INDIA'S TRADE NEWS AND VIEWS
12 April to 26 April 2012

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FY12 exports up 21% at $303.7 bn trade deficit at record $184.9 bn
Business Standard

Current account deficit may balloon to 4% of GDP

New Delhi, April 20, 2012 : Merchandise exports reached $303.7 billion in 2011-12, a rise of 21 per cent over $251.1 billion in 2010-11, while imports stood at $488.6 billion, rising 32.1 per cent compared with $369.8 billion in the previous financial year. Thus, though exports surpassed the government's target of $300 for 2011-12, the surge in imports led to the highest-ever trade deficit of $184.9 billion, and this is expected to raise the current account deficit (CAD) to four per cent of the gross domestic product, against the forecast of 3.6 per cent by the Prime Minister's Economic Advisory Council.

Swelling of the trade deficit to record levels was primarily attributed to a huge surge in the import of petroleum products and gold. "What has primarily driven trade deficit is petroleum and gold. In these, imports were higher by about $69 billion, compared to 2010-11, and that almost entirely accounts for the rise in the trade deficit from $118 billion in 2010-11 to $185 billion in 2011-12," Commerce Secretary Rahul Khullar said, while releasing the initial numbers.

The official data on foreign trade would be released on May 2.

Exports in March topped $28.7 billion, the highest monthly figure in the entire previous financial year. Ironically, this was a 0.71 per cent fall compared to March 2010, when exports stood at $30.9 billion. Imports in March stood at $42.6 billion, propelling the trade deficit to $13.9 billion.

"The year-on-year growth is irrelevant. Last year was a boom period for exports. Comparison should be done on a month-on-month basis. The export market had effectively collapsed from September in the previous financial year.…The first six months were almost schizophrenic, while the remaining six months saw a marked deceleration," Khullar said.

On the outlook for the current financial year, Khullar said exports would face a slowdown, while imports might taper slightly, as he expected petroleum prices and the consumption of gold to moderate. "The silver lining in the cloud is hopefully, while our import bill may increase this year, it would not increase 40 per cent compared to 2011-12. In 2012-13, there would be some rein on gold imports," he said, while maintaining trade deficit had become a major "cause of worry" for the government.

Rupa Nitsure, chief economist, Bank of Baroda, said, "Such a trade deficit is definitely very concerning. But the problem is there is no way we can contain this rising trade deficit. Some of the items that have propelled the trade deficit are crucial for our economy and cannot be controlled by domestic factors. The rise in the CAD could have been managed if foreign inflows were robust. This financial year is going to be extremely difficult for India's external sector."

Khullar said it was high time nodal ministries such as those of coal, fertilisers and agriculture addressed policy issues to reduce the dependence on imports. Imports of coal, fertilisers and edible oil have added an additional $16 billion to the country's import bill.

M Rafeeque Ahmed, president, Federation of Indian Export Organisations, said there was "very little scope of maneuvering", as far as controlling trade deficit was concerned. To boost exports in 2012-13, Ahmed said the government should lower credit rates, provide interest subvention and rebate state and local taxes.

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India's exports in volume grow fastest: WTO
PTI

New Delhi, April 12: India recorded exports growth of 16 per cent in 2011, the fastest in the world in volume terms during last year, even as the global trade expansion slowed to five per cent, according to the WTO report.

"India had the fastest export growth among major traders in 2011, with shipments rising 16.1 per cent. Meanwhile, China had the second-fastest export growth of many major economy at 9.3 per cent," the World Trade Organisation (WTO) said.

However, the WTO economists forecast further slowing down of world trade in 2012 to 3.7 per cent as the downside risks remain high. "We are not yet out of the woods," WTO Director General Pascal Lamy said.

These risks include a steeper than expected downturn in Europe, financial contagion related to the sovereign debt crisis, rapidly rising oil prices and geopolitical risks.

India, also emerged as the second-fastest importer after China growing at a pace of 6 per cent in 2011.

While, Indian exports increased the fastest in the world in volume terms, in terms of dollar realisation the growth has been slowing sharply since August 2011, according to Commerce Ministry data.

In their report, the WTO economists said the weak import demand from the Europe and US would adversely affect the emerging and developing countries like India.

The US and European Union together account for nearly 35 per cent of India's exports of USD 245.9 billion in 2010-11, as per India's trade data.

"The outlook for world trade darkened in recent months as the euro sovereign debt crisis threatened to undermine global growth. The agreement on a debt restructuring plan for Greece has provided some respite for governments, but at least a mild recession in the European Union may now be looming, with negative consequences for global trade and output," the WTO said.

In the 3.7 per cent world trade volume growth in 2012, two per cent increase is estimated for developed nations and 5.6 per cent for developing economies (including the Commonwealth of Independent States).

On the import side, the WTO is projecting 1.9 per cent growth for developed countries and 6.2 per cent for developing economies and CIS.

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WTO forms panel to identify global trade challenges
Press Trust of India

The 12-member panel will hold its first meeting next month in Geneva

New Delhi April 15, 2012: With an aim to address the global trade challenges and find long-term solutions, the World Trade Organisation (WTO) has set up a panel, consisting experts from all over the world including India.

The panel will hold its first meeting next month in Geneva.

The 'WTO Panel on Defining the Future of Trade' will meet regularly to discuss issues that comes in the way of rapidly-growing world, the trade body said on its website.

The 12-member panel with representatives from nations like the US, Brazil, China, India and Japan will "meet on 16 May in Geneva".

"This panel encompasses experts from all corners of the world and nearly every field of endeavour. Their analysis will spark debate and open new channels of thinking on how we can best confront the stumbling blocks that today's rapidly evolving world has strewn in our collective path," said WTO Director General Pascal Lamy.

The secretary general of Consumer Unity and Trust Society International, Pradeep Singh Mehta, will be the member from India, to debate on the best ways to tackle trade challenges.

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India tells WTO it will further open market for LDCs
PTI

April 22, 2012, NEW DELHI: Four developing countries, including India, have told the WTO they would further open their markets for least-developed countries, a move which will help boost the economies of the poor nations.

"Four WTO members (India, China, Chinese Taipei and Korea reported their commitment to opening their markets for products from least-developed countries (LDCs)...reflecting increased efforts by the developing economies to improve market access conditions for exports from the poorest countries," the WTO said on its website.

At a meeting of the sub-committee on LDCs held this week, these members have provided information on their duty-free schemes. The committee is dedicated to discuss issues of particular importance to LDCs. India's duty-free tariff preference scheme is operational since 2008, and since then duties are being gradually eliminated to bring 85 per cent of its tariff lines under duty-free coverage (for LDCs) over a period of five years, it said.

India is among the fastest growing markets for exports from LDCs.

The LDCs comprise about 12 per cent of the world's population, but account for less than 2 per cent of world's GDP and about 1 per cent of global trade in products.

India's trade with Africa, a continent which comprise maximum number of LDCs, has increased to $16.28 billion in 2010-11 from $10.3 billion in the 2009-10.

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India drags US to WTO over 'wrongful' imposition of penal duties on steel exports
Amiti Sen, ET Bureau

April 13, 2012: India has dragged the US to the WTO over 'wrongful' imposition of penal duties on its steel exports that has affected a number of companies including Essar, Tata, Jindal and Sail. It has sought consultations with the US under the WTO's dispute settlement mechanism on Thursday on the countervailing duties (CVD) imposed on steel.

The move comes just a few weeks after the US sought similar consultations with India over the import ban imposed by the country on poultry and poultry product imports because of the bird flu scare. India also has plans of filing a formal complaint with the WTO over the professional visa fee hike carried out by the US. "We decided to knock the WTO door formally as our informal consultations with the US on the issue failed to yield results," a commerce department official told ET.

ET had reported in December 3 last year that India had sought informal consultations with the US to persuade it to remove the countervailing duties on steel before taking the final step of filing a dispute with the WTO.

The US has been imposing CVD, a levy to neutralise government subsidies, on steel for the last decade. Duties on Indian companies range from about 18% on Essar to over 500% for companies such as Tata and Jindal.

It has also imposed antidumping duties, a penal levy on imports that are sold at higher prices in the home market of the exporter, of over 20%. India wants to challenge the US Department of Commerce's assumption that the iron ore sourced by Indian steel makers from NMDC is supplied at subsidised rate because it is a public body. India has argued that this is a wrong assumption as NMDC always sells at the prevailing market prices which is determined by their exports to Japan and South Korea.

If the consultations fail, India will ask for the setting up of a dispute settlement panel which will hear the arguments made by both sides and give its judgement.

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Visa Protectionism
Wall Street Journal

Raising fees on worker visas only depresses job creation for all.

April 13: Protectionists always argue they're protecting domestic jobs. In reality, they're killing jobs for everyone. Consider:India said this week it will file a complaint at the World Trade Organization against a 2010 U.S. law that, in a thinly veiled form of protectionism, hiked visa fees for foreign skilled workers in the U.S. The Indians have a strong case.

Democratic Senator Chuck Schumer, co-author of the law, didn't leave much doubt as to legislative intent: "The emergency border funds will be paid for by assessing fees on foreign companies known as chop shops that outsource good, high-paying American technology jobs to lower wage, temporary immigrant workers from other countries." The law targets firms that operate in the U.S. with more than 50% of employees on work visas, by nearly doubling the fee to $4,500 per visa application. It has mainly affected Indian firms like Infosys and Wipro, which bring engineers and programmers from India to work in their U.S. offices. They have paid an estimated $200 million in extra fees.

The law is part of a broader trend of discrimination against foreigners who come to the U.S. to work. The National Foundation for American Policy in Washington found that rejection rates for applications shot up to 17% for H-1B visas and 27% for L-1B visas last year, from 11% and 7% respectively in 2006-07. There's an argument that shutting out foreigners from working in the U.S. this way violates America's WTO commitments on trade in services. So far, India has handled the issue maturely, only approaching the WTO after complaints to U.S. officials went nowhere. It could have retaliated and shut out American expats who need visas to work in India.

The irony is that the Indian outsourcing giants are creating jobs in the U.S. in a trend known as "insourcing." According to India's National Association of Software and Service Companies, the industry hired 107,000 permanent *American* residents to work in the U.S. in 2010-11, almost doubling from five years ago, as it moves up the value chain and sets up U.S. offices to better serve customers.

But Infosys's American offices still need Indian workers to replicate the success of Bangalore, just as American firms abroad deploy American expat managers. Keeping talented Indians out of the U.S. will only slow down all hiring in America, and encourage companies—not just Infosys—to consolidate back-office operations outside the U.S.

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Turkey may withdraw duty on imports of Indian cotton yarn
Press Trust of India

India requested for consultation with WTO to resolve the imposition of import duties

New Delhi, April 23, 2012: Turkey has expressed its willingness to withdraw safeguard duty on imports of Indian cotton yarn within a year, provided India refrains from pursuing legal proceedings at the WTO, sources said.

An indication to this effect was given by Turkey in a draft submitted to the Commerce Ministry.

"The consultations (on the issue) were held (in) March following which a draft of agreement has been received from Turkish side. It provides for lifting of the current safeguard measures within one year, starting with the entry into force the agreement/MoU provided India shall not seek a DSU (dispute settlement unit) panel investigation," said a source.

India had requested for consultations with Turkey under the dispute settlement system of the WTO to resolve the dispute over the imposition of special import duties on Indian cotton yarn. The request for consultations, filed on February 13, formally initiates a dispute in the WTO.

Commerce and Industry Minister Anand Sharma has also raised concerns on the issue during his meeting with Minister of State in charge of foreign trade of Turkey Zafer Caglayan on April 19 at the sidelines of G-20 Trade Ministers' meeting in Mexico.

The country has said that additional import duties imposed by Turkey "are very high and have affected exports of fabrics and garments from India. This sharp increase in duties could lead to high price rise and resistance from Turkish consumers," the source said.

The duty by Turkey, a major producer of cotton, was imposed in 2008 for a period of three years. When the term expired in July 2011, the country re-imposed the duty.

According to industry experts, the duty was increased to 15-20%. Indian cotton yarn producers have said that these markets are resorting to unnecessary restrictions.

Consultations give the parties an opportunity to discuss the matter and to find a solution without proceeding further with litigation.

After 60 days, if consultations fail to resolve the dispute, India may request adjudication by a panel.

Bilateral trade between India and Turkey in 2011 was $4.51 billion.

Further, India has also asked Turkey to consider issuing longer duration business visas to Indian professionals if recommended by the respective apex chambers of industry and commerce.

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India-China meet to discuss trade disputes
Ananth Krishnan, Hindu

15 April 2012: India and China have intensified efforts to iron out trade differences, with two high-profile meetings set to take place in coming weeks that will address mutual concerns over anti-dumping investigations and barriers to investment.

A trade remedy joint working group will meet in Beijing on Tuesday to come up with a mechanism to nip trade disputes in the bud before they lead to the filing of formal anti-dumping investigations, officials said. J.K. Dadoo, Joint Secretary in the Department of Commerce at the Ministry of Commerce and Industry, will lead the Indian delegation in talks with Chinese officials at the Ministry of Commerce this week, for the third meeting of a trade remedy working group.

The group will primarily look at anti-dumping investigations and examine whether such cases can be settled before formal complaints are filed. India initiated 149 anti-dumping cases against China, accounting for more than 50 per cent of all cases India has filed against foreign countries, Minister of State for Commerce and Industry Jyotiraditya Scindia said in December. At present, 77 anti-dumping measures against China were also in place, he added.

In recent years, India also filed more anti-dumping investigations against China than any other country at the World Trade Organisation (WTO). India has filed anti-dumping cases on a range of Chinese products, from toys, textiles and mobile phones to tyres and chemicals. China, on its part, has taken anti-dumping measures on Indian antibiotics.

"The idea behind this trade remedy group is to look to see if we can settle these issues without them leading to measures being initiated," an official said.

Rising trade deficit

The spate of anti-dumping investigations initiated by India comes against the backdrop of a rising trade deficit, which soared to a record $27 billion last year. Bilateral trade reached $74 billion, propelling China to become India's biggest trade partner. Trade rose by $12 billion from 2011.

Both countries will also hold talks next month to boost mutual investments. Planning Commission member B.K. Chaturvedi will travel to Beijing for the first-ever meeting of a policy coordination working group to get rid of "impediments" that have held up mutual investments.

This followed a decision taken by Planning Commission Deputy Chairman Montek Singh Ahluwalia and his counterpart, Zhang Ping, who heads the powerful National Development and Reform Commission (NDRC), at the BRICS Summit in New Delhi, to set up a body to tackle concerns expressed by both countries on persisting barriers to investment.

China has voiced objections to visa policies as well as restrictions to investment posed on account of security concerns. India, meanwhile, has called for greater market access for companies in the Information Technology and pharmaceuticals sectors.

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Kerala seafood faces Chinese quality bait

Shenoy Karun, Times of India

April 13, 2012, KOCHI: A communication gap between the World Trade Organisation (WTO) and Indian authorities might force India's Rs 2,000-crore seafood exports to China to a complete halt. The Administration of Quality Supervision, Inspection and Quarantine (AQSIQ), a Chinese agency which regulates import and export of food products to that country, will implement quality standards from June 1 this year. For now, under new AQSIQ guidelines, only 27 countries have been shortlisted to export marine produce to China. India is not on the list, and Indian authorities blame it squarely on a communication gap between the WTO and India.

"In situations like these, China writes to the WTO, which in turn contacts the member states. WTO might have informed India, but the message didn't reach us," said S K Saxena, director of Delhi-based Export Inspection Council of India, the authorized body to enter into agreements with other nations. "If we were informed earlier, India would have been included in the list," he added. The agency is preparing the required certificates demanded by the Chinese authorities.

In fiscal 2011, Indian seafood exports to China touched 1.59 lakh tonnes, or 20% of the country's production, worth Rs 1,978 crore. Gujarat exported 71,224 tonnes worth Rs 642 crore to China, while Kerala exported 10,985 tonnes worth Rs 132 crore. A top official with Kochi-based Marine Products Export Development Authority (MPEDA) said the issue would be resolved by the end of May. However, exporters, on condition of anonymity, said he situation is grave.

The 27 countries which have received inspection and quarantine certificates from AQSIQ are Vietnam, Thailand, South Korea, Parkistan, Burma, Japan, Philippines, Turkey, France, Denmark, Russia, Norway, the Netherlands, Iceland, Greece, Spain, Ireland, Germany, USA, Canada, Uruguay, Brazil, Chile, Peru, Argentina, Australia and New Zealand.

"India did not take the initiative to meet the Chinese authorities. I suppose MPEDA and the Export Inspection Council (EIC) will visit China and find a solution to the issue," said Norbert Karikkassery, president of the Kerala chapter of Seafood Exporters Association of India (SEAI).

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For FDI, India more liberal but China more positive

Economic Times

14 April, 2012: India allows higher levels of foreign direct investment in most sectors as compared to China but the neighbouring country draws much more FDI.

A striking feature of China's FDI regime is its focus on agriculture and basic raw materials.

A number of bills and measures to improve India's investment environment have been introduced in Parliament, but they are making little progress amidst lack of sufficient consensus for immediate reforms.

Paris-based think tank OECD said its leading indicator of economic activity in India rose to 98.6 per cent in February from 98.4 per cent in January. This was the fourth straight monthly increase.

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India decides in principle to allow FDI from Pakistan
Elizabeth Roche, Livemint

Move represents a break from current rules that prohibit Pakistani citizens from directly investing in India

April 13, 2012: India has taken an "in-principle" decision to allow Pakistani firms to invest in the country, trade minister Anand Sharma said, one of several moves announced Friday aimed at infusing more content into fast-deepening commercial ties between the often hostile neighbours.

"Procedural requirements of the processes are under way. It will be notified soon," Sharma said after talks with visiting Pakistani trade minister Makhdoom Amin Fahim. The move represents a break from current rules that prohibit Pakistani citizens from directly investing in India.

"This is a welcome declaration of intent," said Charan Wadhva, an economist with the Centre for Policy Research in New Delhi. "Many Pakistanis have the resources to invest in India and there are enough areas for cooperation. But we will need to wait and watch," he cautioned, noting that fragile ties shared by the two have often been rocked in the past by Islamist militant attacks that India blames on Pakistan-based groups.

Another decision announced by Sharma was the setting up of an India-Pakistan joint business council. He noted the increase in interaction between businessmen of both countries, stating that this is "clearly indicative of business looking at opportunities and potential". He listed infrastructure, manufacturing, pharmaceuticals, healthcare and energy besides tourism as areas for closer business ties.

To facilitate trade, talks between the central banks—the Reserve Bank of India (RBI) and the State Bank of Pakistan —are underway to allow banks from both the countries to open branches in each other's territory, Sharma said, with Fahim concurring that progress had been made in this area.

"In-principle we have agreed (on this)," Fahim told reporters at a joint news conference in New Delhi with Sharma hours before the two ministers left for the Wagah-Attari land crossing between the two countries to open a second gate through which commercial trucks will cross carrying goods from both countries. The new gate will have the capacity to handle about 600 trucks a day and is expected to increase trade from the present $2.7 billion (Rs. 13,880 crore today). The opening of the new gate is expected to reduce "processing time, paving the way for enhanced people-to-people contact and expansion of trade between the two countries", the government said in a release.

Both countries are also close to signing a liberalized visa pact that will allow businessmen greater freedom to travel in the other country. Currently, businessmen can visit only three cities in the other country and have to report to police authorities during their stay on single-entry visas. Trade is being seen as the driver of efforts to forge peace between the neighbours, who have fought three of their four wars over the Himalayan region of Kashmir since independence from British rule in 1947. Ties between the neighbours have been mired in suspicion with India pressing Pakistan to clamp down on Islamist militant camps in its territory. India blames the militants for attacks in Kashmir and elsewhere in the country including the planning and execution of the 2008 Mumbai attacks. India had frozen peace talks after the

Mumbai attacks and dialogue was renewed only last year. Pakistan, on its part, has insisted that it will normalize ties with India, including commercial and cultural links, only after the Kashmir dispute is resolved.

But Pakistan last year agreed to grant India Most-Favoured Nation (MFN) status under World Trade Organization rules, a move towards normalizing trade. In February this year, Pakistan announced a trimmed down negative list of items that it would not allow to be imported from India despite pressure from some hardline quarters.

"It is extremely heartening, this (foreign direct investment announcement) is certainly a confidence-building measure between the two countries" said Sushant Sen, principal adviser at the Confederation of Indian Industry. "If two countries want a durable relationship, commerce has to be more than just trade in goods. There has to be bonding between the people business communities," said Sen.

Biswajit Dhar, director general at the Research and Information System for Developing Countries think-tank in New Delhi, described Friday's announcement as "unprecedented". As the bigger economy, the onus was on India to make the gesture, he said.

"The more we allow Pakistan a stake in India, they will ensure their investments are safe" and thereby help thwart possible attacks against India, he said. "If they (Pakistanis) see that their future is interlinked with India, it will give them the incentive not to wreck it," Dhar said, adding better India-Pakistan ties will improve the commercial and economic climate of South Asia as a whole.

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Easier visa regime may come before year-end: Makhdoom Amin Fahim, commerce minister of Pakistan

Amiti Sen, Economic Times

Pakistani commerce minister Makhdoom Amin Fahim says the impediments to trade are nothing more than speed-breakers on a highway and that Indo-Pak ties will get only stronger now. In an interview with ET, Fahim talks about the need to learn from the past and the role of army in the on-going trade negotiations. Excerpts:

April 16, 2012: *What has led to the deepening of trade ties between Pakistan and India of late?*

We should realise that there is no use fighting with each other. Why should we not engage in a dialogue and move ahead? Trade is a binding force. We will move ahead in a lot of areas through trade. The remaining issues can also then get sorted out.

Have the growing budget deficit and borrowings also changed the way Pakistan views its neighbors?

Both countries have realised that trade can help move ahead in a way that it benefits both nations and people. Our priority is to improve the financial situation of both countries. It is like moving on a highway. You keep crossing speed breakers, but you ultimately reach your final point.

How do you view India's decision to allow Pak investments?

I must say the way Pakistan and India have started the process of dialogue is a very positive thing. We can come closer, resolve our issues and sort out future plans through dialogue. I think allowing FDI from Pakistan is a good initiative. We will definitely respond positively.

How do you want India to reciprocate to the grant of MFN status by Pakistan?

We have in principle decided to give the status of MFN to India. It is just a terminology of the WTO. The decision has to be implemented after negotiations with India. The two commerce secretaries will meet next month to discuss the issue. Once negotiations are completed, it will be formally announced.

What are the areas that Pakistan would focus on in these discussions?

I don't want to focus on one point. It is not advisable to keep one particular thing on top. Our talks are happening at the ministerial and official levels. Our experts are also meeting. They will take care of all issues.

There is a conflict on duty-free access to textiles. What concessions do you want?

In textiles, we want to be treated the same way as other neighbouring countries. It is true that textiles industry in both countries is strong. But so are the Pakistani and Indian cricket teams. But still they play the game. Sometimes one wins and sometimes the other.

How liberal will the new business visa regime be and when will it be implemented?

In principle, we have decided to give multiple-entry visa to businessmen but the final call will be that of the Indian home ministry and Pakistani interior ministry. Our target is to complete everything by end of year. We may reach a decision before time.

Do the talks have the blessings of the Pakistani army?

The Pakistani army is also Pakistani. So are the businessmen and people of the country. We are not separate. We are one. And our decisions are also one.

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Pakistan imports: Duty cut on 260 items in four months
Amiti Sen, Economic Times

April 13, 2012, NEW DELHI: India will honour its promise to Pakistan to reduce import duties on about 260 items within the next four months, a senior government official has said.

Both countries are also ready with a new visa agreement that will allow business visitors a one year multiple entry visa for multiple cities. "Since Pakistan started its trade normalisation process with India in March, we will abide by our commitment of reducing our sensitive list by July-end," the official told ET.

Pakistan commerce minister Makhdoom Amin Fahim will discuss the items where it wants duty cuts in his meeting with his Indian counterpart Anand Sharma on Friday.

India had promised Pakistan that it would reduce its sensitive list of 865 items not given preferential market access under the South Asia free trade agreement by 30% within four months of Pakistan starting its trade normalisation process. Last month Pakistan switched over to a negative list allowing import of all items from India other than about 1,209 in the list which will be dismantled by the year-end. [Back to Top]

Textile industry keen on FTA with Pakistan
Nayanima Basu & Sharleen D`Souza, Business Standard

Says both countries stand to benefit substantially however, issue yet to come up for formal talks

Mumbai, April 19, 2012: The country's textile industry is pushing the government to sign a free trade agreement (FTA), or something close to that, with Pakistan. Facing a challenging time in its traditional European market, it is hoping to make up for the loss of business with fresh trade options in that country.

An FTA with Pakistan is already a Prime Ministerial initiative. However, it faces issues and is yet to formally come up on the negotiation table. Both countries had agreed to establish a preferential trade agreement (PTA) during the first meeting between Commerce Secretary Rahul Khullar and his Pakistani counterpart, Zafar Mahmood, in Islamabad last year. Under a PTA, the negotiating countries reduce their tariffs on a particular number of products from the level they maintain with other countries. However, unlike an FTA, a PTA does not slash or eliminate duties from a large number of tariff lines.

The textile sector is looking forward to an FTA with Pakistan since it would help Indian industry to import superior quality cotton from Pakistan. A little over 90 per cent of India's cotton is genetically modified, popularly termed Bt cotton; this is medium staple. Finer quality is long staple and an FTA would enable India's yarn makers to import these from Pakistan. Also, export of articles, such as silk and embroidery garment, is expected to go up.

"The apparel sector will benefit for sure if the agreement is signed with Pakistan," said Rahul Mehta, president of the Clothing Manufacturers Association of India.

"FTA will be beneficial for both countries as there is good demand in Pakistan for Indian textiles," said A B Joshi, textile commissioner.

It is expected that Pakistan would phase out the 'negative list' of imports with India by this December, which would automatically trigger a Most Favoured Nation status for trade. However, officials in the ministry of commerce and industry have said Pakistan might not phase out the list totally but do so gradually. In the negative list, Pakistan has put some of the main items of India's interest, such as textiles, pharmaceuticals and automobile components.

However, the commitment from there is to have textiles as part of a liberalised trade regime. "It is a win-win situation for both countries, as the Pakistanis can sell their products easily to us and vice versa," said A Sakthivel, chairman of the Apparel Export Promotion Council. Establishing trust would help real business to grow between the countries, said an industry player.

In October last year, the government had opened duty-free imports from Bangladesh for 48 textile items, which had a negative impact on the Indian textile sector; Bangladesh is not dependent on India for any kind of textile import. it would be different in the case of India and Pakistan, with both standing to benefit from the textile trade.

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US, EU cry foul over India's ban on cotton exports Amiti Sen, Economic Times

April 18, 2012, NEW DELHI: India's ban on cotton exports has been questioned by US, EU and Canada at the World Trade Organisation, but India has said that its actions fully complied with multilateral trade rules that allowed temporary restrictions on imports.

The countries also raised concerns about the methodology used by India to classify marginal farmers and calculate domestic support to agriculture in a recent meeting of the WTO's committee on agriculture in Geneva.

India had imposed a ban on cotton exports on March 5 fearing a shortage in the domestic market, but lifted it on March 12 for export contracts that had been registered before the ban.

"India clarified that the ban on exports was only for a short period and exports of about 2 million bales of cotton registered with the government before the ban have been subsequently allowed," a government official told ET.

Indian officials also pointed out that the country had not bent any rules by banning cotton exports as temporary prohibitions or restrictions on exports to prevent or relieve critical shortages was allowed by the WTO.

US officials noted India's view that the restriction was in line with WTO rules, but said they were still not happy with the ban as the measure had an impact on the predictability and transparency of the market.

US and EU are among a few of the developed countries that have been trying to garner support for a global resolution to ban food export restrictions and limit taxation on food exports. Developing countries including India, China and Brazil opposed the resolution.

On the issue of the methodology used for calculating domestic support and classifying marginal farmers and error in data presented by India, a commerce department official said the department would re-look at the notification and hold consultations with other ministries and departments concerned.

US observed that some of the figures in India's notification do not correspond to the figures on the website that India cited in its reply in September, like, for instance, the definition of "marginal" land holdings.

Canada and US also asked India to clarify use of the term "marginal" and the basis for labelling of producers as low-income, resource-poor, marginal, small/semi-medium/medium landholders, etc, for a better understanding of who were the targets of India's development programmes and fertiliser subsidies.

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Commerce ministry proposes suspension of onion MEP
Rituraj Tiwari, Economic Times

26 April,NEW DELHI: The commerce ministry has proposed to suspend the minimum export price (MEP) of onion for two months to spur exports and help growers get better prices for their produce at domestic market also. The present MEP of onion is $125 per tonne.

"The proposal was to be discussed in the meeting of empowered group of ministers (egom) scheduled for Wednesday. But it has been postponed due to some important engagement of finance minister Pranab Mukherjee who chairs the meeting. Now it will be taken up when the egom meets next," a senior commerce ministry official said.

In last 8 months, India had slashed MEP several times from $475 per tonne in September last year to the current floor price of $125 per tonne in February this year to boost the export. India exports onion to countries like Gulf countries, Malaysia, Sri Lanka, Indonesia, Russia and other European countries. The exports have slowed down due to stiff competition from China and Pakistan. "The current MEP is not finding much favour from buyers at the global market. This year's bumper crop is also putting pressure on prices," the official added.

According to trade sources, India, the second-largest onion producer in the world after China, has exported around 1.5 million tonnes of onion in the fiscal 2011-12 while the onion production is estimated at 15.13 million tonnes in the 2011-12 crop years (July-June). Of the total production, 60% comes from the Rabi season.

"The produce is swamping the markets leading to sharp decline in prices. The production cost is more than the present market rate causing dissent among the onion growers," said Shivnath Shinde, an onion trader in Maharashtra, the largest onion producing state.

The modal price or the rate at which most trades takes place at the Lasalgaon market yard in Maharashtra is hovering around Rs 350 a quintal - down by Rs 60 a quintal over a week following huge Rabi arrivals. "The prices will further drop if demand doesn't pick up. The moderate demand in domestic as well as export market is a cause of worry for farmers," he said.

The Maharashtra government has also appealed to the central government to remove the minimum export price (MEP) mechanism for onions. The chief minister Prithviraj Chavan had met the prime minister Manmohan Singh and finance minister Pranab Mukherjee seeking removal of the MEP.

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India says EU tax a 'deal breaker' for climate talks
AFP

NEW DELHI, April 11, 2012: India's environment minister said Wednesday that a European Union scheme to tax airlines for carbon emissions was "a deal breaker" ahead of global climate change talks, a warning rejected by the EU.

"I shall stick my neck out and say, for the environment ministry, yes the unilateral measure by the EU... is a deal breaker for the talks," Jayanthi Natarajan said in New Delhi.

"I strongly believe that as far as climate change discussions are concerned, this is unacceptable," said the environment minister, who is India's negotiating leader at global climate change talks.

Natarajan, speaking at a function organised by the Energy Resources Institute, said she had written a letter to EU Commissioner for Climate Change Connie Hedegaard demanding a reversal of the carbon tax on airlines.

Her statements were the toughest by India so far on the EU plan.

The European Commission, the EU's executive arm, dismissed the minister's warning and stressed that the system in place since January 1 seeks to encourage others to do the same in their countries.

"We do not share this opinion," Isaac Valero Ladron, Hedegaard's spokesman, said in Brussels.

"We do not see how the European initiative is a deal breaker. We believe that it aims to encourage similar systems to include aviation in efforts to reduce greenhouse gas emissions," he said.

He noted that the scheme will force the entire European aviation sector to reduce emissions but only affect Indian airlines that use airports in the 27-nation EU.

"Everybody says they want to reduce greenhouse gas emissions, but some do not share this desire," the spokesman said.

"We know the Indian minister's position. It is not new," he added.

India last month barred its airlines from complying with the EU carbon tax scheme, joining China in resistance to plans that have caused a backlash among the EU's trading partners.

The EU imposed the carbon levy on air travel with effect from January 1, but no airline will face a bill until 2013 after this year's carbon emissions have been tallied.

The 27-nation EU has said the tax will help it achieve its goal of cutting emissions by 20 percent by 2020 and has vowed not to back down.

India has already said "the imposition of carbon tax does not arise" because Indian airlines will refuse to hand over their emissions data. China has also stopped its airlines from complying with the EU directive.

The two Asian giants have attacked the EU scheme, calling it a unilateral trade levy disguised as an attempt to fight climate change.

The EU asserts the cost for the airlines is manageable, calculating that the scheme could force the carriers to add between 4.0 euros ($5.50) and 24 euros to the price of a long-haul round-trip.

But industry insiders have expressed concern that the scheme could spark a trade war between the EU and the countries opposed to the tax.

At UN climate talks in Durban in December, countries set their sights on a new all-encompassing pact to slow climate change that for the first time would bring all major greenhouse-gas emitters under a single legal roof.

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Drug makers critical of EU non-tariff barrier
Joe C Mathew, Business Standard

New clause makes it compulsory for Indian drug regulator to check quality

New Delhi, April 15, 2012: Indian companies supplying drug raw materials (bulk drugs) to European countries have just discovered a 10-month-old directive of the European Union (EU), taking effect January 2013, which can create a new non-tariff-barrier for exports.

A clause says Indian drug regulatory authorities must certify the products exported by these companies maintain quality and follow the good manufacturing practices prescribed by EU drug regulators. Domestic drug makers say the Drugs Controller General of India is neither authorised under the law or conversant enough with the EU GMP Standards to issue such a certification.

The companies will have to produce such certificates even after their manufacturing facilities and products (meant for exports) get all regulatory clearances directly from the EU drug regulatory authorities.

The directive, promoted with the stated aim of protecting people from falsified medicines, is essentially a protectionist measure to save the EU bulk drug industry. In the absence of such certification, API (active pharmaceutical ingredient) manufacturers in India will not be able to export APIs to EU member-states.

Any consignment without such certification will be seized, says D G Shah, secretary general of the Indian Pharmaceutical Alliance, an association of leading domestic drug makers.

"We were not aware of this clause until some of the domestic drug exporters started getting letters from their importing partners in the EU, demanding such certifications. We have approached the government as the industry alone cannot resolve this issue," Shah added.

Indian manufacturing facilities already hold the highest number of regulatory clearances from European authorities. The EU accounts for a little more than a quarter of India's annual bulk drug exports, worth Rs 20,000 crore.

The directive (2011/62/EU) of the European Parliament (dated June 8, 2011) -- essentially meant to amend an existing code relating to medicinal products for human use, to prevent the entry of falsified medicinal products -- makes it compulsory that all bulk drugs reaching EU ports should be accompanied by a written quality confirmation from the competent authority of the exporting third country. So, the Indian drug regulator will now have to confirm that the products exported were produced in units maintaining GMP standards equivalent to those of the EU.

The directive also wants the Indian regulator to subject such manufacturing plants to regular and surprise inspections, to ensure effective GMP enforcement and report any findings relating to non-compliance.

At the moment, all exporting countries, including EU members and the US, have their own regulatory approval and inspection systems to ensure the quality of medicines that reach their supply chain. While non-compliance can result in penalties and even an export ban, the Indian drug regulator has never before been made responsible for the quality of such products.

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India and UK agree to push Trade and Investment
Ministry of commerce press release

JETCO identifies projects between BAE systems and Mahindra and Mahindra JV, between Hindustan Aeronautics Limited and Rolls Royce and collaboration between Bhushan Power and Steel and CDE Asia Limited for immediate implementation; Anand Sharma raises visa problems and non EU immigration into the UK

16 April 2012, London: Shri Anand Sharma, Commerce, Industry and Textiles Minister who is in London for the 8th round of India-UK Joint Economic and Trade Committee (JETCO) Meeting, today held official meetings with his British counterpart Secretary of State for Business, Innovation and Skills, Dr. Vince Cable and the Chancellor of the Exchequer Mr. George Osborne in addition to leading the Indian deliberations at the JETCO. Shri Anand Sharma and Dr. Vince Cable addressed the JETCO meeting. The

FICCI and CII have led industry delegations of leading businessmen from India to the meeting. The JETCO was established on 13 January 2005 in New Delhi to steer the strategic economic partnership between the two countries following the historic Joint Declaration "India-UK towards a new and dynamic partnership" between Prime Ministers Dr. Manmohan Singh and Tony Blair in September 2004 in London. The JETCO has been conceived as a business driven institutional framework to enhance trade and investment both ways. Shri Anand Sharma and Dr. Vince Cable had led the respective delegations at the 7th JETCO meeting last year in New Delhi. Today's meeting saw both industry and Government come together for healthy discussions in the Joint Working Groups on the themes of Advanced Manufacturing and Engineering, Education and Skills Development, Investment and Innovation and Logistics. The outcomes of these deliberations were presented by the leaders of the groups in the plenary session. Outcomes of the discussions in the Britain-India Infrastructure Group (BIIG), which has been meeting separately were also taken onboard during the Plenary Session.

Both sides agreed to concentrate on Education and Skills Development and innovation and healthcare technology, particularly cardiology. In the advanced manufacturing and engineering sector the meeting identified several projects like collaboration between BAE systems and Mahindra & Mahindra, JV between Hindustan Aeronautics Limited and Rolls Royce and collaboration between Bhushan Power & Steel and CDE Asia Limited for immediate implementation. The Ministers also participated in the release of a Compendium on partnerships in Skills and Education and the launch of a dedicated website of the UK- India Skills Forum.

During the bilateral meetings with Dr. Vince Cable and George Osborne Shri Anand Sharma highlighted the scope for greater cooperation between the two countries in trade and investment, particularly in critical areas like infrastructure, healthcare, skills development, advanced manufacturing and innovative technologies. Shri Sharma referred to the need for improving the regulatory environment for investments. He pointed out that Indian companies who want to acquire companies in the UK have been facing considerable delay and long legal hassles. He highlighted the concerns of Indian companies who want to visit UK for business meetings and also the long delay in obtaining Visa by Indian nationals. Shri Sharma also flagged the issue of the restrictions imposed on non-EU immigration into the UK which is adversely affecting the operations of Indian companies in the UK. He specifically referred to the UK Border Agency treating Intra Company Transfers of IT experts, professionals and highly skilled workers as prospective immigrants which has affected has badly affected the performance of Indian companies operating in the UK. He also expressed concern that this move may force Indian companies, especially IT companies to relocate to other European capitals. Shri Sharma appreciated the UK Government's intention to reduce net immigration "to tens of thousands" and clarified that Indian experts coming to the UK leave the country after completion of their contractual obligations with their employers in the UK and therefore they cannot be treated as economic migrants. He highlighted the vast contributions of Indian professionals to the UK economy. He also informed the Chancellor that stoppage of Post Study Work Permits to students has not found favourable to Indian students who are not able to recover the cost of their education in the UK universities and therefore they are now looking for options to study in other countries. He stressed that this development is expected to impact the UK universities where at present over 40,000 Indians students have been studying.

Dr. Vince Cable emphasised the British Government's desire to further strengthen the ties with India. He highlighted the importance of economic collaboration by protecting and creating jobs through trade and investment for economic recovery. He referred to the Global Investment Conference which the British Government is organizing at Lancaster House one day before the London Olympics started, as an initiative to drive the world economy out of the crisis. It is understood that Prime Minister David Cameron had personally invited Shri Anand Sharma to attend this Investment Conference. Dr. Cable thanked Shri Sharma for agreeing to take part in the conference and the Panel discussion on the theme "Regional Growth, Opportunities, Trade and Foreign Direct Investment". He also discussed about the visit of Prime Minister Dr. Manmohan Singh to London during this year at a mutually convenient time as it is will arrive at important decisions to further push the ties.

Mr. George Osborne told Shri Sharma that for the British Government led by the Conservative party, enhancement of relations with India has been a top priority. He added that this was reiterated by Prime Minister David Cameron on several occasions including last month in New Delhi during his televised address at the India Today Conclave and the launch of 'Great Britain' campaign in India. It would be UK Government's endeavour to create a long lasting partnership with India in all areas of polity for building our two economies stronger. He underlined that UK and India are close allies in the comity of international business and coordinate common issues in fora like WTO, IMF, G-20, etc. Mr. Osborne also briefed Shri Sharma about the sovereign debt crisis in the Eurozone and the decisions arrived at the recent summits in Brussels for the return of Europe-led global growth and recovery. He also referred to his fruitful meeting with Shri Pranab Mukherjee, Finance Minister, in New Delhi during the UK-India Economic and Financial Dialogue in the beginning of this month where several issues of mutual interest were discussed. He clarified that the UK Government thereafter has taken the decision not to make any change in the Intra Company Transfers for the next two years and that there will not be any increase in the salary cap for such transfers. He acknowledged the contributions of Indian people and praised the performance of Indian companies. He added that UK remains keenly interested in getting highly qualified professionals from India.

In his address at the JETCO plenary session of over 150 businessmen from both countries at the Royal Society here, Shri Anand Sharma congratulated the Joint Working Groups in identifying concrete projects and tangible results which are critically important for India's development and inclusive growth. He urged them to focus on implementation of the identified deliverables, building upon the decisions taken during the New Delhi meeting. He expressed satisfaction that trade and investment between the two countries have been growing despite the global economic crisis and serious sovereign debt crisis in the Eurozone, He underlined that India is committed to continue to grow in the trajectory of robust growth for the next 25-30 years. He reiterated that the Government of India is committed to create investor friendly environment in the country through the FDI route, implementation of the new National Manufacturing Policy and creation of enabling financial framework for investment outward investment by Indian companies abroad and for foreign companies in India. Shri Sharma invited the British companies to investment in the infrastructure development projects in various parts of India including the Delhi-Mumbai Industrial Corridor and Bangalore-Chennai corridor.

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India remains Dubai's most important trading partner
PTI

19 April, 2012, DUBAI: India remains at the top of Dubai's most important trading partners with 19 per cent of the overall Dubai foreign trade amounting to 206 billion dirhams (about Rs 2.88 lakh crore) in 2011.

India headed the list of Dubai's importing, exporting and re-exporting countries, an official said.

The volume of Dubai imports from India reaching 102 billion dirhams, whereas Dubai exports to India amounting to 36 billion dirhams and re-exports reaching 69 billion dirhams, he added.

China came second with imports amounting 100 billion dirhams followed by the US, Japan and Germany with imports touching 54 billion dirhams, 28 billion dirhams and 26 billion dirhams, respectively.

Dubai foreign trade has achieved a record growth reaching over Rs 15.5 trillion (1.1 trillion dirhams) in 2011 for the first time in history registering an increase of 22 per cent compared to the 902 billion dirhams in 2010, said Director General of Dubai Customs Ahmed Butti Ahmed.

He said there are a number of factors that contributed in achieving this growth, most importantly the high competitiveness in local market, the openness to markets world-wide and the growth in purchasing power.

Besides, he said, the distinctive higher quality of national products and the ascending level of services offered to importers, played a significant role in increasing the volume of exports and finding other new markets.

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India-Asean services deal stuck
Nayanima Basu, Business Standard

Clause relating to the movement of professionals a major roadblock

New Delhi, April 19, 2012: The much-awaited services pact between India and the 10-member Association of Southeast Asian Nations (Asean) trading bloc has reached an impasse. The deal, which was expected to open a huge services market, is stuck over stiff differences.

Since the negotiations started, talks on services trade have faced serious roadblocks, especially over the issue of Mode 4 of services trade that refers to the movement of professionals. Countries like Indonesia and Philippines have strongly opposed liberalising their respective services markets for India, as these feel Indian professionals would take away a large share of jobs in these countries if trade is liberalised.

Earlier this week, another round of talks was held between the Asean nations and India, but this, too, remained inconclusive. “It is not progressing at all. The deal is stuck. But we are still trying and hope to achieve some consensus,” a senior commerce department official involved in the negotiations told Business Standard.

India’s primary demand under the deal has been greater job opportunities for its professionals, based on easier visa rules in the markets of Singapore, Malaysia, Indonesia, Vietnam, Thailand, Philippines, Cambodia, Laos, Brunei and Myanmar.

India wants greater access in sectors such as information technology, healthcare, pharmaceuticals, banking & financial services, tourism and legal services. Philippines, one of the bigger members of the bloc, feels India is a competitor in the business process outsourcing (BPO) space. The BPO industry in Philippines accounts for about 15 per cent of the global outsourcing market.

The major problem is while countries like Thailand, Malaysia and Indonesia are ready to offer greater access to their services market to India, these are not keen to give the same leverage to other Asean members.

Currently, India is also engaged in negotiations with Thailand and Indonesia to have separate bilateral trade and investment deals with those countries.

According to officials in the ministry of commerce & industry, India was able to gain significantly in services trade when it established a separate trade agreement with Malaysia, compared to gains from the larger Asean agreement.

In August 2009, India had signed a free trade agreement (FTA) with Asean members in Thailand. According to the FTA, Asean member countries and India would lift import tariffs on more than 80 per cent of traded products between 2013 and 2016.

In January 2010, Singapore, Malaysia and Thailand accepted the FTA on goods. It is expected to be extended to all Asean member countries by 2016. The FTA collectively covers a market of nearly 1.8 billion people and proposes to gradually slash tariffs for 4,000 product lines.

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Africa, now a happening continent

Ritesh Kumar Singh/Sudhakar Kasture, Hindu Business Line

April 16, 2012:Faced with continuing economic slowdown and debt crisis, EU and the US are increasingly resorting to non-tariff barriers in order to check imports into their territories and protect local employment.

This is adversely affecting the exports of developing countries. Advanced emerging countries like India or China are constantly in search of alternative export markets. Africa is one such market. The need for securing steady supply of industrial raw materials, especially in China and India, for their ever growing manufacturing sector has also increased the importance of hitherto ignored, but resource-rich Africa as a strategic partner.

Improved political climate, macroeconomic stability, growing urbanisation and consumption boom have established Africa's credentials as a lucrative investment destination. Gradually, Africa has stopped being considered as a dark continent and everybody wants a pie of the African market.

AFRICA BECKONS

Africa is roughly comparable with India in terms of its estimated population (1 billion), GDP ($ 1.81 trillion) and per capita income ($ 1800 approximately). According to African Development Bank, Africa is expected to grow at the rate of around 5.8 per cent in 2012.

This compares well with projected GDP growth rates for world (3.3 per cent), Brazil (3.0 per cent), Russia (3.3 per cent) and is lower only to China (8.2 per cent) and India (7 per cent) in 2012. Some of the African countries such as Angola and Ghana are expected to grow by 11 per cent or more as shown below.

Robust commodity prices on account of demand from emerging economies such as China and India have increased the income levels of African countries.

Many African countries have per capita income levels which are higher than India's, e.g. South Africa, Mauritius or Botswana. Africa will continue to benefit from rising global demand for oil, natural gas, arable land and other resources. Africa has 10 per cent of world reserves of oil, 40 per cent of gold, 80-90 per cent of chromium and platinum group metals.

Growing urbanisation (40 per cent of Africans live in cities) and a relatively high proportion of young people (half of the African population is expected to be below 24 years of age by 2015) make Africa a strong consumption story. The ongoing expansion of the global fibre optic network is expected to lead to a boom in Africa's telecom sector. Besides the energy sector, the other sectors to watch out for are banking, educational and financial services, health care, bio-fuels, infrastructure and retail.

Integration of African economies through regional pacts (Southern African Development Community, East African Community, Common Market for Eastern and South Africa, South African Customs Union, Economic Community of West African States) and a pan-African Free Trade Agreement (CFTA) will result in larger, more predictable markets with fewer trade barriers and economies of scale benefits.

India's incentives

Realising the potential of Africa for diversification of its product and market mix, the Indian government has come out with many incentives for exporting to and importing from Africa. For example, under the Focus Market Scheme (FMS), exports to notified countries given in Appendix 37C of Hand Book of Procedure volume 1 (HBPv1), will attract duty credit scrips equivalent to 3-4 per cent of the fob value of exports. The other export incentive schemes are Focus Product Scheme (FPS) and Market Linked Focus Product Scheme MLFPS (appendix 37 D, HBPv1) which will benefit the exporters of notified products shipped to the notified destinations.

Further, as part of India's commitment at WTO Hong Kong Ministerial in 2005, India has agreed to provide duty free/quota free market access to roughly 90 per cent of export products from 49 notified LDCs (33 of them are African countries) subject to fulfilment of rules of origin criteria (change in Customs Tariff Heading and 30 per cent domestic value addition).

This will immensely benefit India's manufacturing sector which has to rely on import of scarce inputs e.g. copper or crude oil.

The Indian government is negotiating various free trade agreements with African countries which will ease the movement of merchandise e.g. India-Mauritius Comprehensive Economic Cooperation and partnership Agreement or India-South Africa Customs Union Preferential Trade Agreement.

Challenges in Africa

Political unrest and lack of reliable information about African markets make them risky. Poor infrastructure, in particular those related to transit trade as many African countries are land-locked add to the transaction cost.

Though, most African markets are fast-growing, they are small and fragmented across the continent. African countries, barring a few, are characterised by weak fiscal and monetary policies and high taxes. Poor regulations lead to high incidence of corruption.

Volatile currencies make business planning difficult. Shortage of foreign exchange in many African countries gives rise to the risk of payment default by African buyers. In addition to the above, Indian businesses looking to enter African markets will have to face fierce competition from Chinese operators. Despite, the challenges as listed above, India is more acceptable than China in Africa because of its historical ties with the continent. A few precautions can make the African ride easier for Indian businesses looking to tap African markets.

To minimise the risk of payment default and other risks it is advisable to take Export Credit Guarantee Corporation (ECGC) cover. In addition to this, services of institutions like African Trade Insurance Agency can also be considered, which cover risks against inconvertibility of currencies, expropriation, war and civil disturbance. When exporting through documentary credits (L/Cs), it's better to use standby L/Cs.

It would help if trade is bundled with investment aimed at creating local employment.

These tactics have successfully been adopted by Chinese companies and a few Indian companies such as Karaturi Global to gain local support in a fast-growing but politically sensitive market. The Governments of India and African countries can also consider investment protection agreements. Indian businesses have lagged behind their Chinese counterparts. It is not too late to join the Africa story, though.

(Ritesh Kumar Singh is an expert in international trade for a corporate house. Sudhakar Kasture is Director, EXIM Institute.)

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Centrality of Development Agenda Should be Maintained, Anand Sharma Tells G-20. Warns Against 'Closed Club' Agreement on Services
Press Information Bureau

20 April: The Union Minister of Commerce, Industry and Textiles, Shri Anand Sharma has stressed that the Doha round for the first time recognized the centrality of the development agenda. "Only such a narrative will have global resonance and global appeal. We must strive to create a level playing field before we ask all to compete as equals. There is a need to fulfil the promises made in the past, implement decisions taken over years and remain faithful to the mandate of the Doha Development Round. Only then, I believe, will emerge a new narrative on trade – that would position trade as a function of economic growth and not the other way round," said the Minister while intervening at the session on "understanding global value chains: towards a new trade narrative" at G20 Trade Ministers' Meeting at Puerto Vallarta, Mexico late last night.

Shri Sharma also warned against any attempt to selectively open up certain services sectors or to negotiate a 'closed club' agreement. "This would not only upset the delicate balance of the Doha Round but would also undermine the WTO." Plurilateral agreements within the framework of a multilateral agreement such as the WTO are inherently discriminatory as the benefits of this Agreement will not be 'MFNised' to other WTO member countries but will be restricted to the participating countries only. At the WTO every outcome of the negotiations on trade facilitation and services or for that matter NAMA and Agriculture represents a thoroughly negotiated trade-off. A selective approach that cherry picks a few items, from even within a specific area for expedited decisions is bound to not only upset the balance but may also result in jeopardizing the entire negotiating process. India has specific interests in the Services Agreement. However, the current proposals that relate to Services do not seem to address the core issues that concern the movement of natural persons. Their mobility is severely restricted due to visas, entry procedures, and lack of mutual recognition of qualifications among other impediments.

The Minister expressed concern over the fact that "labour largely remains hemmed in by the national boundaries" while capital finance and technologies are able to flow freely across the borders. "They remain engaged in the value chains only as long as the wages are low and present a comparative advantage and this is a harsh reality which we cannot ignore" added Shri Sharma.

Speaking on the emergence of trans-national corporations and their consolidation across the world, Shri

Sharma said "The growth in manufacturing is a key political consideration for countries across the world as manufacturing alone holds the potential of absorbing millions of people who are joining the workforce. As democratically elected leaders we remain conscious of our responsibilities in this regard. So even as we endeavour to integrate ourselves with global value chains, each of us would aspire to move up the value chain and not remain confined to lower rungs in value added manufacturing".

On Trade facilitation Shri Sharma said that with the lowering of tariffs and removal of quantitative restrictions, the focus is now shifting towards simplification of trade procedures in general and customs procedures in particular.

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Sharma to lead Indian delegation to UNCTAD meet
SME Times News Bureau

19 Apr, 2012: Commerce and Industry Minister Anand Sharma will lead the Indian delegation to the 13th session of the United Nations Conference on Trade and Development (UNCTAD) to be held in Doha from April 21-26.

The meeting will focus on consensus building on issues related to global financial difficulties, UNCTAD said in a statement.

"At a time when the global economy is in crisis, the Doha trade round at an impasse and multilateralism under challenge, it is vital for UNCTAD to strengthen its role of policy dialogue, consensus building and capacity building for developing countries," UNCTAD said.

UNCTAD was established in 1964 as a permanent intergovernmental body. It is the principal organ of the United Nations General Assembly dealing with trade, investment, and development issues.

Heads of state and the governments of the BRICS (Brazil, Russia, India, China and South Africa) countries had said at the Delhi Declaration issued at the end of their fourth summit last month, "We reiterate our willingness to actively contribute to the achievement of a successful UNCTAD-13 in April.

The Ministers of BRICS WTO members had expressed deep concern at the current impasse in the Doha Development Round, and reiterated that they remain fully committed to an early conclusion of the negotiations based on the progress made in the Round since 2001.

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