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India's trade with ASEAN to grow to $70 bn by 2012

Trade between India and the ASEAN (Association of Southeast Asian Nations) countries is expected to grow to $70 billion in 2012, a senior external affairs ministry official said…

Creating an Asian community

Most countries today realize that economic integration is much more than better trading ties…

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It's going to be a very difficult year for exports: Rahul Khullar
Nayanima Basu & Indivjal Dhasmana, Business Standard

The country's merchandise exports are expected to revive from January after a growth dip but the year ahead won't be easy, Union commerce secretary ***Rahul Khullar*** *tells Nayanima Basu & Indivjal Dhasmana. Edited excerpts:*

Jan 16, 2012: *Will we achieve the $300-billion export target for FY12? The fall in the November export growth rate was too much; do you see any contraction ahead?*

We are within striking distance of about $290 bn in exports and with a little luck, we will get to $300 bn. My guess, based on today's condition. I do not see any contraction to happen. I think in January, February and March, there will be a slight turnaround. If you look at the corrected numbers, exports essentially fell by $2 bn every month since August. It is not that significant but this indicates a trend that exports are steadily decelerating, due to external factors and the exchange rate. The nominal exchange rate change took place in November, so that is why I am confident we will go back to the $25-bon a month level in January, February and March.

You have earlier said the trade deficit will end up within $150-$155 bn. How do you see this impacting our current account deficit (CAD), which many say would be close to three per cent of GDP, the case during the balance of payments (BoP) crisis?

Yes, we are likely to end up within the range of $150-155 bn, which is a very large trade deficit. The real question is what happens to remittances, what happens to net services income and what happens to factor incomes. There are two good things. First, the services market is responding well and there are indications these will go up by 16-18 per cent in dollar terms in the next three-four months. On remittances, I think with the depreciation taking place, people who were holding back on spending money would now start doing so. This means the news on remittances and net services income is not all that bad and we'll be in the 3-3.5 per cent of GDP range on CAD. This is normally manageable.

Is it a comfortable range for CAD? Also, will we able to finance it without taking a hit on forex reserves?

The real problem is that there is going to be financing difficulties because the mood in the rest of the world is not good for capital flows. Should something untoward happen in the euro zone, there will be a real financing problem, because a lot of the European banks have exposure to Asia. So, it is not India's problem alone, it is the financing of the Asian trade deficit as a whole which may become a problem, because we are not only ones dependant on the European banking system for finance.

Second, the drying of capital markets impacts not only rolling over money but also trade finance. The availability of credit itself becomes very difficult and people who give short-term loans to finance trade get impacted. That is the real problem.

Is the fall in the rupee expected to push up the growth rate of exports, that has come down to single-digits?

Nobody responds to the exchange rate instantly but only with a lagged response. Exports will start showing some improvement from January but the bulk of the exchange rate depreciation took place in November, so you cannot expect an instantaneous reaction in orders in December. You should start seeing it in January-February. Orders have started coming in from the US but not so from Europe, so that could also help in pushing export.

Customs duty collections have also come down in November and December. Does that indicate any deceleration of imports?

As the exchange rate depreciates, imports become more expensive, so there will be a natural slowdown in imports because people will then start substituting. Second, a lot of the investment demand in the country was being met by imports of capital goods. But for the past few months, many private sector companies have put their investments on hold, which has an automatic impact on imports. So, I am not surprised with the fall in customs duty collections. This may be an indication of slowing imports. But we will still have a trade deficit of $150-155 bn this fiscal, because there are certain imports that you can do without.

What trend do you foresee in FY13 on exports?

Too early to say, but it is going to be a very difficult year. One, we are going to have our own domestic problems, which means we have a fiscal correction to be effected, there will be tax buoyancy as a problem, growth is decelerating and the question is will growth actually revive and will there will be any easing of the domestic monetary policy stance. More, there are going to be international events that will impact you. These will be mostly demand-related problems due to the European trouble, difficulties in the US and the general world mood is very sombre. Export will continue to grow but to expect a growth rate at 30-40 per cent is out of the question. If we get export growth rate in the order of 15-20 per cent, we should be more than happy.

Looking at the present global conditions, do you think the budget will have a package for exporters?

That depends on the December till February numbers. If there is a real problem, something has to be done. But I am very doubtful that the ministry of finance, which is already so strapped for cash, will give export subsidies.

How do you see the sanctions on Iran impacting us?

Oil prices have already started rising. Should those sanctions be pushed to the hilt, we are going to have a supply problem which is artificially created and that would hike prices. What can we do? There are too many risks and no one knows how these will shape up in 2012.

Last year, you released a strategy paper on doubling India's exports by 2014. Where do you get the optimism from?
Over the last five years, there has been a quiet revolution in our industry and in our export sectors such as engineering, chemicals, gems and jewellery, and others. This does give me reason for optimism.

I think certain sectors are intrinsically competitive and those will drive our exports, so we should continue to see growth. Also, even as the rest of the world turns protectionist, we have gone on signing trade agreements, and that is helping us. Our trade with these countries is growing by 30-40 per cent per annum.

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India's exports continue to stutter
Sujay Mehdudia , Hindu

New Delhi, January 16, 2012: The after-shocks of the economic slowdown in the U.S. and the impact of the debt crisis in the eurozone continue to weigh on India's overseas shipments that continued to grow at a slow pace of 6.7 per cent in December at $25 billion on year-to-year basis.

Notwithstanding the continued slide in exports, the government expressed the hope that it would be able to achieve the $300 billion target set for the current fiscal.

Trade deficit

Exports in December were higher than in November, when overseas shipments grew by just 3.8 per cent. In sharp contrast, imports grew at a faster pace of 19.8 per cent year-on-year to $37.8 billion in December, translating into a trade deficit of $12.8 billion, Commerce Secretary Rahul Khullar said here.

During April-December this fiscal, exports aggregated $217.6 billion, a year-on-year growth of 25.8 per cent. From a peak of 82 per cent in July, export growth slipped to 44.25 per cent in August, 36.36 per cent in September and 10.8 per cent in October. "If you get $80 billion exports in the remaining quarter (January-March, 2012), you are looking at close to $300 billion. And imports may touch about $460 billion," Mr. Khullar said.

During the first three quarters of the current fiscal, imports were up by 30.4 per cent at $350.9 billion. The trade deficit stood at $133.3 billion during the period. "If the current situation continues and exports pick up during the next three months, you are looking at a trade deficit in the neighbourhood of $155-160 billion. Exports, by all major sectors, are doing well," he said.

During April-December, 2011, engineering and petroleum exports were up by 21.6 per cent and 55 per cent, respectively, at $45.3 billion and $43.9 billion. Other sectors that registered healthy growth include gems and jewellery (38.5 per cent), ready-made garments (23.7 per cent), electronics (21.1 per cent), drugs (21.5 per cent), marine products (32.2 per cent) and plastics (43 per cent). "Even today, exports have grown, taking into account all the corrections that have been

made, all the deceleration that has taken place. At this rate, you are looking at a growth rate of 20 per cent during the fiscal. It could be more," he said.
During the first three quarters of 2011-12, petroleum imports were up by 40.4 per cent at $105.6 billion. Other sectors which registered growth include gems and silver (53.8 per cent), machinery (27.7 per cent), electronics (21.1 per cent), chemicals (23 per cent), coal (62 per cent), fertilizers (35 per cent), vegetable oil (55 per cent) and iron and steel (12.1 per cent).

On the export target of $500 billion by 2013-14, he said if demand did not improve in Europe and the U.S. in the coming months, it would be difficult to achieve the target.

"The year 2012 is going to be very difficult, it's too uncertain at this point of time. There are uncertainties prevailing in euro land and in the U.S.," he said.

Responding to the export figure for April-December 2011, FIEO President M. Rafeeque Ahmed said that while 25.8 per cent growth in first nine months looked impressive but the same was much less than 33.2 per cent growth achieved in first eight months of the current fiscal and pointed to challenging times ahead.

He said that percentage growth in respect of most of the sectors had also come down at the disaggregated level. "However, with still three months to go, we would be able to achieve over $280 billion in 2011-12."

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Concern over dip in spices export
The Hindu

21 January 2012, Kochi: Availability of quality produce in sufficient quantities is a major problem : Spices Board chairman A. Jayathilakan has expressed concern at the decline in quantity of spices export.

Inaugurating a workshop on 'Sustainable growth in spices sector' here, he said though exports had increased in value terms, there was a decrease in volume.

He called for coordinated efforts by various agencies involved in the agriculture, processing and export segments to improve the situation. Experts from the industry and farmers participated in the programme, organised by the Spices Board, in association with the WTO cell of the Government of Kerala and World Spice Organisation.

Mr. Jayathilakan said spices consumption was steadily increasing internationally. India was the largest producer, exporter, and consumer of spices in the world. Issues pertaining to food safety and food security were to be addressed in a cohesive manner. Some of the serious concerns facing the spices export sector included pesticides residue and toxins that cannot be removed once the products were contaminated.

Among the major spices, black pepper, cardamom, ginger, turmeric and nutmeg were of significance to Kerala economy. Availability of good quality produce in sufficient quantities was a major problem with respect to ginger, turmeric and pepper. Pesticide content in cardamom and aflatoxin in nutmeg were problems faced by exporters.

Intercrops

Ginger, turmeric and several other spices could be cultivated as intercrops in coconut farms. Possibilities of tying up with the Coconut Development Board for encouraging such an agricultural pattern were being explored.

Presiding over the meeting, V.V. Pushpangadan, Director, Department of Agriculture, said less rainfall and reduced fertility of the soil were among reasons for lower productivity in most areas.

Only a few of the farmers were getting the benefit of government's farm support schemes.

The Director also called for intervention by government bodies and non-government organisations for increasing yield.

P.M. Suresh Kumar, Director, Marketing, Spices Board; K. Pratapan, Director, State Horticulture Mission; George Paul, Director, World Spice Organisation; S. Regeena, Special Officer, WTO cell, Government of Kerala; and P.S. Sreekantan Thampi, Deputy Director, Spices Board; were among those who addressed the session.

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Trade data defies traditional view
Nayanima Basu, Business Standard

Weak currency does not help exporters, say economists

New Delhi Jan 23, 2012: A number of economists are pointing to India's trade data to argue that, contrary to traditional teaching that exports thrive when the rupee depreciates, it is now the other way round. Meaning, exports would thrive when the rupee appreciates.

They say exporters on Sunday rely heavily on imported inputs, so depreciation does not really augur well for them.

During the first eight months of 2011-12 (April-November), total exports were $192.7 billion, while cumulative imports reached $309.5 bn. Exports had been falling on a month-on-month basis from July, with the slowing demand for Indian goods in the US and European markets.

The month-on-month growth rate of exports from July to August, August to September, September to October and October to November was (all negative) 7.9 per cent, 3.7 per cent, 5.1 per cent and one per cent, respectively.

Simultaneously, the rupee had been depreciating against the dollar. Since July, it fell 22 per cent, from Rs 43.95 to Rs 53.72 till December.
Experts are saying exchange rate policy should not aim at export promotion alone, but balance both export and import growth. This would help export-oriented firms to achieve more and with greater efficiency.

"Recent exchange rate depreciation has not really resulted in a rise in exports; rather, the contrary has happened. Exports have indeed slowed. In other words, the impact of the exchange rate on exports appears to pass through imports. This we term import-led export behaviour.

Hence, one can argue that exchange rate depreciation could have a negative impact on exports through a rise in cost, and worsen competitiveness through costlier technology imports," said N R Bhanumurthy, senior economist, National Institute of Public Finance and Policy.

Ashima Goyal, professor at the Indira Gandhi Institute of Development Research, says a large fraction of exports depend on imports, especially on universal intermediaries like crude oil.

"As our export basket has diversified and become more skill-intensive, they compete on quality and not only on low price, so depreciation is not necessary. A stronger rupee allows a non-inflationary rise in wages, thus helping workers get more benefits from growth. However, it is important that the real exchange rate remain competitive, since we have a current account deficit."

Exporters have also rejected the traditional theory that a falling rupee helps in boosting export revenues.

"There is a perception that rupee depreciation gives exporters tremendous advantage. We forget there is an import parity cost involved and sourcing of raw materials become expensive when the rupee falls. The realisation is only in terms of value addition and margins when the rupee depreciates," said Sanjay Budhia, managing director, Patton Group, and chairman of the Confederation of India Industry's national committee on exports and imports.

"Export rise depends on demand and not on the exchange rate. Depreciation of the rupee has very little effect. Given the slowdown, it is unlikely that demand for exports will be high. The current depreciation of the rupee is nothing but a result of speculative attacks," said Rupa Rege Nitsure, chief economist at Bank of Baroda.

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Government plans white paper on wrong export numbers soon
Amiti Sen, ET Bureau

16 Jan, 2012, NEW DELHI: The government is considering bringing out a white paper on what went wrong with the exports numbers that were revised down $9 billion for the first seven months of the fiscal.

A panel, which includes chief economic advisor Kaushik Basu, director general of foreign trade Anup Pujari and chief statistician TCA Anant, felt there was need to clear the air and restore data credibility.
"We are looking at the possibility of coming out with a paper that would point out where all accounting goof-ups happened that led to the considerable over-estimation in export figures," a commerce department official told ET.

Some big data errors in recent times and high volatility in industrial growth have undermined the credibility of the data put out by the government, prompting some to take the official numbers with a pinch and others to disregard them completely and rely on alternate sources.

The white paper will be prepared by the directorate general of foreign trade.

The 46% growth in exports in April-October despite a near recession like situation in Europe and anemic growth in the United States has led to speculation that shipments were being massively over invoiced to bring back black money becuase of the rising global pressure on tax havens to come clean.

The steadily declining manufacturing growth that plunged to negative 6% in October did not help things. Last month, the commerce department added fuel to the fire when it disclosed a $9-billion over-reporting of export numbers in the April-October 2011 period.

There was suspicion that the exports number were revised down after the authorities discovered over-invoicing.

"It may be a good idea to be transparent and disclose where we erred rather than allow people to speculate and draw all sorts of conclusions about our integrity," the official explained.

Senior officials from the DGFT, the DGCI&S (which collates data for the commerce department), the Customs department and the statistics department and statisticians from the Indian Statistical Institute, met in Kolkata last week to scrutinise trade data and see exactly where things had gone wrong.

"We discovered that it was a genuine mistake of omissions and wrong counting, which we need to avoid in the future. The data that flowed to the DGCI&S was faulty and the department in turn reported those wrong numbers," the official said.

It is the Customs department that collects the data when shipments leave the country from ports and airports and the DGCI&S gets its data from customs officials.

"It was not a mistake of wrong entries, but of entire categories wrongly counted," the official explained.

A Delhi-based trade expert felt this may not be enough as the exercise will not match physical exports with flows and it was time for the Reserve Bank of India to step forward and provide data on exports receipts.

"The RBI code given for receiving payments more or less matches with the Importer Exporter Code given by the DGFT for carrying out exports. It is therefore not difficult to check at a later point of time if payments received by exporters were in tune with the shipments made," the expert said.

The RBI collects data on the basis of foreign exchange realization, but when it comes to presenting balance of payments, it mentions DGCI & S data.

While the two sets of data may not be strictly comparable on a month-to-month basis because payment flows for exports take time, it is possible to match payments to shipments on the basis of RBI code issued to exporters.

The RBI, too, had revised down its first quarter numbers by $7 billion on December 30, to bring it in line with DGCI&S numbers.

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Not worried on WTO fallout in single brand FDI: Virbhadra
PTI

New Delhi, January 13: Government today said that it is not unduly worried on any WTO implications of the decision to make 30 per cent sourcing compulsory from domestic small firms by foreign single brand retailers.

"When government takes a decision, it is after due consideration and after taking views of all the concerned departments," Minister of Micro, Small and Medium Enterprises (MSME) Virbhadra Singh told PTI.

He asserted this, when asked whether the decision can be challenged in the World Trade Organisation (WTO).

"Nobody can stop anybody from challenging it, they can challenge it. We will cross the bridge when it comes," he said.

The government has notified 100 per cent foreign direct investment (FDI) in single-brand retail paving the way for foreign brands like Reebok and Nike to have complete stake in their retail outlets in India.

But, the decision has a rider for compulsory sourcing of at least 30 per cent of goods from domestic small and cottage industries by the foreign retailers who want to have more than 51 per cent holding in their Indian ventures.

Singh also sought to allay concerns of the domestic small industries over implementation of the decision on FDI in single brand retail.

Immediately after the notification on January 10, the Federation of Indian Micro, Small and Medium Enterprises (Fisme) had expressed doubts whether domestic MSEs would benefit.

According to the government, the sourcing from local industry would help generate jobs and add value to Indian products.

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Deficit-battling government not to offer more sops to exporters
Amiti Sen, ET Bureau

Jan 21, 2012, NEW DELHI: The government is unlikely to offer more incentives to exporters in its annual trade policy review.

Commerce ministry officials said government finances were under stress because of the rising fiscal deficit so a weaker rupee should act as a sufficient incentive for the moment.

"There won't be many more incentives simply because there is no money," commerce secretary Rahul Khullar told ET. Moreover, with fiscal deficit going off-track, the finance ministry is expected to tighten its purse strings in the coming fiscal.

Some officials said the annual review of the Foreign Trade Policy, expected in April, would most likely focus on simplifying procedures and cutting transaction time and costs.

There are chances some of the sops that are to expire at fiscal end will not be extended, another official said. For instance, the duty credit of 2% on apparel exports to the US and the EU and a six-month special bonus benefit scheme for some 50 products. "Such benefits may just run out once their term expires," the official said.

The steady depreciation of the rupee against the dollar since August last year has given the government reasons to hope that exports would get more competitive and hence rise in the last quarter. Exports rose sharply in the first four months of the fiscal but declined month on month till November.

Khullar had earlier this week attributed the rise in exports in December to the depreciating rupee. But exporters said they require support as the global market is still unstable and demand shaky.

"We definitely need more incentives. In fact, we could have got more had the government not erroneously showed higher export figures for the first seven months of the fiscal which wrongly painted a rosy picture," said S P Agarwal, president, Delhi Exporters Association.

The country's exports were adjusted downwards by $9 billion for the April-October 2011 period. The commerce department is still hopeful of achieving the $300 billion export target in 2011-12 as $217.6 billion in exports has already been realized in the first three quarters.

"I think, even if incentives are not enhanced, it should be okay if at least they continue. Exporters also know that it is difficult to get more incentives this year," said K T Chacko, director, Indian Institute of Foreign Trade. With rising cost of credit, it is important that the 2% interest rate subvention announced for just a handful of sectors should be expanded to more sectors, Chacko said.

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Sharma warns against 'protectionist trends'
M. Rajeev, The Hindu

13 January 2012: Union Minister for Commerce and Industry Anand Sharma on Thursday warned the developed and developing countries against adopting protectionist trends as they would prove counter-productive in the long-run, deepening recession and delaying a solution to the current financial crisis.

The present economic crisis mandated countries to step out and engage more, dismantle barriers and ensure free flow of goods and services. There was a need to evolve multilateral agreements to address past distortions that were heavily loaded in favour of the developed world. "After the Doha Round of WTO that suffered a setback and failed to make any headway, we met in Geneva recently to seriously introspect and evolve a way forward for tackling trade flow," he said.

Mr. Sharma formally inaugurated the 18th edition of the Partnership Summit 2012, organised by the Confederation of Indian Industry (CII) here on Thursday. As many as 43 countries, many represented by Ministerial delegations, are meeting during the two-day summit to chalk out what they called `innovative partnerships' to accelerate growth by addressing concerns like climate change. The United States was represented by a high-power business team led by three Senators.

The Minister said the situation where the U.S. and the European Union were considered the two pillars was no more. "Multilateralism will guide the global change and it has to be sustained," he said. It was matter of time before emerging countries overtook the GDPs of the top seven nations. Even as the global economy was faced with European sovereign debt crisis and global cross currents, the Indian Government had come out with the National Manufacturing Policy that could be "a game changer". The policy, envisaged a single window mechanism for integrated growth with the creation of seven manufacturing and investment zones along the Delhi-Mumbai corridor.

The country was aiming at increasing the contribution of the manufacturing sector to the GDP from 16 per cent to 26 per cent with possible creation of 100 million jobs. "This is the largest infrastructure project conceived anywhere and will embrace 43 per cent of the country's population" he said.

A similar manufacturing and investment hub was proposed in Andhra Pradesh which, a senior State Minister later said, would be spread over 5,000 hectares. Singapore Emeritus Minister Goh Chok Tong said India could play a much bigger role in the Asian economy and Singapore was willing to extend necessary cooperation in this direction. Sheikha Lubna bint Khalid Al Qasimi, Minister for Trade, United Arab Emirates, said the present level of UAE investments in India was $2 billion and efforts were on to identify more sectors for possible partnership.

Chief Minister Kiran Reddy, Gita Irawan Wirjawan (Indonesia), Omar Hazrat Zakhilwal (Afghanistan) and Rishad Bathiudeen (Sri Lanka) also addressed the gathering.

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Key WTO members to meet at Davos next week
PTI

19 Jan, New Delhi: Trade ministers from key WTO member countries, including India, scheduled to meet at Davos in Switzerland on January 28, are expected to discuss worrisome economic scenario and its impact on the global trade.

The meeting, to be also attended by Commerce and Industry Minister Anand Sharma, would be hosted by the Swiss government on the sidelines of the annual event of the World Economic Forum.

Director General of the World Trade Organisation Pascal Lamy would also be attending, WTO spokesman Keith Rockwell said in an e-mail response. US Trade Representative Ron Kirk and EU Trade Commissioner Karel De Gucht are also likely to be present there.

While the ministers are expected to underscore the need for renewing interest in the stalled Doha Round of global trade negotiations, they would also be discussing the threat of protectionism in the backdrop of global slowdown.

India, along with several other developing countries, has been raising concerns over rising trend of protectionism in some front-ranking developed countries.

A latest report from the United Nations has also expressed apprehensions over global economy facing increased trade protectionism. It said the political will to resist such measures is facing rising pressure.

"...Given the present international economic environment, there is still a danger that more countries will enhance protectionist measures, especially non-tariff measures (NTMs), should political emotions dull the memories of the damaging effects of past...policies," the report said.

On the contentious 10 year-old Doha Round, suggestions have been floated whether the WTO member countries should settle for "smaller packages", based on what has been agreed upon thus far.

The WTO tenet of 'all or nothing' has not worked since there is a wide divergence between the rich and the developing countries on the level of protection and opening of the global trade.

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Dutch customs seize Indian drugs in transit, industry frets
Joe C Mathew, Business Standard

New Delhi Jan 23, 2012: Domestic drug makers, who were relieved after the European Union assurance in July 2011 to end the seizure of Indian generic drugs in transit, were in for a shock last month when Dutch authorities seized 29 cartons of medicines destined to South America from India.
Timely intervention of Pharmaceutical Export Promotion Council (Pharmexcil) and the Ministry of Commerce ensured that the cartons, shipped by Mumbai based Ajantha Pharma, got cleared within two weeks, but the recurrence of the seizure has shaken the confidence level of Indian drug exporters.

The seizure turns significant in the backdrop of the fast nearing India-EU Free Trade Agreement, which got delayed due to the differing stance taken by both groups on trade of specific items including pharmaceuticals.

"Indian industry was happy after EU said there would be no more seizures. The current development has caused anxiety among the domestic exporters. It has disturbed the industry once again", P V Appaji, executive director of Pharmexcil, said.

On July 28, 2011, the Ministry of Commerce & Industry had announced that India and EU had reached an understanding on the issue of seizure of Indian generic drugs in transit. "European Union has proposed a settlement of the dispute by confirming the detailed principles agreed in the understanding to guide border enforcement of intellectual property in the EU. In addition, EU agreed to India's request for adoption of guidelines which would confirm the principles agreed to in the understanding with a view to give greater and immediate legal certainty for producers and traders", the ministry had stated.

It was also clarified that EU had agreed to change its regulations to reflect these principles. In return, the EU sought an assurance that India would go back from its plans to request the World Trade Organisation to establish a dispute settlement panel on the particular issue.

India initiated dispute settlement consultations on 11 May, 2010, at the WTO with the EU on the issue of detention of Indian generic medicines while in transit through the EU. The dispute was triggered by at least 16 instances of detentions/seizure at EU ports, particularly in the Netherlands, of Indian generic drugs destined for export to Latin American and other countries. The detentions were made by invoking the EC's Regulation 1383/2003 which contains customs procedures for taking action against goods suspected of infringing intellectual property rights (IPRs).

India was joined by Brazil in this dispute; Brazil also filed a similar complaint against the EU before the Dispute Settlement Body of the WTO.

Industry officials hoped that the issue will be solved permanently once the European Commission adopts EU proposal for the new regulation.

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Countries Opposing EU Emission Norms to Meet Next Week
Anindya Upadhyay, The Economic Times

23 January 2012: Nations opposed to the European Union's new ruling on carbon emissions are meeting early next month to discuss retaliatory action, a top Indian government official has said.

The meeting may take place either in Delhi or in Moscow and will discuss a joint plan against the EU measures which have angered most countries of the world.

Last year, the European Union imposed a carbon emissions tax on all airlines flying into the continent in an effort to control carbon dioxide emissions that are blamed for an increase in global temperatures.

The proposal makes it mandatory for airlines flying into its airspace to buy carbon credits equivalent to the carbon dioxide emitted by their aircraft starting January 2012.

Airlines don't have to pay on a daily but an annual accumulated basis."All nations opposed to the tax may plan to respond in phases or a graded manner.

However, this joint action has the potential to develop into a trade war.

It is bound to have repercussions on the WTO as well," the government official said.

He declined to give details but one of the retaliatory measures could include curbs on European airlines flying out of their home countries to destinations in the east.

The Emission Trading System (ETS) has been criticised by a lot of government's across the globe, who say it is unfair to unilaterally impose a tax without taking the consent of the rest of the world, making the move inconsistent with international law.

Industry experts do not think that the ETS is an effective way to keep emissions caused by airlines in control and are opposed to the measure."It is not the only way to keep emissions in control.

Many serious problems with EU ETS are that they cover only one region, would distorts completion by diverting passengers away from Europe and divert emissions elsewhere.

It won't bring emissions down so it doesn't solve the problem but raises cost of traveling," global airline body International Association of Air Transport (IATA) Chief Economist Brian D Pearce said.

Even the European airlines are worried about the competitive impact of this policy and they think it is a very bad policy for them, besides being a bad policy for the environment, Pearce added.

The annual outgo for the Indian airline industry towards the EU emission trading system is pegged at.400 crore, which could very well rise in the future if the domestic carriers expand in the region.

The cost for airlines for flying to Europe will increase and air tickets will become more expensive.

The UN aviation body ICAO has adopted a declaration in Delhi in September saying the EU's move is inconsistent with international law.

The participants,26 countries in all, also said that the EU-ETS measures were in violation of the Chicago convention governing aviation.

USA, Canada, UAE, China, Japan, Russia, Singapore and Thailand are some of the signatories to this convention.

Carbon Agenda

The meeting will be attended by 26 countries and may take place either in Delhi or in Moscow and will discuss a joint plan against the EU's Emission Trading System.

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India-EU free trade agreement talks at 'final, critical stage'
Elizabeth Roche, Livemint

Jan 16, New Delhi: Talks between India and the European Union (EU) to conclude a free trade agreement (FTA) have reached their "final, critical stage", an EU statement said on Monday after negotiations between the two sides.

It appears unlikely though that the pact would be signed at the India-EU summit in February as planned.

"It is expected that the summit will endorse a tight roadmap for conclusion (of the FTA) in the coming months," said the statement issued at the end of talks between the Indian foreign minister S.M. Krishna and EU high representative for foreign and security policy Catherine Ashton in Bangalore, the clearest indication yet that the pact would not be sealed at the summit.

The day-long Ashton-Krishna talks were aimed at setting the agenda ahead of the summit in New Delhi on 10 February, the statement said.

Both sides "reiterated our commitments to intensify our cooperation in diverse fields including trade and investment, movement of peoples, energy, science and technology and counter-terrorism", according to a statement by India's ministry of external affairs.

Talks for concluding the ambitious pact started in 2007 but have stalled over contentious issues such as tariffs and government procurement. Indian automobile and wine associations are opposed to significant concessions to European multinational firms, fearing loss of market share.

While the EU is keen to have greater market access in India, including a large number of agricultural products, India is keen on fewer restrictions on the temporary movement of Indians working in Europe. There are differences over intellectual property rights as well.
The EU as an economic bloc is India's largest trade partner. In 2010, it imported goods worth €33.2 billion from India and exported goods worth €34.7 billion. Services exports to India stood at €9.8 billion and imports at €8.1 billion, according to EU figures.

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Indo-Lanka trade agreement talks likely in March
Xinhua

COLOMBO, Jan.16-- Sri Lanka will re-start discussions of a crucial trade agreement with India in March on the sidelines of the island nation's largest export extravaganza, the Industry and Commerce Ministry said in a statement released Monday.

India's Minister of Commerce,Industry and Textiles Anand Sharma will discuss CEPA when he lead a delegation to attend the March extravaganza,the statement said.

The two countries have been discussing the details of a Comprehensive Economic Partnership Agreement (CEPA) for over five years but protests from local businesses have delayed its signing.

Sri Lankan entrepreneurs have voiced concerns over products from their larger neighbor flooding the market and creating a lopsided trading field. India dismissed the worries as unnecessary.

The signing of Indo-Lanka Free Trade Agreement in 1998, the first in the region, marked a milestone in the trade relations between the two nations. Since then two-way trade value had grown from about 650 million U.S. dollars in 2000 to well over 3 billion dollars in 2010.

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In part solution to payment problem, Iran explores buying more goods from India
Amiti Sen,ET Bureau

19 Jan, NEW DELHI: Iran is considering stepping up its purchases from India to obtain a more balanced trade and reduce the problem faced by the two countries in settling payments for crude import by India, especially in the wake of fresh sanctions by the US.

Iran is India's second largest supplier of crude after Saudi Arabia, but New Delhi is unable to pay for the imports in dollars because of the sanctions imposed by the US.

Iranian officials recently met Commerce Secretary Rahul Khullar to discuss the possibility of sourcing more items from the country, an Indian official privy to the developments told ET.

India's exports to Iran is just over $ 2 billion against more than $12 billion of annual oil imports from the country. "If we can double our exports to $4 billion, it would be $2 billion less of payments to Iran that we would have to worry about," the official said.

US has imposed new sanctions on Iran late last month and asked banks not to deal with the Iranian central bank.

Any bank that challenges the US runs the the risk of being banned from the US financial markets or being thrown out of global financial markets.

The Reserve Bank of India had allowed the Iranian Central Bank to open rupee accounts with UCO and IDBI banks last November to make payments for its imports from the country and also receive part payment for its oil exports, but the arrangement has not worked out well due to the steady depreciation of the rupee against the dollar.

"If we make payments for our imports from Iran today in rupees at existing exchange rate against the dollar and the rupee depreciates further, then the dollar value of Iran's rupee holding will actually go down. Why would they accept such a situation?" the official said.

On the other hand, if the rupee payment for imports is offset by the value of exports made by India to Iran, the situation would be even.

"Therefore, Iran, too, is keen on increasing imports from the country, so that part of its payment for oil is taken care of," the official added.

Cereals, tea, chemicals, metals and project exports are few areas that hold potential.

While increase in India's exports to Iran will partly take care of the payment problem, it will have to continue to depend on paying Iran in dollars for some of its oil exports legitimately through non-sanctioned banks.

India, at present, makes payments for its oil imports to Iran through Turkey's Halkbank. There are, however, fears that that Turkey may come under pressure to stop the arrangement following the fresh round of US sanctions.

An official delegation comprising senior representatives from the finance ministry, the RBI and the oil ministry is presently in Tehran to work out a mechanism to continue oil imports from the country and prevent disruption of Indian exports within the present limitations.

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Sharma invited to Pakistan to sign 3 trade liberalising pacts
Rezaul H Laskar, PTI

Islamabad, January 11, 2012: Indian Commerce Minister Anand Sharma has been invited to Pakistan next month to sign three agreements removing non-tariff barriers in bilateral trade, according to a media report today.

"We have extended a formal invitation to the Indian Commerce Minister through the Pakistani High Commission in India," an unnamed official was quoted as saying by the Dawn newspaper.

The official was speaking after the Special Parliamentary Committee on Kashmir was briefed yesterday on trade liberalisation with India.

Signing of the proposed agreements on customs cooperation, mutual recognition and redressing grievances is expected to remove all tariff and non-tariff barriers that hinder Pakistani exports to India, the report said.

The Indian government has been asked to get approval from relevant departments for signing these agreements during the minister's visit, Commerce Secretary Zafar Mahmood said during an in-camera briefing for the parliamentary panel, the report said.

The chairman of the Special Parliamentary Committee on Kashmir, Jamiat Ulema-e-Islam leader Fazlur Rehman, had sought a briefing by the Commerce Ministry on the issue of granting India Most Favoured Nation-status.

The meeting discussed Pakistan's move to change its trade regime from a positive list to a negative list as part of the liberalisation process.

Trade of items in the negative list will not be allowed.

Pakistani industry has proposed 1,000 items for the negative list, the Commerce Secretary said.

The list is expected to be finalised early next month.

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India considering proposal to export fuel products to Pak
Reuters

25 Jan, 2012, NEW DELHI: India is examining a proposal to export petroleum products and gasoline to neighbouring Pakistan, its oil minister, S. Jaipal Reddy, said on Wednesday.

Reddy said details of the proposal would be finalised in a few weeks.

Pakistan currently bans imports of Indian petrol. It allowed diesel imports from India in 2009, but no Indian supplies were sent in the face of preferential prices offered by Pakistan's allies such as Kuwait.

If imports are allowed by Pakistan then it could bring a new market for Indian refiners such as Reliance Industries and Essar Oil.

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Government: Okay with Chinese solar cells if they meet quality standards

Shreya Jai & Viraj Desai, ET Bureau

Jan 19, 2012, NEW DELHI: The government says it has no objections to imports of low-priced Chinese solar cells as long as they meet prescribed quality standards.

This comes as a setback to domestic manufacturers battling cheaper Chinese imports. Last week, the government rejected a plea of domestic players seeking imposition of import duty on finished solar equipment.

The market will always bend towards the products which are low-priced. But, yes the quality matters," said Tarun Kapoor, joint secretary, ministry of new and renewable energy.

The Indian government's stand is in contrast with the US policy, which has taken China to the World Trade Organisation over dumping of solar cells and panels.

Kapoor, however, said, "We support what is legal, this is a case and we support WTO-accepted norms. It is not country specific, it's rule specific."

India's National Solar Mission gives preference to domestic manufacturers. However, this is only at the central level and states are not obliged to follow this policy. "There's only one scheme that offers this provision and it's not a law," Kapoor said. "We give the projects to developers who in turn are free to choose the products. If the prices are low and quality is good, then obviously, anyone would go for it."

Low-priced Chinese solar cells and other solar equipments are flooding markets globally, riling local players. China, which exported solar panels worth $214 million last year, accounts for half the world market for solar cells.
"Why should we as a nation help strengthen other international manufacturers when our own domestic players are fledgling?" asked Vivek Chaturvedi, chief marketing officer, Moser Baer Solar Ltd, a leading manufacturer of solar equipment.

At present, India's solar cell and module capacity is around 700mw and 1,000mw, respectively. Industry expects the demand to grow to 3-5 gigawatts annually in six years.

Ministry officials though inform that it's the thin-film technology in the solar cell market that is facing more threat, which often come with vendor-tied foreign financing.

"Given that over 90% of the installed global solar cell capacity is based on the more reliable crystalline silicon technology, the government may well consider further extending the domestic content requirement to sustain the momentum of solar manufacturing in the country," said Rupesh Agarwal, Advisory Lead - Cleantech at Ernst & Young.

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Anti-dumping on 4 items imported from China extended for 5-yr
PTI

New Delhi, January 13: In the backdrop of widening trade gap with China, India today extended for five years anti- dumping duty on import of four Chinese products, including silk fabrics and a sweetener.

The duty is imposed to protect the domestic industry from cheap imports.

Import of certain type of silk fabrics from China will attract anti-dumping duty of USD 1.82 to USD 7.59 per metre, a notification of the Revenue Department said.

The duty was first imposed on the fabrics in December 2006 till December 2011.

India had a trade deficit of USD 16 billion against China during 2010-11. It has already crossed USD 20 billion in the first seven months of the current fiscal.

The Directorate General of Anti-Dumping (DGAD) had carried a suo motu sunset review probe in December 2010 to examine whether cessation of the duty would lead to continuation of dumping and injury to the domestic players.

Following the review, the DGAD had recommended continuation and enhancement of the anti-dumping duty.

"The anti-dumping duty imposed shall be levied for a period of five years (unless revoked, superseded or amended earlier)...," the Revenue Department said.

It further said the duty on import of certain type of nylon filament yarn from China, Chinese Taipei, Malaysia, Thailand and Korea will be imposed at USD 0.20 to USD 1.51 per kilogram for another five years.
Notifications for extension of anti-dumping duty on imports of cellophane transparent film and saccharin from China for five years have also been issued.

Saccharin is a non-nutritive sweetener and considered to be low calorie substitute for cane sugar.

Meanwhile, the government has also levied provisional anti-dumping duty on import of phosphoric acid (excluding agriculture /fertiliser grade) from Israel and Taiwan. The duty at USD 116.25 to USD 260.26 per tonne has been imposed for six months.

India has so far initiated about 150 anti-dumping cases against China, which account for over half of such actions taken by the country against foreign nations.

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India's anti-subsidy plan to hit China
Sidhartha, TNN

Jan 24, 2012, NEW DELHI: The government is ready with a plan to act against countries that provide subsidy to local producers and make exports more competitive. Although anti-subsidy action is a trade defence measure, permitted by the World Trade Organisation (WTO), the move is expected to hit China the most.

Commerce department officials told TOI that the government is setting up a Directorate General of Trade Remedies (DGTR) over the next few weeks, which will deal with anti-subsidy and countervailing action. The new directorate will also deal with anti-dumping action, which is initiated against foreign manufacturers who sell in India below-cost and impact domestic products. The third trade defence tool - safeguard duty - is initiated in case of a surge in imports and will remain with the revenue department. In all three cases, the WTO provides for imposition of duty to prevent any surge.

Countervailing duty can be imposed only after the authorities have determined that there is a specific subsidy, relating to export performance. Besides, it has to push for the use of domestic goods over imported products that are used on manufacturing an export article. Further, the country that initiates anti-subsidy action has to prove that the subsidy is given to a limited number of persons or units involved in manufacturing or exporting the product.

Trade experts, however, warned that proving subsidies and taking countervailing is most difficult among the three as information is difficult to obtain. Under WTO's Agreement on Subsidies & Countervailing Measures, only those subsidies that are not in the banned category face duty. In case of prohibited list, members have to move WTO. Sources said that the commerce department has also roped in WTO to help train manpower for anti-subsidy action. "We should be in a position to initiate anti-subsidy action in two months or so," said a senior officer in the commerce department. Official are studying action that has been initiated in various countries to prepare a potential list of products on which anti-subsidy action can be initiated.

Trade economists said that the move will hit China the most as it has attracted maximum attention globally. "It will create level-playing field with Chinese imports. In any case the government is preparing a plan to counter the threat from across the border," said an expert. Officials, however, countered this by saying that the thrust was aimed at boosting exports to China and making the domestic industry more competitive.

India is the biggest user of anti-dumping measure with Chinese goods leading the list on which action has been initiated over the last few years. In fact, India is yet to grant "market economy" status, a pending grouse of authorities across the border.

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India, Thailand to sign free trade agreement by mid-2012
Reuters

25 Jan, 2012, NEW DELHI: India and Thailand will sign a free trade agreement by the middle of this year, Thai Prime Minister Yingluck Shinawatra said on Wednesday.

"I hope this free trade agreement with India will be in place by the middle of this year," Shinawatra said in a speech at a business conference in India's capital New Delhi.

She also said the proposed agreement will be one of the main points of the discussion when she meets Indian Prime Minister Manmohan Singh later on Wednesday.

In the backdrop of the stuttering Doha world trade talks, India has pushed a slew of trade agreements with the likes of Japan and Malaysia. It also hopes to sign a similar deal with the European Union, its biggest trade partner.

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India-Thailand trade target fixed at $14 billion
Hindu

26 January: Thailand Prime Minister Yingluck Shinawatra on Wednesday said that India and Thailand would work to double the bilateral trade to around $14 billion by 2014.

Both countries also decided to forge maritime partnership to develop seaport at Dawei, a strategic location on the South-Western coast of Myanmarand, and work for developing port infrastructure in Chennai.

Addressing leaders of Indian industry at a luncheon meeting hosted by Confederation of India Industry (CII), Federation of Indian Chambers of Commerce and Industry (FICCI) and Associated Chambers of Commerce and Industry of India (Assocham) here, Ms. Shinawatra said: “My government has decided to invest in transport and connect with our neighbours. We could set up a maritime linkage with Chennai and Dawei seaport in Myanamar along with road connectivity.”

Dawei is a strategic location for India to get access to Southeast Asian markets. China is investing heavily in the countries neighbouring India. Ms. Shinawatra said India-Thailand trade had seen a quantum jump from $1 billion to $7 billion in the last ten years, helped by ‘Early Harvest' pact, limited to 82 items.

The two countries want to upgrade it to a full-fledged Comprehensive Economic Partnership Agreement (CEPA) covering not only goods but also services and investment.

She said there was potential to collaborate in areas such as IT, manufacturing, tourism and medical services. “We hope to work together to set up a high-level forum with businessmen,” she said.

Commerce and Industry Minister Anand Sharma invited Thai companies and institutions to become partner in developing manufacturing infrastructure in India.

Mr. Sharma also said that Thai companies could look at investing in the Delhi-Mumbai Industrial Corridor (DMIC) project.

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India's trade with ASEAN to grow to $70 bn by 2012
IANS

20 Jan, 2012, KOLKATA: Trade between India and the ASEAN (Association of Southeast Asian Nations) countries is expected to grow to $70 billion in 2012, a senior external affairs ministry official said here on Friday.

"The trade between India and the ASEAN countries following the Free Trade Agreement (FTA) for trade in goods reached $50 billion in 2011. So we now have a target of $70 billion by 2012," said Sanjay Singh, secretary (east) in the ministry of external affairs.

"We have a very large trade basket with ASEAN countries... it is spread over huge number of commodities. We hope to see growth in all the commodities. In 2012, we will get $70 billion (trade) because we are growing at a rate of 18-20 per cent every year," he said on the sidelines of the Look East Economic Summit 2012.

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Creating an Asian community
Biswajit Dhar, Livemint

Most countries today realize that economic integration is much more than better trading ties

Jan 16: In recent years, bilateral and regional trade integration has been seen by most countries as a mechanism to exploit better economic opportunities with their partner countries. This process has been strengthened as multilateral trade negotiations conducted by the World Trade Organization (WTO) have failed to provide greater market access not only in goods, but also in the services sector. These objectives were to be achieved through significant reductions in conventional forms of market access barriers such as tariff and non-tariff barriers; the trading environment was to be improved by effecting far reaching changes in regulatory systems existing in member states of the organization. Interestingly, however, the failure of WTO to deliver did not deter countries engaged in bilateral and regional trade integration. These countries are trying to include most of WTO's negotiating agenda in their local bilateral and regional agreements.

Asia has been one of the most fertile grounds for regional integration initiatives. In the late 1980s, 12 Pacific Rim countries decided to establish the Asia Pacific Economic Cooperation (Apec), a forum seeking to promote free trade and economic cooperation in the region. Although

Apec developed into a forum of 21 countries in the region, the initial resistance to its formation by members of the Association of Southeast Asian Nations (Asean) stymied its progress.

Regional integration in Asia effectively took root two decades earlier after Asean members agreed to deepen their economic partnership through the adoption of the Asean free trade agreement (Afta). Afta was conceived as an agreement that would go well beyond a conventional free trade agreement. It included elements that could help realize the objective of establishing the Asean economic community by 2015.

When the process of Afta was initiated, few realized that the close economic ties that Asean members had decided to forge would provide the launch pad for a much larger pan-Asian economic integration project. The Asian financial crisis of 1997 brought the Asean countries closer to the North-East Asian countries, China, Japan and Korea, which was formalized subsequently as the Asean+3 process. All this while, Asean also engaged three other nearby countries-India, Australia and New Zealand-with whom most members of the grouping have had historical ties. In 2005, these countries joined Asean+3 to form the East Asia Summit (EAS). This was a step of rare significance, for it brought together some of the most powerful economies in the world. In 2010, EAS was expanded further with the inclusion of the US and Russia.

EAS brought with it visions of economic integration between the member countries agreeing on a blueprint for a comprehensive economic partnership in East Asia. The key issue remains the drawing up of a road map for the implementation of the elements included therein. Thus, closer economic integration between EAS countries remains a promising idea, which, if implemented, can bring major gains to the region as a whole.

There are, however, imponderables, none of which is as significant as defining the basis on which the framework of economic integration would be built. EAS members will do well not to fall into the trap of treating "economic integration" as a mere extension of the trade integration agenda. What may be most worthwhile would be to revisit this concept keeping in view the aspirations and concerns of the people belonging to the region. This will help build the strong foundations for an eventual East Asian community.

Even as the discussions are taking place for achieving "economic integration", EAS members have broadened the dimensions of economic engagement amongst them in recent years through improved trade and investment linkages. This has principally taken the form of free trade agreements that have been signed by Asean members with each of their EAS partners. The "hub-and-spoke" arrangement, with Asean acting as the hub, has been extended further with the more advanced economies within the regional arrangement entering into bilateral free trade agreements with their EAS partners. India, for instance, has concluded a bilateral agreement with Malaysia and is in the process of concluding a similar agreement with Indonesia.

While these bilateral trade agreements would no doubt strengthen the foundations on which the members of EAS can build the East Asian community, an important issue of policy coherence, or the lack of it, arises from the implementation of these agreements. The agreements have created a web of overlapping commitments, and it is imperative for EAS members to ensure that these do not lead to increase in transactions costs for the businesses.

A more daunting challenge lies beyond. Some members of EAS are currently negotiating the Trans-Pacific Partnership (TPP), which is being touted as the "next-generation regional agreement that liberalizes trade and investment and addresses new and traditional trade issues and 21st century challenges". With 10 countries, including the US and Japan, negotiating the TPP having recently decided to take steps to "conclude the negotiations as rapidly as possible", the EAS leadership must take up the challenge to implement the commitments they had made to build the East Asian community.

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

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