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INDIA'S TRADE NEWS AND VIEWS
10 May to 24 May 2012

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Exports slow down to 3.2 % in April
Sujay Mehdudia, Hindu

NEW DELHI, May 10, 2012: In an indication of tough times ahead, the Indian exports have been hit by the poor global economic conditions registering a growth of 3.2 per cent in April at $24.5 billion.

Significantly, imports also witnessed sharp deceleration resulting in trade deficit narrowing to $13.2 billion. The drop in the balance of trade (BoT) is expected to reduce pressure on the rupee which has lost value by about 15 per cent against the US dollar since September, 2011.

According to provisional figures released on Thursday by the Commerce Secretary, Rahul Khullar, exports in April, the first month of the fiscal 2012-13 amounted to $24.5 billion. Imports for the month grew by 3.8 per cent to $37.9 billion.

Speaking about the entire fiscal as a whole, Mr. Khullar said: "we should be lucky to get a growth rate of 10-15 per cent. The situation in Europe is disheartening. Export data shows there are serious demand problems and constraints in the Western markets.''

Mr. Khullar said if deceleration in imports continues, the BoT pressure will be lower than last year and if it will stay at $13 billion for the remainder period of the year, then we will end the year with $156-160 billion. In 2011-12, the country's trade deficit jumped to $185 billion, highest ever in the history.

Reacting to the foreign trade data, Federation of Indian Exporters Organisation (FIEO) president, Rafeeque Ahmed said the impact of global contraction in trade is now being felt by India as well. The slowdown in new markets will be more obvious in next few months, he added.

He said the most disturbing news is the sharp decline in exports of labour intensive sectors like gems and jewellery (-25.7 per cent), readymade garments (-9 per cent), leather (3.2 per cent), electronics (5.4 per cent), plastics (2.7 per cent). "This will have serious implications on employment and may lead to sharp reduction in additional job creation and even layoffs,'' he warned.

He urged the Government to devise suitable strategy to counter the export slowdown in the revised edition of the Foreign Trade Policy (FTP).

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Services exports growth at 4% as global uncertainties take toll
Asit Ranjan Mishra, Mint

May 22, 2012, New Delhi: Global uncertainties, especially in the euro zone, have taken a severe toll on India's services sector. In the year ended March, services exports grew at the slowest pace in a decade, barring the crisis year of 2009-10. The single-digit growth pace was surprising as merchandise exports expanded at nearly 20% in the same year.

According to provisional Reserve Bank of India (RBI) data, services exports grew 4% to $137 billion (around Rs. 7.5 trillion today) in the last fiscal year, while services imports contracted 3.8% to $81.1 billion.

While the year started off well, with such exports registering a robust 24.9% growth in the first quarter, the second quarter saw a sharp slowdown to 4.1%. In the third quarter, they contracted 5.4% and remained flat in the fourth.

The central bank began releasing monthly data in April 2011 on trade in services with a lag of 45 days and at a more disaggregated level on a quarterly basis beginning in the first quarter of 2010-11.
The sector ranges from information technology (IT) to services provided by Indian doctors and nurses abroad. RBI's classification includes transport, travel, construction, insurance and pensions, financial services, telecommunications, computer and information services, and personal, cultural and recreational services, among others.

While disaggregated data for the fourth quarter will be available on 30 June, data till the third quarter shows software services exports growth declined to 9.4% in the third quarter from 21.3% in the first quarter. Non-software miscellaneous services contracted 34% in the third quarter, while it grew 24.4% in the first quarter. Other key services export sectors such as travel and transportation decelerated, but still grew at robust rates of 14.4% and 23.4%, respectively, in the third quarter.
Services are critical to India's economic well-being as they constitute more than half the country's gross domestic product (GDP), having risen from a 33.5% share in 1950-51 to 56.3% in 2011-12. In terms of size, software is a key category, accounting for 41.7% of total services exports in 2010-11.

The numbers are lower than expected, said Kunal Kumar Kundu, India general manager and senior economist at Roubini Global Economics. "This means services sector GDP growth in 2011-12 could be worse than expected," he added.

Indian IT and business process outsourcing services lobby group Nasscom estimates that onsite and offshore software exports grew 16.3% to $69.6 billion, said Som Mittal, its president.
Nasscom has projected a growth rate of 11-14% for the current year, which may be too optimistic, according to companies and analysts. Nasscom will review its growth projection in October when more industry data is available, he said.

"International companies are cautious about taking decisions," Mittal said. "However, they need us more than before to change their business model. But obviously, the uncertain global environment will impact us."

The Economic Survey for 2011-12 said the outlook for the services sector in the domestic economy is linked to its prospects externally. "While software services exports have continued to be steady, the unfolding events in the euro area could lead to some sluggishness in this sector," it said. "The fair-weather business services exports, which have already shown signs of deceleration, may not get better."

Rupee depreciation may help Indian software companies at a relative level, Kundu said. "However, with European countries opting for austerity measures, it will not help Indian software companies," he said.
India needs to take a different approach to boost services exports, said Lalit Bhasin, chairman of the Services Export Promotion Council. "It is easier to sell goods abroad because people need them on a daily basis. You need to constantly upgrade and promote your service offerings. You cannot keep selling what is outdated and not demanded now," he added.

The overall trend in the economy affects the services export sector more than manufacturing.
"There has to be a proper economic climate," Bhasin said. "Foreign direct investment is not being allowed in many sectors. No development is taking place except in some sectors like healthcare and hospitality. The education sector has almost stagnated and nothing much is happening in the entertainment sector."

While the commerce ministry regularly updates its foreign trade policy and sets yearly targets for merchandise export growth, it hardly gives any guidance or announces measures to boost services export

growth. Former commerce secretary Rahul Khullar had said earlier this month that merchandise exports may grow at around 10-15% in 2012-13.

The government and the commerce department need to come up with concrete steps to promote services trade, Bhasin said. “We have told them the industry does not need any lip service,” he said. “What it needs is focused measures and separate strategies for each services sector.”

Commerce minister Anand Sharma has said he will announce the annual supplement to the foreign trade policy on 5 June.

Kundu said sops won’t be enough to boost services exports. “The current trend reflects the overall global dynamics. The worst in Europe is yet to come. I don’t think the government can do much. In the current global environment, one cannot do much by planning,” he said.

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Re fall to have limited benefit for exports
Abhijit Lele, Business Standard

But weak global demand, costly imports play spoilsport

Mumbai May 24, 2012: The sharp fall in market value compared to its Real Effective Exchange Rate (REER) has made the rupee an undervalued currency, giving strength to exports. However, the gains will be limited due to weak global demand and costly imports, according to economists and treasury executives.

A real effective exchange rate is the nominal effective exchange rate (a measure of the value of a currency against a weighted average of several foreign currencies) divided by a price deflator or index of costs. The REER index for the rupee declined from 110.40 in February to 103.71 on April 27. When the REER touches 100, the currency reflects its real value.

Since the end of April, the rupee (its market value) has depreciated 6.2 per cent against the dollar and 13 per cent from its 2012 peak in February. According to Reserve Bank of India data, the REER declined from 116.13 for June 2011 to 103.75 in December 2011. It was 108.78 for March and dipped to 103.71 as on April 27.

Economists and treasury executives said an undervalued currency would provide strength to exports. D K Joshi, chief economist with CRISIL, said an undervalued currency puts India in a position of strength. However, the major influencing factor is the trend in global demand, presently weak.

Some export goods are also import-intensive and the weak rupee has made imports costly. Also, how currencies of competing currencies behave will have bearing on gains, as will inflation, said Brinda Jagirdar, head of economic research at State Bank of India.

The REER model helps economies to value their currencies on a relative basis. The value of the currency is adjusted by the inflation differential between the domestic economy and the reference economy. As a result, there is a difference in the rate of fall because of the high inflation in India compared to its trading partners, such as the US, Japan, China, UK, Hong Kong and the euro zone.

“The nominal effective exchange rate was 82.13 in April and assuming inflation stayed at the same level, REER may fall below 90, as the rupee has depreciated by 6.2 per cent since the end of April,” said an economist with a foreign bank.

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Trade deficit can balloon to USD 262 bn this fiscal: Assocham
PTI

New Delhi, May 14,2012: Contrary to some conservative projections, industry body Assocham today said it expects India's trade deficit to increase sharply by over 40 per cent to USD 262 billion in the current fiscal in the face of exports facing headwinds in the western markets.

If the trade scenario unfolds, as per the Assocham projections, the rupee would come under further pressure. The Indian currency has already lost over 20 per cent against the US dollar in the last one year.

"Out of different possible scenarios..., the most likely would be one where imports grow by 25 per cent and exports increase by about 15 per cent. This would leave the country with a balance of trade (BoT) deficit of USD 262 billion," Assocham President Rajkumar Dhoot said.

In such a scenario, exports would grow up to USD 348 billion but imports would sharply increase to USD 610 billion.

The chamber came out with these numbers, days ahead of Commerce and Industry Minister Anand Sharma taking a meeting of all the export promotion councils to assess the export prospects in a difficult global market.

The Commerce Ministry would then fix the export target for the fiscal 2012-13. It is also expected to provide some sops to the exporters in the forthcoming annual review of the country's Foreign Trade Policy.

In 2011-12 fiscal, India’s merchandise imports totalled USD 488 billion against exports of USD 303 billion, leaving a trade gap of USD 185 billion.

High crude oil prices and rising gold and silver imports contributed to 32 per cent import growth in the last fiscal.

Import on these two counts itself was a whopping USD 217 billion, accounting for over 44 per cent of the country’s total import bill.

Against the backdrop of weak recovery in the US economy and continuing troubles in the European markets, the crude oil imports would continue to remain the biggest import item this fiscal, Dhoot, who is also (Rajya Sabha) Member of Parliament, said.

Besides, he said that country's social habit in terms of gold being one of the biggest purchases during the marriages is not going to change overnight, even though the middle class families find it hard to manage.

While gold imports dropped 33 per cent year-on-year in April this fiscal to USD 3.1 billion, the period saw strike by jewellers against excise levy on unbranded jewellery. They kept imports on hold. Bullion imports pick up after Monsoon.

With weak outlook for merchandise exports, the country would look up to the services exports for retrieving the balance of payment (BoP) situation, the chamber said.

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Destroying farm exports
Business Standard

Instability in govt policy hurts producers and consumers

New Delhi May 15, 2012: Stability is not the hallmark of the Indian government's trade policies. This is true particularly of trade in agricultural products, which is switched on or switched off frequently — often at inappropriate times. The slew of recent decisions regarding the liberalisation of exports of agricultural commodities, such as sugar, cotton, onion, milk casein and staple cereals like wheat and rice, provides ample evidence of this. Curiously, most of these decisions were taken not by the ministries concerned, but by groups of ministers (GoMs) or at a still higher level. Such an ill-conceived approach towards exports helps neither to gainfully tap the global market to fetch better prices, nor to steady domestic commodity markets. Even an administrative decision like doing away with the minimum export price (MEP) for onion was taken at a meeting chaired by the prime minister. Similarly, lifting the export ban on a minor product like casein – a form of milk protein used as dietary supplement and for making cheese – had to wait for ages, until a GoM was ready to take a call on it.

One of the most detrimental repercussions of decision paralysis of this kind is that the ideal opportunities to tap the global bazaar are almost invariably missed. Take, for instance, the unshackling of sugar exports, a step that was overdue, given sugarcane output has consistently provided surpluses. Exports were allowed only in dribbles at first, and were freed up only when international prices fell to their lowest level of the year. In fact, a further price slide is not being ruled out, in view of the anticipated arrival of the latest harvest in Brazil, the world's largest sugar producer. The domestic sugar industry is saddled with high inventories and sugarcane price arrears have mounted to over Rs 10,000 crore, hurting cane growers severely. The MEP for onions, too, has been raised at a time when it is unlikely to benefit onion growers, as they have already disposed of their main kharif produce. And, of course, cotton exports were liberalised only after several hiccups that dented importers' faith in the reliability of supplies from India. China, the largest importer of Indian cotton, is reportedly now looking towards the United States and other such more dependable cotton-producing nations.

In the milk sector, which is also going through a productivity boom, exports have been liberalised only for casein, though the actual need is to ship out skimmed milk powder, to trim the mounting inventories. Indeed, the list of such mistimed and misdirected trade moves seems unending, including even cereals like rice and wheat. Though their production and procurement have outstripped requirements for several years now, causing an unprecedented glut and acute scarcity of storage space, the decision to export was needlessly held back until international prices began to soften. As a result, wheat exports have lost much of their profitability, and non-Basmati rice exports are possible only to nearby destinations — and that too has been possible because of the weakening of the rupee. The government should have learned from all these errors that it would do better to stop making heavy weather of farm exports. It is better to leave them to the markets than to infrequent and inefficient GoMs.

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Cotton may see gloomy days ahead
Rajesh Bhayani & Komal Amit Gera, Business Standard

Mumbai/ Chandigarh, May 16, 2012: The cotton controversy does not seem over yet, despite the decision at the beginning of this month to re-allow its export. Cotton prices in the domestic and global markets have fallen six to seven per cent. Exporters say they're selling at a loss due to individual ceilings imposed in the notification. Prices have fallen globally as well, due to expectations of high (global) ending stocks.

The real problem for consumers would start three months down the line, by when stocks at home would have dried up and the new crop might be lower, going by the expectations of a 10 per cent fall in area sown. Which is likely to mean prices begin to move up. Even before the government allowed free export a fortnight earlier, the Cotton Advisory Board (CAB) had estimated a closing stock of 2.51 million bales (a bale is 170 kg) after considering 11.5 million bales already shipped out. The closing stock estimated was already the lowest in a decade. It was four million bales in each of the past two years.

Exports have since been freed but traders are not as enthusiastic, though they feel 1.5 million bales might still be exported in the next three months, before the season ends. Exports will be limited on two counts. Several restrictions have been imposed by the government and the US department of agriculture (USDA) has said the current year's global closing stock is expected to be higher by 12 million bales, at 77 million bales. The reason: China, the largest importer of cotton, is expected to have huge cotton reserves and is not likely to purchase substantial quantities this year. Traders say China's new import quota, to be announced in the near future, may be close to 1.2 million tonnes (seven million bales) this year.

Govt caps, stocks

Explaining procedural difficulties in exports under the new notification, Rakesh Rathi, president of the North India Cotton Association, said the guidelines issued by the directorate general of foreign trade say an existing exporter can send only up to 10,000 bales and a novice 1,500 bales under one Registration Certificate (RC). A second RC would be issued only on filing proof of executing at least half the quantity of export mentioned in the first RC. This, he said, has undermined the prospects. Exporters who had contracted would now have to seek a new letter of credit (LC) from importers, which they are finding difficult as they had not been able to meet past commitments due to a sudden export ban.

On the other hand, even if only 1-1.5 million bales are exported in the next three months, the closing stock will fall to a little over a million bales, going by CAB estimates. D K Nair, director-general, Confederation on Indian Textile Industry, says: "The cotton crop may be lower than even CAB had estimated, as arrivals of new cotton are not that high at present." CAB had in its April meeting estimated 34.7 million bales.

This may lead to a crisis for cotton textile mills and spinning mills when the season comes to an end, as they will not get cotton till the new season crop arrives. "By then, prices should start rising and the benefit of higher prices will not accrue to farmers, as they would have sold all the cotton they have and traders will reap the benefits," said Nair.

Jagdish Joshi, a veteran cotton industry analyst, however said, "The scene may not be that bad, as CAB's estimates seem very conservative and India's total crop for 2011-12 may turn out to be 36.5 to 37 million bales."

Interestingly, several exporters who'd stored cotton expecting free export have started selling even at a loss in the domestic market, given the 10,000-bale cap on shipment abroad. This has lead to a slide in prices at home, as mentioned over the past week, of seven to eight per cent. In the Mumbai market, the

Shankar-6 variety was selling at Rs 33,000 per candy (356 kg). After the latest USDA projections regarding high global ending stock, prices in the US market have also come down by eight per cent, to 76.71 cents per pound.

Cotton prices in China are 10 per cent higher but they are not eager to give more orders to Indian exporters, as the latter have not met past commitments due to the sudden ban imposed by the government.

Noting the drop in global cotton prices, spinning mills in India are also buying less. Summarised a Mumbai-based exporter: "Ever since government intervention started in cotton, the entire value chain has gone into a mess. Neither farmers nor traders have been rewarded with the recent decision on lifting of the ban on exports."

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DGFT imposes restrictions on sugar exports
Business Standard

Mumbai May 16, 2012: Within three days of the ministry of food allowing "free" sugar exports under the open general licence, the Directorate General of Foreign Trade (DGFT) has imposed restrictions similar to the control it did for cotton earlier this month.

The DGFT, reversing the food ministry's May 11 order, has not only made registration mandatory, but has also put a quantitative restriction of 10,000 tonnes by an individual exporter. The DGFT has also clarified that an exporter can be granted a registration certificate (RC) for a maximum 10,000 tonnes at a time. To obtain a second RC, the exporter would require to execute the export order and give to the DGFT all relevant details.

The May 14 circular has another factor that some find most embarrassing: penalty for an exporter who fails to execute an order within 30 days from the date of issuance of such certificate. According to the policy, the exporter would be liable to pay not less than Rs 10,000 and not more than five times the value of the goods, whichever is more.

The Indian Sugar Mills Association (Isma) said the latest DGFT order amounted to "complete reversal" of the logic behind the decision taken at a May 2 inter-ministerial meeting chaired by the prime minister, which freed export of quantitative and time restrictions — the need for release orders from the directorate of sugar was done away with. Instead of the release orders, the mills have to get registration and for a maximum of 10,000 tonnes.

"This is in total contradiction to the food ministry's May 11 notification, which did not put in place any such quantity or time restrictions," according to Isma director-general Abinash Verma. "Such a registration requirement and control, as ordered by the DGFT, will badly stall sugar export. There is almost no way now the mills would be able to clear cane arrears of a whopping Rs 10,000 crore."

One shipload of sugar requires at least 25,000 tonnes, which is not the quantity that one exporter would usually get. The DGFT's restriction proves unworkable, he claimed. "We, therefore, appeal for the immediate withdrawal of the DGFT notification and allow unrestricted sugar exports as per notification issued by the food ministry," Verma added.

Union agriculture minister Sharad Pawar has decided to take up the matter and find a solution.

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Government mulls wheat export to sort out storage crisis
Rituraj Tiwari, Economic Times

May 18, 2012, NEW DELHI: Government may export 4-5 million tonne of wheat lying in Food Corporation of India (FCI) godowns in a bid to cope with the storage crisis, said a food ministry official. Commerce Minister Anand Sharma and Food Minister KV Thomas are scheduled to meet late on Thursday evening to discuss a mechanism that will make Indian wheat competitive in global market. The final decision will be taken by the cabinet.

A panel headed by PMEAC chairman C Rangarajan, which has been constituted to examine the possibilities of wheat exports, is also learnt to have recommended shipments of 4-5 million tonne wheat.

FCI has a shortage of space for storing 12 million tonne. The government will have procured 75 million tonne of grains by June while the total storage capacity is at 63 million tonne.

Indian wheat, which seems to have lost the race to cheaper Russian and Australian varieties in global market, is priced at around Rs 19,440 ($360) per tonne, which is Rs 5,400 ($100) dearer than the Russian grain.

"The two ministers are likely to discuss the amount of export incentives to be shelled out to exporters to place Indian wheat at a competitive position in global markets. The incentive, if at all is given, can be in the range of Rs 4 and Rs 5 a kg for private traders lifting government wheat and Rs 7-8 a kg for Food Corporation of India (FCI) as the economy cost of wheat is around Rs 20-21 a kg," said a food ministry official.

India was absent in the world wheat market for six years. After it lifted export restrictions in September last year, it has been able to export only 8.5 lakh tonne wheat.

"We need to incentivise the movement of grain, if we are serious about the storage issue. The wheat stock with FCI is close to 20 million tonne. By the end of this wheat procurement season, 33-34 million tonne would be added while the total storage capacity is at 63 million tonne. For moving wheat out, export incentives are a must," said a food ministry official.

State Trading Corporation (STC), a government-run trading company, recently invited bids from overseas wheat buyers to discover the market value of Indian wheat. Last week, food minister KV Thomas said India was exploring possibilities of exporting wheat from the central pool to countries such as Uganda, Afghanistan and Pakistan which need wheat.

Iran, which is on a wheat-buying spree, too may be a prospective buyer. The sanction-struck country had stopped importing Indian wheat since 1996 over complaints that a fungal disease had infested wheat crops.

"A delegation from Iran will come to India next week to explore the opportunity of restarting the wheat trade. The delegation will also examine whether the Indian wheat is still infested with the fungus," said another food ministry official.

However, there is uncertainty over the prospects of wheat export. "Wheat export can happen only when it's incentivized. Finance minister Pranab Mukherjee holds the key to exports. The FM has already turned down a food ministry proposal of making additional allocation of wheat to poor families citing the burgeoning food subsidy bill. Now will he be ready to feed other countries at the cost of the exchequer?" asked the official.

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Bilateral pacts may help India sustain exports of agri commodities
Madhvi Sally, Economic Times

May 14, 2012, CHANDIGARH: Exporters of agri commodities such as wheat, sugar and cotton feel that shipments could pick up if India would enter into bilateral agreements with countries in the Middle East, Africa and the Saarc bloc.

Comfortable global stock and a slowdown in the world economy are making Indian agri commodity exports unviable, say exporters. With a weak rupee, exporters are confident of demand for Indian agri products in international market if bilateral agreements are in place.

Bilateral agreements have earlier ensured exports of wheat to Afghanistan and Bangladesh and could further boost Indian exports, an analyst said. "Iran, a major importer, is procuring wheat from Australia and Canada. India can export wheat to Iran, Saarc and West African countries with the help of bilateral trade agreements," said Emmsons International MD Anil Monga. Basmati rice exporters hope India will have a trade agreement with China.

Currently, there is a downward pressure on wheat prices with a bumper crop anticipated in India. "The government has to market Indian wheat aggressively before the new crop from Russia arrives in the next two months. Canadian and Australian exporters are giving a negative publicity to Indian wheat saying it has been affected with a fungal disease," said Emmsons International MD Anil Monga.

Indian wheat was quoted at $270-275 a tonne in the Middle East and Saarc countries compared to Argentina wheat at $230-232 and Australian wheat at $245. "Procurement cost and movement of the commodity to ports are not viable for exporters and merchant houses. Ideally, wheat in the range of $225-230 a tonne FOB will have buyers," said Indian Pulses and Grain Association president Pravin Dongre.

A pause in cotton demand by China, the world's largest procurer of the raw material, has impacted Indian exporters. Multinational merchants have started offloading pressed cotton lots to local mills in Gujarat and Punjab, said ginners and traders.

"India's unclear export policy has cost us dear. Apart from slow buying by Pakistan and Bangladesh, there is negligible demand in the international market," said Cotton Association of India president Dhiren Sheth. However, with China likely to issue one million tonne of import quota, India exporters could be benefited.

International demand for sugar is weak owing to ample stocks following good production in India and Thailand. "The Brazilian policy on petrol will decide how much sugar will be processed and how much will go for ethanol," said New Delhi-based International Trading Co director Kiran Wadhwana. White sugar future prices were at $643 a tonne on April 1, which are currently ruling at $560 due to expected higher supply from India, according to sugar traders.

However, basmati and non-basmati rice exports look viable. Indian basmati prices are competitive in the range of $800 to $1,500 a tonne. Indian parboiled rice is selling at $520 a tonne compared to Thailand's at $590 a tonne.

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Foreign Trade Policy set to bring stability to farm exports
Amiti Sen, Economic Times

24 May, 2012, NEW DELHI: The foreign trade policy is likely to infuse some predictability in India's agricultural exports to counter the country's image in global markets that it is an unpredictable supplier of farm produce.

The government's flip-flop on cotton exports-first banned and then allowed under pressure from cotton growing states and the agriculture ministry-has cast doubts among buyers over Indian exporters' ability to honour supply contracts.

The foreign trade policy to be announced in the first week of June is expected to address the issue.

"There is more or less an agreement between various ministries and departments that exporters should be allowed to honour the contracts that have been already established with buyers and that are backed with letters of credit, irrespective of a ban," a commerce and industry ministry official told ET.

The policy may offer protection to contracts already signed when the government decides to impose a ban on the export of any agricultural commodity fearing shortage at home.

Other measures such as allowing unrestricted export of all major commodities under a limited ceiling is not finding favour with some ministries including food and textile, which argue that inaccurate farm output forecasts could land policy makers in trouble in case of a production shortfall.

"The policies to be announced in the FTP will only be those that find favour with all ministries and departments," the official added.

The frequent changes in commodity export rules, especially those relating to cotton and sugar, because of differences between key ministries has drawn flak from unexpected quarters.

Earlier this month, Finance Minister Pranab Mukherjee underlined the need to meet export commitments during discussions on the Union Budget.

"We have to maintain our presence in the international market and meet our commitments," Mukherjee said, adding that it was acceptable to export a commodity even if it has to be imported if the need arises.

Industry has been complaining that short-term policies affect decision-making. For instance, the government freed sugar exports earlier this month for the marketing year ending September, but the Indian Sugar Mills Association says the move will benefit the industry only if the exports are allowed for a longer period as only a limited quantity can be shipped every month.

Similarly, the government's decision to lift the ban on cotton exports is subject to a periodic review.

"I think it will be too much to hope that the government will decide how much of each commodity it will allow to be exported at the beginning of a year, as our production estimates are not considered very reliable. But even if it rules that despite bans all contracts have to be respected, it will be a big step towards policy predictability," said Ajay Sahai, director-general of the Federation of Indian Export Organisation.

Following the cotton exports ban last year, both Pakistan and Bangladesh wrote to India's commerce and

industry minister demanding that supply contracts be honoured as it affected their domestic textile industry.

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India promises support for manufacturers
James Fontanella-Khan, Financial Times

New Delhi, May 11, 2012: India's commerce minister said the government would intervene to support the country's ailing manufacturers after official data showed a contraction in industrial output for the first time in five-months.

Anand Sharma, a senior minister in the Congress-led government, on Friday expressed "deep concern" about the 3.5 per cent year-on-year fall in industrial production in March, a sharp drop from the 4.1 per cent increase in February.

The minister also urged India's central bank to offer manufacturers lower lending rates to help revive a sector that employs millions of people across the country.

The output contraction is the latest sign that the sovereign debt crisis in Europe and slowing consumer demand at home are choking Asia's third-largest economy.

"[The] slow down in exports growth in April in the backdrop of the economic crisis in the eurozone is ... a worrisome development," said Mr Sharma. "The government will intervene in sectors which require support."

The fall of industrial output was driven by a sharp drop in manufacturing and capital goods, which slumped 21.2 per cent. Electrical machinery manufacturing sank 43 per cent, while apparel production fell 55 per cent.

The poor data could force India's central bank to ease monetary policy further and will add to the pressure on policy makers to push key reforms needed to revive economic growth.

"Growth risks have clearly gained prominence with today's numbers," said Leif Eskesen, chief economist for India at HSBC.

"These headwinds primarily stem from the all too well-known factors: tight monetary conditions, weak external demand, administrative obstacles and the negative impact on sentiment from the persistent policy paralysis," he added.

Growth in the last three months of 2011 was the slowest since 2009, rising 6.1 per cent in the quarter ending December 31, significantly lower than a year earlier when it hovered above 8 per cent.

"It is high time that government fast tracks the implementation of major projects which will increase the overall confidence and also stimulate growth in the industrial sector," said RV Kanoria, president of the Federation of India Chambers of Commerce and Industry.

The worrisome production data follows weak exports in April and comes against a backdrop of growing concern about India's weakening economy. Government officials told the Financial Times on Thursday that India was set to reintroduce incentives to revive the country's struggling export sector.

However, separate efforts to shore up the weak rupee – which fell to its lowest rate ever against the dollar on Wednesday – could have a negative impact on exporters. The Reserve Bank of India said on Thursday that exporters will have to convert 50 per cent of their income into rupees.

Standard & Poor's, the credit rating agency, last month revised the outlook on India's long-term rating to negative from stable. It also warned that it would downgrade its sovereign debt rating unless the government passed key reforms to reduce the country's widening fiscal deficit.

India's fiscal deficit increased to 5.9 per cent of gross domestic product in the year ending in March 2012, above the government 4.6 per cent target, on the back of increased fuel subsidies and populist welfare schemes.

On Friday the Indian rupee dropped for the sixth day this week – the longest losing streak since October 2008 – to Rs53.64 against the US dollar, while India's main share index dropped 1 per cent after the data release.

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Sops Likely on Exports to New Markets
Economic Times

May 18, 2012, NEW DELHI: The government is likely to offer incentives on exports of labour-intensive items and reward exporters who diversify into new markets as part of a slew of measures to revive the country's flailing export sector.

The sops, which will particularly benefit sectors such as textiles, handloom, leather and carpets, are expected to be part of the foreign trade policy for 2012-13 to be announced on June 5.

"The government will try to do everything feasible, given the pressure of resources, to maintain India's export momentum," commerce and industry minister Anand Sharma had promised exporters on Thursday.

Slow rate of export growth has resulted in a record trade deficit of over $180 billion in 2011-12. With the rupee in a free fall against the dollar, India's current account deficit could worsen to 4% of GDP.

India's exports growth began to slow down in the second half of last financial year. In April, exports grew just 3.2% year-on-year.

Although exports in 2011-12 breached the $300 billion target by posting a 21% growth, the growth had slowed to 10% in the last six months of the year with September and March posting negative growths. Sharma said the exports were facing multiple challenges that included the Eurozone crisis, high cost of credit to the industry, and reduced dollar credit.

He said the government will focus on major products that have been exported in good quantities and labour-intensive sectors that have a social dimension of job creation, job sustenance or job losses.

The Apparel Export Promotion Council wants the government to revive the market-linked incentive scheme, which was allowed to lapse on March 30, 2012.

The finance ministry had not extended sops worth more than 1,700 crore, which included an interest rate subvention or discount scheme for select sectors and market and product-linked cash incentive schemes.

The scheme was announced in October last.

Exporters also asked the government to extend the product and market linked incentive schemes to more countries and items to help them fight the slowdown in demand in both developed and emerging economies.

With growing focus on India's widening current account and trade deficits, the government is now forced to think of ways to make exports grow.

FIEO has asked the government to reintroduce the interest subvention scheme for exports with effect from April and extend it to all sectors.

The cost of export credit, which was 7% in July 2010 prior to adoption of base rate, has increased to 11.5%-12% with the withdrawal of interest subvention, Fieo chief Rafeeque Ahmed said. "Interest rate in our competing countries in South East Asia is in the range of 5%-6%," he said.

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IT policy to look at giving exports a fillip
Surabhi Agarwal, Mint

India's policy will look at giving IT exports a fillip by giving cash incentives and make the country attractive for foreign technology manufacturing firms to build factories: Satyanarayana

May 15, 2012, New Delhi: J. Satyanarayana, who became secretary of the department of electronics and information technology about two months ago, said in interview that India's policy will look at giving IT exports a fillip by giving cash incentives and make the country attractive for foreign technology manufacturing firms to build factories.

He also wants to make existing e-governance projects more outcome based and increase awareness on cyber security. Edited excerpts.

The country's software exports sector continues to be affected by the global economic crisis coupled with the impact of the end of the tax holidays. Are there any plans to give some boost to the sector?

One thing which is being talked about is not-profit linked incentive scheme, for which consultation has also taken place with the industry. It is one of the things with the department and is currently in a draft form. It is an incentive proposed for tier-II and tier-III cities. If companies are located in these towns, certain amount of financial incentive would be given.

Will the incentives be in the form of tax holiday or land?

Tax holiday is not permissible any more. The way it is proposed is a cash incentive—refund of the certain amount of tax paid and varies from tier-II to tier-III. The incentive will also depend on whether it is SMB (small and medium business) or a non-SMB. A matrix is being worked out. But, currently it is being debated at the department only.

The government is considering proposals to provide incentives to fabrication units. What is the update on the modified version of the earlier special incentive package scheme (SIPS)?

It is undergoing an inter-ministerial consultation process. It is part of the electronics policy, which has those components, including the SIPs, which will be for various electronic items manufacturing. So, 20-25% of the threshold investment defined for the sector will be subsidised, subject to the investment happening and the unit coming into production. A three-year window will be given for submitting proposals from the notification of the policy. So there is a timeline for the last proposal to be taken up, otherwise it is open ended. But the modified SIPS is more liberal in that sense and there is no cap on the number of proposals (that could get subsidy).

Although the government wants to provide incentives to software companies by opening up the domestic sector, states have been consistently found lagging behind in the implementation of the mission-mode projects (MMP). What is the solution?

There has been a good traction from the central MMPs, but the progress is not so attractive on the state MMP front. So in terms of making a real difference there, we will give an outcome orientation (to the project). How many services have touched the citizens this month? It is the single criterion which will measure the success or the impact across the country.

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India, ASEAN indispensable IT producers, consumers: Lamy
PTI

May 15, 2012,New Delhi: India and China have turned into "indispensable" IT producers and users in the global value chain and have seen considerable rise in investments in the technology sector, top WTO official has said.

"Although developed countries still account for a large share of the investment and consumption of IT products, in recent years investment in this sector has increased considerably in some emerging economies such as China, India and ASEAN countries," the World Trade Organisation (WTO) Director General Pascal Lamy has said in Geneva.

During the welcome address on the 15th anniversary of the Information Technology Agreement (ITA) yesterday, Lamy noted efforts taken by ITA signatories like India by providing access to affordable IT equipment.

"Access to affordable IT equipment has been instrumental in enabling India to become a powerhouse in consulting services and software development," he said.

ITA has "oiled" these economies through increasing productivity of traditional industries, creating brand new business sectors and generating new jobs, Lamy added.

ITA is an agreement enforced by the WTO in 1996. The aim of the treaty is to reduce all taxes and tariffs on IT items to zero. There are over 45 signatory countries which include the US, China, Thailand and Vietnam.

Lamy said affordable access to information technology products has also contributed to trade facilitation and has helped nations better integrate into global production chains.

"These countries have now turned into indispensable producers and consumers in global value chains of IT products. All these figures are a useful reminder that trade opening can be truly win-win," the Director General said.

For instance, in southern India, mobile phones have helped fishermen address information asymmetries with traders and consumers.

He cited that "better market coordination has resulted in increased profits for the fishermen, lower fish prices for poor consumers, as well as a reduction in wastage of fish."

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India, US see differences widen over trade, diplomatic issues
Asit Ranjan Mishra & Elizabeth Roche, Mint

Ties lose momentum as tensions grow between the two countries on matters ranging from Iran to import duties

New Delhi, May 14: After reaching a high-water mark in 2008 with the signing of a civil nuclear deal, the relationship between India and the US has seen a downward spiral, with widening differences on trade and diplomatic issues.

The nuclear pact, which was pushed through by the US and helped India throw off its 34-year-old nuclear pariah status and become eligible to buy atomic reactors and technology from the international market, was seen by analysts as the catalyst, making the two countries so-called engaged democracies—a far cry from the days of the Cold War when they were on opposite sides and known as estranged democracies, when India was perceived closer to the erstwhile Soviet Union.

The civil nuclear deal was expected to open the doors for US businesses but has made little progress because of India's stringent liability conditions. This was followed last year when the US lost to France a lucrative $12.6 billion contract for 126 fighter aircraft for the Indian Air Force.

More recently, the two countries are being seen on opposite sides over ties with Iran, with Washington keen to see New Delhi reduce its oil imports from the Persian Gulf country, till recently India's second-largest supplier after Saudi Arabia. Washington wants New Delhi to cut its oil trade with Iran to ensure that the financial sanctions it announced in December take effect.

The sanctions are aimed at crippling revenues generated by Iran's oil industry that Western countries say is funding Teheran's disputed nuclear programme.

During a visit to New Delhi last week, US secretary of state Hillary Clinton pressed India to do "even more" to reduce its oil purchases from Iran, even as foreign minister S.M. Krishna highlighted Iran as an important source of oil. To sort out the differences, the US is despatching top energy diplomat Carlos Pascal to India for further talks starting Monday.

However, it is the growing tension between the two countries on trade that has taken analysts by surprise. The US in March took India to the WTO seeking a consultation on India's ban on the import of poultry products from the US. On Friday, the US approached the WTO asking it to set up a dispute settlement panel on the matter, holding that the consultations between the two countries had failed.

A consultation at the WTO is the first step towards resolving a disagreement before entering into a full-fledged legal dispute.

India says it has the right to impose import restrictions on countries, whenever they report outbreaks of low pathogenic avian influenza, the only kind of avian influenza found in the US since 2004.

India, meanwhile, took the US to the WTO for consultations over import duties levied on Indian steel products. India has announced that it will seek consultations at WTO against what it calls a discriminatory US government procurement and visa-fee regime.

India alleges that the US' visa fee hikes are targeted towards its information technology companies, who are widely perceived in the US to be taking away jobs from native Americans.

Through the James Zadroga 9/11 Health and Compensation Act of 2010, the US imposes additional 2% tax on countries that are not signatories of its government procurement agreement.

India considers this law a violation of the most favoured nation status under the WTO, which seeks to ensure non-discrimination among trading partners. Both sides have also postponed twice the crucial eighth round of US-India trade policy forum talks.

"We are currently in the process of preparing the brief through a lawyer. Once the brief is ready, we will take up the issue at the WTO," a commerce ministry official said under condition of anonymity. The law is in spirit, not by design, against Indian interest, he said.

When asked about the souring of economic relations between the two countries, the official said: "The relationship between the two countries had great promise on trade front. But wrong policy choices by the US trade officials have spoiled the relationship. Because they know they cannot get anything from countries like India and China, they have gone ahead and started pricking us."

A questionnaire sent to US embassy officials in India did not elicit any response.

The US is India's third largest trading partner after the United Arab Emirates and China, with bilateral trade standing at $45.6 billion in 2010-11.

The US has also raised concern over India allowing Hyderabad-based Natco Pharma Ltd to manufacture and market a copy of Bayer AG's liver and kidney cancer drug nexavar—the first time a local firm was granted the so-called compulsory licence.

The US has placed India on a priority watch list in its latest trade representative's report, which raises concerns over the country's enforcement of intellectual property rights. Trade minister Anand Sharma has strongly objected to the US move, writing a letter to his US counterpart Ron Kirk that termed the move as "unilateral, unfortunate and unjustified".

Anwarul Hoda, professor and a trade expert at the Indian Council for Research on International Economic Relations, said there are deep-rooted problems between the two nations although the ongoing presidential election process in the US has aggravated the situation.

"The White House has to show to its domestic constituencies that it is very tough with its trading partners," Hoda said. "The government is basically playing to the gallery,"

He said unlike the Republic Party, the incumbent Democratic Party are not pro-trade. “They are totally confused about their trade policy,” he said.

The Obama administration has often been accused of lacking a trade policy and has widely been blamed for not showing any resolve to complete the Doha round of multilateral trade agreement under the WTO. Hoda said the malaise in the trade relationship is deeper than it appears. “The US is losing its competitiveness. In the 80s, they were losing competitiveness against Japan. Now they are losing competitiveness in manufacturing to China and in services to India,” he said. “They have the usual habit of blaming the other side for their own problems.”

Hoda who is also a member of the India-US private sector advisory group, said, “We have been trying to improve the relationship between the two countries, but it is only worsening.”

However, Biswajit Dhar, director general at Research and Information System for Developing Countries, said he does not think it is proper to see the recent developments as worsening of economic relationship and sees the US move to hike visa fees as a step to win electoral mileage with US votes.

On India threatening to take the US to WTO on the visa fee hike, Dhar says this is an attempt by India to avoid any crisis in its external payment situation. “India is trying to ensure that its balance of payment problem does not further worsen,” Dhar said. “The dollar outflows are hurting us more now than in the past.”

Taken together with growing differences on diplomatic front, it is perceived as signs of the ties between the two countries losing momentum.

Former Indian ambassador to the US Naresh Chandra conceded that ties had “plateaued” but he attributed this to domestic reasons in India and the US with the US busy with presidential polls in November and Indian government seemingly caught in a series of scams that has paralysed policymaking.

“Neither side is in a position to make gestures to the other,” Chandra said. “So this situation will continue at least till the end of this year.”

“But to say that India-US relations will be severely affected or slide back to what they were two decades ago is far-fetched,” Chandra said.

Uma Purushotaman, an analyst at the Observer Research Foundation in New Delhi was of the view that the differences across the board—economic and strategic—were containable. “There will be differences, but it will not go to the point of straining ties too much,” she said. “There is too much at stake for both sides.”

“Given the changing global scenario, the geo-politics of Asia in the sense of the changing balance of power—the emergence of China, the imminent change in leadership there and the emergence of India—the US and India both have a lot in common. What the US can bring to the table, no one else can,” she said.

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India says ban on US poultry products lifted in September 2011
Amiti Sen, Economic Times

May 21, 2012, NEW DELHI: Reacting to the US government approaching the global trade body, WTO, against India imposing a ban on US agricultural products, including poultry meat and chicken eggs, the government clarified that it had already revoked the ban on imports from the US last September when it was declared free of avian influenza, a government official said.

"We already removed the ban on poultry and poultry products imports from the US in September last year as it was declared free of avian influenza. But we do carry out tests to ensure that the items that are imported meet international safety standards and we are ready to defend these at the WTO," a government official told ET.

The US' request on the matter will be taken up by the dispute settlement body of the WTO when it meets in Geneva on May 24.

New Delhi will try to defend its interpretation and application of provisions on restricting trade of poultry products and other farm goods as specified by the World Organisation for Animal Health or OIE (formerly the Office International des Epizooties) that has been challenged by the US and termed as too restrictive.

The US poultry industry, which has identified India as a big market for chicken eggs - a product that doesn't find much favour with the Americans - estimated that its exports could be as much as $300 million every year if restrictive standards are removed. Right now, US exports of processed poultry products to India are negligible as these can't meet India's 'conformity assessment' norms.

India had clarified to the US that import restrictions on poultry products were applicable only for countries reporting Notifiable Avian Influenza (NAI) which includes both low pathogens and high pathogens during its consultations in Geneva last month.

The US, however, differed with India regarding the applicability of provisions of OIE relating to restrictions on trade., and also expressed concern on the lack of sufficient scientific justification in India's risk assessment and consequential restrictions on trade in other products.

"The US' commercial interest in India is huge, no doubt. I think it is seeking much more than just a simple lifting of import ban. It wants the WTO to declare that the safety standards being followed by India are much more than what is laid down by the OIE, so that market access becomes easier," a WTO expert from a Delhi-based trade research organisation told ET.

India claims that its risk assessment procedure is purely scientific and is based on OIE standards, but the US contends that it goes much beyond what the OIE lays down.

"If the WTO dispute panel agrees with the US, India may have to revise its standards. But if India can prove that its standards are purely backed by science as it claims, then the US can't do anything about it," the expert added.

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India changes stance on rise in US visa fee
Nayanima Basu, Business Standard

Says rise in fee discriminatory disputes on steel, poultry trade intensify

New Delhi May 22, 2012: To strengthen its case against the US, India has changed its stance on the issue of rise in visa fees, saying the higher professional visa fees were targeted only towards Indian technology firms, not those from other countries.

India would now officially seek consultation with the US by sending a notification by the end of this week. A couple of months earlier, it had moved the World Trade Organization (WTO)'s Dispute Settlement Body (DSB) on this issue, but could not firm up the case due to its "technical and complex nature", a senior official in the commerce ministry told Business Standard.

India has said the US was using a particular law, Public Law 111-230 (Border Security Act), which substantially enhances fees relating to applications for L1 and H1B visas for companies (with at least 50 employees) for whom non-immigrants account for more than half their US workforce. As a result, Indian information technology (IT) giants like Tata Consultancy Services (TCS), Wipro, Infosys and Mahindra Satyam have come under the net.

The Bill nearly doubles the fees for skilled-worker H-1B and L1 visas to $4,500 per applicant (from about $2,320), for such companies.

"This is a complex and highly technical case. So, we are fine-tuning our consultation case. We are going to challenge that this 50-50 rule is a discriminatory move only against India, as it accounts for the major share of the IT and ITeS (information technology-enabled services) sectors in the US. This is not affecting any other country. We are going to send an official notification to the US on this soon," the official said, on condition of anonymity.

On May 31 and June 1, both India and the US are going to fight yet another dispute over the US' imposition of countervailing duties on steel imports from India. Both sides would sit for consultations in Geneva. The US, which believes the prices of steel products made by Essar Steel are doctored, has already been served a notice on this issue.

India also plans to consult WTO on the James Zadroga Act, under which US authorities have the right to impose two per cent tax on goods imported from non-government procurement countries. India is still not a party to the WTO's government procurement agreement, but the Indian government says imposition of this additional tax is a violation of the National Treatment Policy exercised under WTO trade laws.

India and the US, which have a trade relationship worth $100 billion, are also engaged in a bitter clash over poultry imports. The consultations on this case were wrapped up last month. However, it ended in a bad note and US has now notified the WTO DSB to set up a panel, which would be in place by June. If this process fails to find an amicable solution, the case would reach the WTO's appellate body.

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US senator introduces bill to increase visas for STEM grads
Malia Politzer, Mint

May 16, 2012, New Delhi: US Senator John Cornyn introduced legislation to Congress on Tuesday to increase the number of visas issued to highly skilled workers.

The bill, called the “STAR Act of 2012,” would create 55,000 visas for foreign graduates from American universities holding Masters degrees or Ph.D’s in the science, technology, engineering and mathematics fields by allowing them to opt for dual intent when entering the United States. “I am confident the STAR Act will bolster American competitiveness and provide a stonger foundation for long-term development in STEM. It would also streamline the greencard process for STEM economic growth and job creation,” he said in the release.

The proposed bill comes roughly one month after India approached the World Trade Organization to complain about a 2010 law passed by the Obama administration that roughly doubled visa fees for highly skilled workers to $4500.

While comprehensive immigration reform is likely to be a hot topic in the upcoming presidential elections, the narrowly written STAR Act of 2012 holds some promise of bipartisan support, as both candidates have adopted official stances supporting policies that would maintain foreign graduates in STEM fields. In the fall of 2011, Romney released an economic plan to raise the ceiling on visas and streamline visa processes for such studentts. And Obama addressed the issue in this year’s State of the Union. Simultaneously, growing reports and media coverage of “America’s brain drain”--a trend of highly skilled foreign workers in the United States returning to their countries of origin--has provoked concern that the country may be losing its competitive edge.

India currently represents one of the top sources of foreign students to the United States at 104,000, second only to China, according to the 2010-11 report by Institute of International Education. Of these 61% are graduate students, most in STEM fields.

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India asks Germany to liberalise its visa regime
PTI

New Delhi, May 10: India today asked Germany to further liberalise its visa regime to facilitate movement of professionals and tourists in order to enhance economic ties between the countries.

The issue came up for discussion during the meeting of Commerce and Industry Minister Anand Sharma and German Federal Minister of Economics & Technology Philipp Roessler.

Sharma is in Germany for a five-day visit since Monday.

"I do hope that there will be further simplification of the visa regime between our countries and work permit procedures for facilitating easy movement of professionals, business persons and tourists," an official statement quoting Sharma said.

Sharma also raised the issue of dispute between an Indian firm Ideafarms and German company Continental AG concerning unauthorised use of a software whose copyright was held by the Indian company.

"India was given assurance of a just solution and Indian side will follow the issue up with the German side," it said.

He also discussed the possibilities of providing skill development services particularly in the field of manufacturing.

It said that only 20 per cent of Indian workforce undergo skill training as against 75 per cent in Germany.

"Germany has long traditions of strong linkages between industry, academia and skill institutions. In the coming years, skill development partnership will perhaps constitute the corner stone of Indo-German collaborations, it said.

The minister also met Klaus Wowereit, Governing Mayor of Berlin and explored the possibility of collaboration in town planning with regard to proposed smart cities under National Manufacturing Policy and Delhi Mumbai Industrial Corridor.

The bilateral trade between the countries stood at USD 23.64 billion last year.

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Govt initiates probe into dumping of Chinese product
PTI

The complaint was filed by several companies including Aditya Birla Nuvo Ltd

New Delhi May 15, 2012: India has initiated probe into alleged dumping of electrical insulators by China following complaints by domestic players.

The Commerce Ministry's designated authority, the Directorate General of Anti-Dumping and Allied Duties (DGAD), has started an investigation into alleged dumping of the product on the basis of an application filed by companies including Aditya Birla Nuvo Ltd.

"...The authority (DGAD) hereby initiates an investigation into the alleged dumping and consequent injury to the domestic industry...To determine the existence, degree and effect of any alleged dumping and to recommend the amount of anti-dumping duty...To remove the injury to the domestic industry," the Commerce Ministry said in a notification.

The product insulates areas where the electricity flow has to be avoided.

The period of investigation is from January to December, 2011. However, for the purpose of analysing injury, the data of previous three years - 2008-2009, 2009-2010 and 2010-2011 has been considered.

The DGAD has sufficient evidence of dumping of the product from China "to justify initiation of an anti-dumping investigation", the notification said.

Countries initiate an anti-dumping probe to see whether their domestic industries have been hurt because of a surge in cheap imports. As a counter-measure, they impose duties under the multilateral regime of the WTO.

The duty also ensures fair trading practices and creates a level-playing field for domestic producers vis-a-vis foreign producers and exporters resorting to dumping.

Unlike the safeguard duty, which is levied in a uniform way, anti-dumping duty varies from product to product and country to country.

India has initiated 275 anti-dumping investigations between 1992 and March 2012, involving 42 countries.

As on December 2011, measures in respect of 112 cases are in force.

The countries prominently figuring in anti-dumping investigations are China, Korea and Singapore and the major product categories on which anti-dumping duty has been levied are chemicals and petrochemicals, pharmaceutical, steel and consumer goods. [Back to Top]

HR issues hold up trademark dispute cases
Nayanima Basu, Business Standard

New Delhi May 13, 2012: As many as 126,102 trademark dispute cases are lying with the government due to shortage of manpower in the trade marks registry offices. That's not all. As many as 8,183 applications are missing.

The maximum number of pending cases is lying in the Delhi office, followed by Mumbai, Chennai, Ahmedabad and Kolkata. Most cases pertain to domain name dispute and intellectual property rights. Since 2001-2002 the number of dispute applications filed has increased by 100 per cent. The Trade Marks Registry of India is suffering from severe manpower shortage. Of the 122 sanctioned posts, 71 are lying vacant and all pertain to the post of examiners and above, according to the ministry of commerce and industry. The government has asked recruitment agencies to urgently fill up the vacant posts.

“There is not enough manpower to look after cases which are complex and require expertise. We are concerned and looking into the matter,” an official from the Office of the Registrar of Trade Marks told Business Standard on condition of anonymity. Emailed questions to Chaitanya Prasad, Controller-General of Patents, Designs & Trade Marks, went answered.

To mitigate problems and streamline the process of trademarks registration, the ministry of commerce and industry is also planning to introduce free search facilities and digitisation of records.

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Copyright Bill cleared; artistes entitled to lifelong royalty
The Hindu

“Poor artistes had been left in the lurch, as producers cornered all royalties”

23 May, 2012: Song writers, artistes and performers can now claim royalty for their works, as Parliament on Tuesday approved amendments to the Copyright Act that entitles artistes to lifelong royalty.

The Copyright Act (Amendment) Bill, 2012 was passed by the Lok Sabha unanimously, with members from all parties supporting the measure for creative artistes, whose benefits are cornered by producers under the existing law.

The Bill, passed by the Rajya Sabha last week, declares authors owners of the copyright, which cannot be assigned to producers, as was the practice till now.

Introducing the Bill, Human Resource Development Minister Kapil Sibal said poor artistes had been left in the lurch, as producers cornered all royalties, but the new law would help them live a good life even in old age, as they would continue to get their dues for their work.

Citing the examples of *shehnai* exponent Bismillah Khan and music composer Ravi, to press home the point that the condition of such excellent artistes was pitiable, as they weren't able to pay even house rent and hospital charges, Mr. Sibal said the Bill made it mandatory for broadcasters — both radio and television — to pay royalty to the owners of the copyright each time a work of art was broadcast.

It bans persons from bringing out cover versions of any literary, dramatic or musical work for five years from the first recording of the original creation.

The Bill received overwhelming support, including from the Opposition, which appreciated the government for such a step, though there was still resistance when the Bill was introduced in the winter session, and the Minister had to withdraw it in the Rajya Sabha.

Leader of the Opposition Sushma Swaraj pointed out that eminent artistes, ranging from Pandit Ravishankar to A.R. Rahman, had pleaded for the changes in the Copyright Act.

The Bill provides for exemption from copyright for any work prepared for the physically challenged in special formats such as Braille. It also permits compulsory licence to be granted for a certain number of copies in non-special formats to non-profit organisations working to help disabled persons.

The Minister said the amendment would allow authors to negotiate with music companies for royalty to be paid to them for their creations. The Bill also exempted students from the copyright laws for using such material for research purposes. It sought to impose a fine and two years' imprisonment for persons indulging in piracy.

Noted lyricist and Rajya Sabha member Javed Akhtar, who has been spearheading the campaign for such a measure, was in the Lok Sabha gallery, as was Ms Swaraj, who said she was supporting the Bill despite her being told that film producers would be unhappy with her if she did so.

Seeking to do a balancing act, she said she had done for film producers what nobody else did. She said she was the one who declared film-making an industry within three months of her becoming Information and Broadcasting Minister during the NDA rule.

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AP seeks royalty for Brahma bull

U. Sudhakar Reddy, The Asian Age

15 May 2012: The Andhra Pradesh biodiversity board wants to claim royalty for the Brahma or Brahman bull, a species taken from Ongole and bred widely in Brazil, the United States and Australia for over 100 years.

The bull, scientifically known as Bos indicus, is in great demand as it is known to be resistant to foot and mouth disease and for its flavourful meat. Biodiversity board chairman R. Hampaiah, back recently from a biodiversity conference in Brazil, said steps are being taken to form breeders' associations of countries using the Ongole or Brahma bull so that the benefits could be shared. Farmers from Andhra and some other parts of India are, ironically, going to the World Brahma Bull Congress in Panama in July to buy Brahma bulls bred overseas. Dr Hampaiah said a Hyderabad-based NGO, Ankush, had recently

approached the board seeking to buy these foreign-bred Brahma bulls and seeking the animal husbandry department's permission to import the cattle.

Said Dr Hampaiah: "We have to apply for the geographical indicator (a WTO requirement to prove ethnicity) for the Ongole bull." Ongole bulls are found in the area between the Gundlakamma and Alluru rivers in Ongole and Kandukur mandals of Andhra Pradesh. The board will also seek a geographical indicator for Red Sanders and KPV (Krishnapuram vulli) onions grown near Mydukur in the state.

"The Brahma cow gives 45 litres of milk a day. There are several restaurants with Brahma bull beef on the menu in Brazil and the US. They may have improved the breed genetically. But under the AP Biodiversity Act, we have the right to claim royalty," said Dr Hampaiah.

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Kher: Move from FTA to product-based negotiations
Asit Ranjan Mishra, Mint

The focus should now move on from a typical and conventional free trade or preferential trade agreement-based approach to a product-based approach: Rajeev Kher

New Delhi: India should move from free trade agreement (FTA)-based negotiations towards product based-trade negotiations, commerce ministry additional secretary Rajeev Kher said on Tuesday, indicating a shifting of stance in bilateral trade negotiations.

"The focus should now move on from a typical and conventional free trade or preferential trade agreement-based approach to a product-based approach," Kher said at an event organized by the Confederation of Indian Industry lobby group.

"You identify a bilateral trading partner and you identify a particular product which has potential in that particular territory. There is a strong case for us to negotiate a non-trade regime around that product," he added. Kher said such non-tariff barriers could be in areas such as in phytosanitary measures, technical barriers to trade or in import-licensing procedures.

However, Kher added that trade negotiations with various countries and regions should reach their logical conclusion. "But I think we should move towards identified product-based diplomacy and the non-tariff regime around it," he added.

Kher said this has also become necessary as free-trade agreements have become too controversial. "FTAs have a price; as you know they are essentially trade-off agreements. We trade-off something to gain something. Therefore, they become controversial at times," he added.

In a survey conducted by the Federation of Indian Chambers of Commerce and Industry (FICCI) last year, *Impact of India-Asean FTA on Indian Industry*, the industry body said duty reduction on imports from the Association of Southeast Asian Nations (Asean) region had hit India's domestic market.

According to the survey, sectors where imports were found to be increasing at a substantial pace included engineering products, processed food, textiles, garments, plantation crops and auto parts. Kerala had opposed signing of the agreement holding that the state will see millions of job losses if sectors such as rubber, fishery products, tea and edible oil were opened up for trade.

Biswajit Dhar, director general at Research and Information System for Developing Countries, said that the commerce ministry has perhaps realized India is paying a heavy price by signing so many free trade agreements and now it should be selective in its approach.

However, Dhar said it will not be possible for India to negotiate only the tariff or non-tariff regime of a product with another trading partner.

"This will be against the most-favoured nation status granted to all countries under World Trade Organisation (WTO) regulations. WTO will only allow free trade agreements that substantially cover all trade among trading partners. But two countries cannot liberalize tariff or non-tariff regime for a particular product," he said.

Speaking at the same event, junior commerce minister Jyotiraditya Scindia said India has so far singed 10 FTAs and five preferential trade agreements (PTAs) and is negotiating 16 PTAs and seven FTAs. "When completed, such agreements would cover over a hundred countries spread across five continents," he said.

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Auto industry against inclusion in India-EU FTA

Pankaj Doval, The Times of India

16 May 2012, New Delhi: With the proposed India-EU free trade agreement (FTA) in its final leg, the domestic auto industry has raised alarm bells against including the sector in the trade agreement, saying it will kill investments and technology inflow and jeopardise the targets set under the government's muchtouted Automotive Mission Plan (AMP 2006-16), released by PM Manmohan Singh in January 2007.While the domestic industry lobby Society of Indian Automobile Manufacturers (Siam) argues against the FTA inclusion, a section of the global industry - mainly European auto companies - feel the opposition is protectionist and not in sync with current economic realities.

The divided house - where the domestic manufacturers oppose any duty reduction and European majors seek a cut - comes at a time when indications suggest that the government is looking to include the auto sector in the FTA, following which import duty on a specified number of cars may fall to 30% from the existing 60%. The government is looking at allowing cheaper import of a specified number of cars under tariff rate quota (TRQs).The concession, is expected to benefit not only luxury carmakers like Audi, BMW and Mercedes, but also mainline players like Volkswagen, Fiat, Skoda and Peugeot.

"The AMP targets were kept based on certain consistency in policy. If the auto industry is included in the India-EU FTA, the entire equilibrium will be haywire and India will not meet the AMP target," Sugato Sen, senior director at Siam, says, denying that domestic players were being protectionist in their demands.

Domestic industry fears that cheaper imports from Europe have the potential to hit them badly and may see a flight of manufacturing investments from India, hurting employment and technology flow.
The AMP 2006-16 had envisaged an investment of $40 billion in the auto sector by 2016, while doubling its contribution to the GDP to over 10% and creating 25 million new jobs.Siam says that these targets will be impossible to meet in case the auto industry is included in the EU FTA.

However, the European companies differ."The auto sector should definitely be included in the India-EU FTA," says John Chacko, chief India representative for the Volkswagen group that sells brands like Audi, VW and Skoda. He said Indian manufacturing is "very competitive" and cannot be threatened even if imports from Europe become cheaper. "Manufacturing in Europe is very expensive and we do not stand

any chance in the volume segments in India."

"It is a misnomer that the Indian industry will suffer if the duty is lowered. While we support the argument that duty should remain high where competitive volume products are there in the market, there is no argument to support any talk of maintaining higher duty for the luxury-end of the market," Debashish Mitra, director for sales & marketing at Mercedes-Benz India, had said in an earlier interaction.

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A different war at Wagah, on the trade clamps of the past and present
Vijay C Roy, Business Standard

Wagah May 22, 2012**:** Business on both sides ready to move into a completely new era, as India and Pakistan begin freeing the genie, maybe, hopefully, irreversibly

Amritsar used to be an important trade centre along the old Grand Trunk Road, but that was before the creation of Pakistan in 1947. The Partition made it a border town—the Wagah-Attari border is less than 30 km away—and did away with much of its economic underpinning.

That's set to change, in a rather huge way. And, the implications would, if things go as intended, speed well beyond this city to the entire South Asian region. Last month, the home ministers of both countries inaugurated the new Integrated Check Post right at the border crossing, a 48-hectare affair. It has some activity right now, but nothing compared to what's going to happen. Last month, the Pakistan government opened bilateral trade to 5,000-odd items, a quantum leap. Later this week, the two countries are expected to ease the tight visa regime they have in place for each other, allowing multiple-entry visas; clamps on trade are supposed to be on a fast-track to ending in subsequent months.

As of now, only 137 items can go through the Wagah-Attari route (it used to be only 14 till very recently). Businessmen on both sides are salivating at the prospect of all the 5,000-odd items being allowed by road this way, as intended, followed by the rest of the opening. Two-way trade is currently the equivalent of $2.5 billion; an explosion to $10 bn once the first of these set of changes takes place is confidently predicted. After which, the sky's the limit, and pure economics is the driver. On an average, road transport is, as The Economist notes, just a third of the cost of shipping goods to Pakistan by sea, the usual procedure now for almost everything allowed to be traded.

Even under the restrictive regime, trade was swelling, given the economics. Export to Pakistan through Wagah was Rs 798 crore in 2009-10, Rs 1,171 crore in 2010-11 and Rs 1,376 crore in 2011-12; imports were Rs 396 crore, Rs 453 crore and Rs 965 crore, respectively. This, with a handful of items which could be traded. Remove the barriers, as both governments have promised to do on an early schedule, and what happens can only be guessed at.

The implications, of course, go well beyond just trucks and cargo. Nadeem Ahmed Cheema, vice-chairman of the local chamber of commerce on the Pak-Punjab side notes some of the first changes inevitable—"buyer-seller meets, exhibitions, collaborative seminars, workshops, group discussions, tours, all at frequent intervals". Cell phones, SMSes, buzzing to and fro, personal visits, the inevitable tourism and travel in tow, going on to other sectors.

The only hindrance, actually, is the imagination or lack of these in the political and government bureaucracies, but it begins with trade. Both countries have huge and burgeoning populations, massive development requirements, surging industrial and consumer demand. And, they're right next to each

other. Notes Gunbir Singh of the Confederation of Indian Industry's council on public policy, " Why buy at twice the cost from a distant friend rather than a cost-effective neighbour?" He speaks for India, as much of Pakistan's benefit in this regard.

Many on both sides have already taken the first steps. Suneet Kochhar, director of Khana Paper Mills, told Business Standard about his despatch ("the first consignment") of 10 tonnes of newsprint via Attari-Wagah for one of Pakistan's leading newspaper chains. He's confidently expecting more, noting that Pakistan produces no newsprint; his own is 300 tonnes a day. How, he asks, can orders not come and in bulk?

Multiply that by a million times, to begin with, and you get some idea of what can lie ahead. It would dwarf the present scale of change—2,800 trucks crossed in April 2011, 3,800 last month; eight hours daily then, 12 hours now and so on. This isn't incremental change with a small 'i' we're talking of, but something for which there's been no precedent till now. Suddenly looming as reality, this year. Keep your fingers crossed.

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