IT firms, not US companies, because H1B visas are generally less than 50% of their workforce. This is where it all gets murky. Who should lead the fight for the free movement of high-skilled professionals? Should the US Chamber of Commerce take a stand or should NASSCOM be in the forefront? What about CII and FICCI, both of which maintain offices here? And what of the US-India Business Council? Or should the government of India find it necessary to ask for fair treatment for the one industry that launched India on the global stage?

What is not a strategy is humming and hawing and waiting. A serious lobbying effort is necessary to stop other senators from following in Schumer’s easy steps. It should be a matter of principle to oppose service sector protectionism especially when it comes from the US, the world’s largest exporter of services. Shying away now would only kick the ball down the road.

Eminent economist Jagdish Bhagwati was right when he exhorted the Indian-American community to take the outsourcing bull by the horns and demand an end to the negative rhetoric. His statement at a recent appearance at Carnegie Endowment is worth pondering. “We haven’t learned to convey disaffection,” he said of the Indian diaspora. President Obama won’t do anything unless he is told that anti-outsourcing talk is net negative. Bhagwati blasted the Indian community for not getting into the thick of the immigration debate to demand its due. It should ask for the expansion of the H1B programme. “The President is focused only on the Hispanics. But where is the Indian community?” he asked.
Bhagwati wasn’t advocating a confrontation, only an effective articulation of the community’s needs. Alas, many of the heavy-weight Indian donors are content with photo-ops and a mere “darshan” of the politicians. Indians in general can’t seem to get their heads wrapped around the concept of lobbying despite having seen the US system work. Whether it is the Indian government or Indian companies, there

is faint derision and a reluctance to trust lobbyists even after hiring them. The result is a frustrating ambiguity about both goals and the means to achieve them.

It is an almost unknown fact that Indian companies have created thousands of jobs in the US. Even by the reckoning of William Burns, US deputy secretary of state, the number is 50,000 and most of these jobs are thanks to Indian investments which total more than $5 billion. A 2011 CII survey of 35 Indian companies in the US showed they employed 60,000 people of whom 80% were locally hired. The survey was by no means a complete one because neither the CII nor the Indian government has a roster of all the companies operating in the US. The US Commerce Department does but it hasn't made the information public.

A 2012 NASSCOM study said the Indian IT sector in the US created 107,000 jobs and supported 280,000 others over the past 5 years while paying a cool $15 billion in taxes to the US Treasury. Yet, one rarely hears US senators talk about the positive side. There is enough capital for all to get out in the front and engage with each other.

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