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US Congress may revive trade benefits to India, others

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India needs to develop better standards in electronics manufacturing: CII

India needs to develop better standards to push the domestic manufacturing of electronic products in line with international practices, the Confederation of Indian Industry (CII) said…

Now, EU raises concerns over telecom manufacturing policy

The European Union has raised concerns against the proposed telecom manufacturing policy on grounds that it may flout WTO norms…

Europe threatens to break off India free-trade talks

European governments are threatening to break off negotiations with India on a free-trade deal the EU had hoped would be worth 175 billion euros a year, an EU report revealed…

India, 25 others oppose EU airline carbon charge plan

European Union plans to charge airlines for carbon emissions are "discriminatory" and violate global laws, a group of 26 countries including the United States and China said in a joint declaration released by the Indian government…

India Proposes Discussion of Trade Issues for Durban Climate Meet

On 21 September, the Secretariat of the United Nations Framework Convention on Climate Change (UNFCCC) added three items to the provisional agenda for the 17th session of the Conference of the Parties (COP 17), being held in Durban…

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

Doha round conclusion not possible before 2013: Khullar
Special Correspondent, Hindu
India will not be pressured to change its agenda at any cost

Commerce Secretary Rahul Khullar on Friday said the Doha round of talks under the World Trade Organization (WTO) umbrella were 'stuck'.

"Doha is stuck. The question arising in everyone's mind is where do we go from here?" Mr. Khullar said here.

Talking to reporters, Mr. Khullar termed as 'rude' the sharp attack by U.S. Ambassador to WTO Michael Punke on India's restrictive trade policy in the area of farm tariffs in Geneva on September 14. "One thing is clear that it would not be possible to conclude the Doha round by the end of 2011. It is also crystal clear that it will also not be possible to strike a trade deal during 2012 because one country is going to go through a very long, drawn out election at that time," Mr. Khullar said in reference to the Presidential polls in the U.S. next year. India and the U.S. had been at loggerheads with each other at the WTO forum during the long drawn Doha round of talks in the past one decade. India would not be pressured to change its Doha agenda at any cost, Mr. Khullar said. The WTO negotiations have seen numerous deadlines come and go and new deadlines being set for conclusion of talks without any tangible progress or results. There has been a strong disagreement over rich-country farm subsidies and access to developing-country markets for manufactured goods. "For two years, the U.S. has not allowed the talks to go on. What you are seeing today is people jostling for position to determine what the agenda will be," he added.

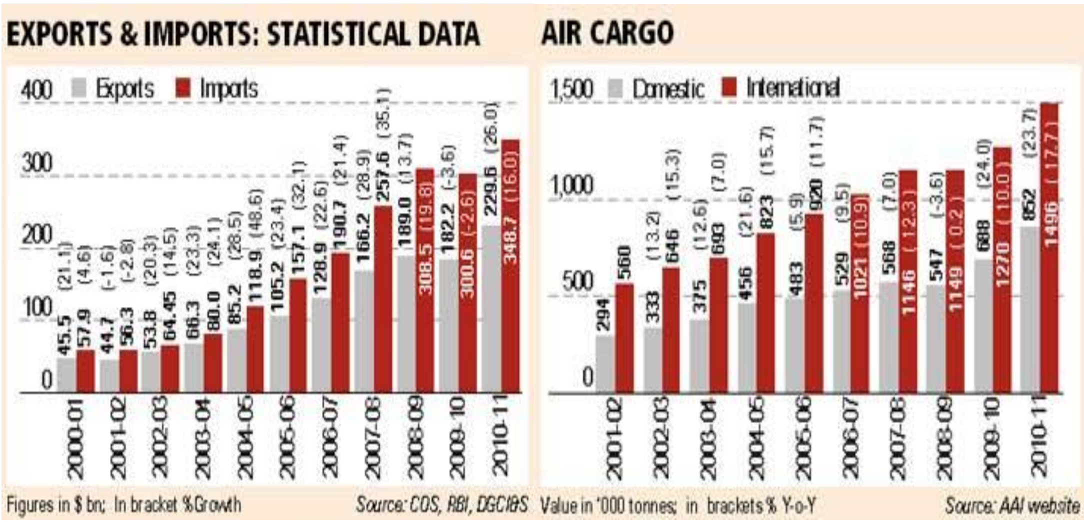
Washington is demanding that major emerging economies like China, India and Brazil should make generous offers that reflect their tremendous growth in exports over the past decade. Meanwhile, Mr. Khullar advised exporters to cash their dollar earnings without being greedy.

Much more than meets the eye on recent surge in trade figures
Nayanima Basu, Business Standard

New Delhi October 3, 2011: The surge in merchandise exports in the year so far has baffled many, as exporters continue to battle severe infrastructure bottlenecks and procedural problems.

Total exports from India were $229.6 billion in 2010-2011 from $45.5 bn in 2000-01, up 405 per cent. Imports soared to $348.7 bn last year from $57.9 bn in 2000-01, a growth of 502 per cent. However, the growth in shipments, of exports and imports, was to 849.9 million tonnes in 2010-2011 from 368.5 mt in 2000-01, up only 130.6 per cent.

Experts say the main reason behind the contrasting figures is the volatility in commodity prices, coupled with increase in export of high-value items in branded segments, that now fetch higher prices than earlier.



Also, since 2008, Indian exports have changed direction drastically, away from Western markets to the faster growing economies of Asia, the Gulf, Africa and Latin America.

“India has become more sensitive to Asian demand, with the share of exports to developing Asia accounting for 19.5 per cent of exports in 2010, from 10.7 per cent in 2000. Nominal exports are a function of price and volume.

While the monthly trade data are in nominal terms, the port or cargo data are in volume terms. The growth in exports in terms of revenue earned was due to a combination of both market diversification and a rise in prices,” said Rajeev Malik, senior economist, CLSA Singapore.
The share of shipments to advanced economies dropped to 45.2 per cent of all exports in 2010 from 64.6 per cent in 2000. Over the same period, the share of exports bound for developing economies increased to 54 per cent from 32.2 per cent, says CLSA.

Apart from the jump in share of petroleum products in total exports, said Malik, there’d been an impressive increase in the share of engineering goods, especially transport equipment.
Exports of engineering goods also include several items which are sensitive to global commodity prices, with an effect on export revenue.

A Citibank report says the shares of crude oil products, gold, silver and precious stones have increased in total imports. On crude oil, India imported 163 million tonnes in 2010-11 from 111.5 mt in 2006-07. The oil bill was $105 bn in 2010-11 from around $60 bn in 2006-07. The report said imports, led by oil, would expand the trade deficit to $159 bn in 2011-12 from $119.1 bn last year.

More reasons

“The growth rates come with a lag. The growth we see now are of exports made months in advance. These high growth rates will not be sustained,” Union commerce secretary Rahul Khullar told Business Standard.

“At present, we can see a major inflation impact on our export basket, coupled with portfolio impact. Our export composition has undergone major change. In imports, gold and capital goods bloated our import bill, besides crude oil,” averred Ajit Ranade, chief economist, Aditya Birla Group.

In the coming months, he said, withdrawal of the Duty Entitlement Pass Book (DEPB) scheme, which neutralises domestic taxation effects for exporters, might have a negative impact.

“Nowadays, a lot of exports that are taking place have high price volatility, such as iron ore, sugarcane and other food products,” said L Radhakrishnan, chairman, Jawaharlal Nehru Port Trust.

Presently, engineering and petroleum goods account for 42 per cent of India’s exports from 14 per cent in 2000-01, superseding textiles, agriculture goods and minerals. A major shift can also be seen in the destination markets.

“India’s exports had been surging because a lot of the high-value products such as gems and jewellery and auto components have gone into the branded segments, fetching more price. The rise was also due to the spike in commodity prices. More, the Middle East has proved a high-value market, while Chinese markets are responsible for more volume. Besides, the currency had a major role to play, as the rupee underperformed compared to other currencies in Asia,” said Abheek Barua, chief economist, HDFC Bank.

Ramu S Deora, president of the Federation of Indian Export Organisations and chairman of All India Shippers Council, said exporters still face massive difficulties due to a weak infrastructure in terms of bad roads, delay in container shipments from cities to ports and other hassles related to delay in toll gates and custom checkpoints.

“Exports are registering robust growth rates due to rise in the prices of some commodities in recent years and not because of growth in volume, which had not seen much growth. There is bound to be a slowdown. More, with the expiration of DEPB, exporters are rushing consignments to avail the benefits. The government should immediately announce an all-India drawback rate to sustain such high level of growth," Deora said.

WTO Chief Warns Against Protectionism

Tom Barkley And Bob Davis, The Wall Street Journal Online

23 September 2011,WASHINGTON—The head of the World Trade Organization urged governments on Friday to restrain from resorting to protectionist measures as the global slowdown hits trade.

WTO economists ratcheted down their forecast for growth in global merchandise exports to 5.8% this year, from an estimate of 6.5% in April.

Stronger-than-expected headwinds in developed countries, especially increasing concerns about debt in the U.S. and the euro zone, have weighed down economic activity and trade. Exports from China and other developing economies remain strong, but the WTO expects world trade flows to slow sharply after surging 14.1% last year as the global economy emerged from a recession.

While members of the world trade body have mostly resisted protectionist measures that would have worsened the fall in trade, WTO chief Pascal Lamy urged countries to remain vigilant.

"This is not the time for go-it-alone measures," Mr. Lamy said. "This is the time to strengthen and preserve the global trading system so that it keeps performing this vital function in the future."

WTO economists warned that downside risks to the global economy have increased in recent months, especially with the deteriorating situation in Greece. A failure to resolve the debt crisis could trigger wider financial turmoil similar to the ripple effects caused by the demise of Lehman Brothers in 2008, the WTO said in a report released early Friday.

Since the slowdown in trade has so far been largely contained to Europe, solving the debt crisis "may be the best way to avoid a more serious trade slump," the report said.

The WTO report comes as world financial leaders gather in Washington for the annual meetings of the International Monetary Fund and World Bank. The IMF earlier this week trimmed its estimates for world economic growth to 4.0% this year and next, while also sharply reducing trade forecasts. The fund expects global trade in both goods and services to slow to 7.8% in 2011 and 5.8% next year.

In addition to warning against protectionism, the IMF urged WTO members to salvage some deal from the stalled Doha round of global trade talks. Six members of Group of 20 developing and industrialized economies, which is also meeting in Washington this week, called for agreement on a credible plan to complete the decade-old Doha talks during the November leaders' summit in Cannes, France.

In the letter to French President Nicolas Sarkozy, who chairs the G-20 this year, the leaders of the U.K., Canada, Australia, Indonesia, Mexico and South Korea said the deal's delay is "robbing the world" of much-needed economic stimulus.

Mr. Lamy has said the impasse over Doha could threaten the WTO's ability to function, urging trade ministers to decide on the future of talks when they meet in Geneva in December.

Stimulus package for exporters soon
Business Standard

New Delhi September 30, 2011, 0:34 IST: The government is expected to soon unveil yet another stimulus package for exporters, specifically in the labour-intensive sectors by the end of October which will include interest subvention and other incentives to push through their products in the tough global economic conditions.

The government is expected to undertake another review of the export-oriented sectors to undermine the problem areas. It had conducted a similar review earlier this fiscal.
“We will be announcing the incentives definitely by the end of October or first week of November,” Minister of Commerce and Industry and Textiles Anand Sharma told reporters on the sidelines of a meeting with the Indian industry leaders.

Exporters had been complaining about high interest rates and rise in the prices of commodities for a long time. Export credit has already crossed over 11.5 per cent and many banks are charging as high as 13.25 per cent.

The interest subvention is expected to be around two to three per cent. The incentive of two per cent interest subvention was withdrawn on March 31, as a result of which cost of export finance that was seven per cent last year has gone up to a level of 11-11.50 per cent.

The minister also said the ministry of finance has accepted the proposal and the Reserve Bank of India has been asked to notify the rates soon. Sharma also expressed serious concerns over the high cost of credit and the stance by Reserve Bank of India (RBI) in hiking the policy rates, which might affect the competitiveness of Indian industry.

"In my view, there has to be a rollback when it comes to cost of credit for the manufacturing industry. I have raised the issue with the finance minister. The cost of credit is making the Indian manufacturing expensive and globally uncompetitive. It would also affect in the long run our exports. These concerns have been fully registered," he said.

Earlier in the week, Commerce Secretary Rahul Khullar had said the new package for exporters would look at all the issues concerning hike in interest rates and access to foreign currency denominated credit.

Least favoured
Business Standard
Pakistan continues to drag feet on MFN obligation

New Delhi September 30, 2011, 0:06 IST: Governments like setting bilateral trade targets. It is markets and traders that must deliver. While China-India bilateral trade targets have always been exceeded because the market conditions have turned out to be more favourable than official expectations, India-Pakistan trade languishes, or goes underground, because official policy in Pakistan continues to be myopic. The recently concluded talks between the trade ministers of India and Pakistan, Anand Sharma and Makhdoom Amin Fahim, set a grandiose official trade target of $6 billion for 2015, against last year's $2.3 billion (while unofficial trade is already estimated to be double that), but failed to resolve the long-pending matter of Pakistan adhering to its World Trade Organisation obligation of extending the most favoured nation (MFN) status to India. Both from the standpoint of reciprocity (India granted Pakistan MFN status in 1995) and legalese, Pakistan needs to move towards fulfilling its obligations. The objection based on the fear that domestic industry in Pakistan would be swamped by imports from India is specious.

India's generous announcement that it would not oppose the European Union's three-year tariff waiver on select commodities from Pakistan (mainly textiles), especially from areas devastated by flash floods in 2010, was a welcome gesture and is consistent with the generosity that characterises India's recent regional economic diplomacy, keeping in mind the economic asymmetry in South Asia. Equally important was Pakistan's announcement of lifting restrictions on the import of petroleum products from India. It makes eminent sense for Pakistan to leverage India's considerable refining capacity, which currently stands at 186 million tonnes and is expected to increase to 240 million tonnes by 2014. Other developments such as a more liberal visa regime for businessmen, lifting of the ban on bilateral investment, and increasing the number of customs posts were long overdue. The Pakistani political establishment would do well to respond to the groundswell building in the Pakistani business community for greater economic engagement with India. The recent decision by the Karachi and Mumbai chambers of commerce to establish a tie-up that would co-promote both cities is just one example of the widely-held desire in both countries to grow together.

Despite recent progress by way of enhanced trade engagement between India and Bangladesh, South Asia remains one of the least economically integrated areas in the world. The proportion of intra-regional trade to total trade is embarrassingly low as compared to other trading blocs such as the Association of South East Asian Nations, North American Free Trade Agreement and MERCOSUR. This proportion will remain low as long as bilateral trade between India and Pakistan remains at current levels. The history of political mistrust between the two countries is understandable but not a compelling excuse to restrict greater economic engagement any longer. India has travelled the distance to make this happen. Pakistan must do likewise.

Wen calls for Sino-Indian co-operation in global fora
PTI

September 26, 2011 23:24 IST: Chinese Premier Wen Jiabao on Monday proposed collaboration between India and China in global fora like World Trade Organisation and G-20 and in the financial sector, as top planners of the two countries had a "productive" round of talks at the first Strategic Economic Dialogue in Beijing.

After a day-long meeting with various sub-groups discussing collaboration in the railways, specially the high speed trains, water and energy, the high power delegation led by Planning Commission Deputy Chairman Montek Singh Ahluwalia had an hour-long meeting with Wen. It was supposed to be a half-an-hour meet, but it went for an hour during which Wen has proposed that the strategic economic dialogue scope should be expanded to include dialogue on collaboration in international forums like WTO, G-20 and Climate Change as well as in the financial sector.

The Chinese Premier also spoke of India's capabilities in I-T and pharmaceuticals and talked about creating an investor friendly environment. "It was a productive meeting" to set the tone for collaboration in a number of different economic areas, Ahluwalia told the Indian media. "We have nationally different perspectives here and there, but bottom line is that we have common interests. We should not look at India China in a static context but a dynamic context," he said, adding that China was set to become the largest economy in the next 20 years while India poised to become third largest.

The bonhomie at the meeting created a different setting between the two countries which last week had exchanged strong statements over India's plans to take part in oil exploration in the Vietnamese blocks in the South China Sea. The Chinese delegation was led by Zhang Ping, Chairman, National Development and Reform Commission, a Chinese equivalent for Planning Commission.

The highlight of the talks was India's push for collaboration in the field of railways, especially China's high speed trains which hit the headlines recently.

Ahluwalia said if India looks to grow at five per cent GDP the present rail infrastructure is fine, but if it wants to grow by nine per cent, then it very much needed the high speed rail networks.

Vinay Mittal, chairman of the railway board, who attended special meetings, said contrary to the view in India high speed tracks need far less land than perceived. He said high speed trains were feasible and necessary for India, especially for the freight corridors and discussions centered on China's massive expansion in this area.

China handled over 3,600 million tonnes for freight to India's 900 million, Mittal said, adding that such rail infrastructure would reduce carbon imprints as well. The two sides also discussed the water-related issue. Though the discussions centered around technical issues, Ahluwalia briefly touched upon India's interest in increasing cooperation over inter-state rivers originating from Tibet.

"I take this opportunity to also record our appreciation for the hydrological data that the Chinese Government provides us on the Brahmaputra and Satluj rivers during flood season," he said. "It would be very good to build further on this tradition of cooperation. This should be a subject that unites us rather than divides us," he said in his opening remarks. Indian officials said the discussions mainly centered on pricing system of water in urban and rural areas, technology issues relating to water supply systems in cities, water saving technologies and irrigation.

India and China reached an understanding to deepen bilateral investment cooperation, further opening markets and improve their investment environment. The two sides have agreed to stay committed to deepen bilateral investment cooperation, further opening of markets, and improving investment environment in both counties, minutes circulated at the end of first session said.

The two sides also agreed to strengthen cooperation on energy efficiency and conservation as well as on environmental protection. They also agreed to actively develop cooperation in energy matters, including in the renewable energy sector, in order to promote sustainable development. Enhanced exchanges in these spheres would be the new engine for greater cooperation between the two sides, the minutes said.

Anand Sharma sets the target of doubling trade with Myanmar by 2015
Press Release from Ministry of Commerce and Industry

27 Sep 2011, New Delhi: The Union Minister of Commerce, Industry and Textiles Shri Anand Sharma has set the target of doubling the existing US$1.5 billion trade between India and Myanmar by 2015. Chairing the 4th meeting of Joint Trade Commission along with Mr U Win Myint, Union Minister of Commerce, Myanmar, Shri Sharma said “I propose that we work towards doubling of bilateral trade by 2015. We also need to work towards broad-basing our

trade basket. ….. Let us encourage businesses of both sides need to be encouraged to utilize Duty Free Tariff Preference Scheme and ASEAN FTA channels to diversify trade.”

Shri Sharma said construction of the Kaladan Multimodal Transit Transport Project comprising of a waterway component and a roadway component by 2013 will completely transform the trade between North East India and the rest of the world. Cost of the project is US$ 120 million. The Project envisages a direct trade corridor between Indian Ports on the eastern seaboard and Sittwe Port in Myanmar and then through riverine transport and by road to Mizoram, thereby providing an alternate route for transport of goods to North-East India. The two countries recognized the need to start collaborating to build a Land Customs Station at India-Myanmar Border (at Mizoram) to facilitate the movement of vehicles and goods entering and leaving Mizoram state.

On the issue of border trade it was noted that the border trade point at Moreh, on Indian side, and Tamu, on Myanmaar side, is stabilising and has immense potential for normal trade. Shri Sharma invited his counterpart to inaugurate the second border trade point at Zowkhatar(Mizoram) that will connect to Rhi in Myanmar. Both the Ministers stressed the need for working on two additional border trade points – Pangsau Pass (in Arunachal Pradesh) and Avangkhung (in Nagaland). India and Myanmar have also expanded the list of items for border trade from 22 to 40.

Shri Sharma also informed India’s assistance for capacity building in agricultural research and improving the seed variety in Myanmar.

India is keen to participate in the gas sector of Myanmar. Indian companies have shown interest in setting up of gas based units, invest in LNG infrastructure, etc. The Indian Minister pushed for Indian participation in allocation of gas blocks in Myanmar. Myanmar side showed strong support for the proposal.

One third of India’s imports in pulses and one-fifth of India’s imports of timber are from Myanmar. With the implementation of India-ASEAN FTA and the Duty Free Tariff Preference Scheme, Shri Sharma expressed the confidence that India can become one of the leading trade partners of Myanmar. Currently, two items – pulses and wood products accounted for 97.5% of Myanmar’s total exports to India. Similarly, buffalo meat and pharmaceuticals accounted for 45% of India’s total exports to Myanmar.

India and Indonesia to begin talks on CECA today

Special Correspondent, The Hindu

NEW DELHI, October 4, 2011: India and Indonesia will begin talks on Tuesday for a Comprehensive Economic Cooperation Agreement (CECA) with an aim to take forward the economic cooperation to a new level by achieving a bilateral trade target of $25 billion by 2015. Union Commerce and Industry Minister Anand Sharma on Monday reached Jakarta to launch the formal negotiations with Indonesian Trade Minister Mari Elka Pangestu.

Trade and investment between India and Indonesia had seen a massive rise in the last few years with investment by Indian companies having touched $3.50 billion and another $25-billion worth of investments in the pipeline.

Although both countries in 2005 had set a target of $10 billion bilateral trade by 2010 but they surpassed the target by 40 per cent reaching the $14-billion level. Already during the January-July period this year, trade between the two countries had touched $13 billion.

The proposed CECA will not only break tariff walls on merchandise trade but also enable professionals from the two countries to take up short-term business assignments in each other's markets. The scope would also cover easing of bilateral investment regime.

Mr. Sharma will also attend the Biennial Trade Ministers Forum during his stay in Jakarta. Apart from holding talks with his counterpart Ms. Mari Elka Pangestu, he will discuss issues of mutual interest with senior Indonesian ministers. The CECA with Indonesia will be over and above the trade liberalisation already achieved through the India-ASEAN agreement. Indonesia is an important member of the Association of Southeast Asian Nations bloc. The country has also implemented a comprehensive pact with other ASEAN members — Malaysia and Singapore. Bilateral trade between India and Indonesia stood at $13.2 billion in 2010 but it is highly skewed in favour of the South East Asian country. India's exports to Indonesia were $3.3 billion against imports of $10 billion.

India seeks opening up of services sector
Nayanima Basu, Business Standard

New Delhi October 4, 2011: The first round of formal negotiations for having a Comprehensive Economic Cooperation Agreement (CECA) between India and Thailand is going to be held in Bangkok in the end of November or early December. Both sides would be meeting for the first time for a full-fledged round, since there has been a change of government in Thailand. India is seeking greater movement of persons with Thailand in the deal.

Both sides held an informal round of talks on the intention to have the CECA on the sidelines during the Asean (Association of South-East Asian Nations) Economic Ministers meeting in Manado, Indonesia, in August.

Under the agreement with Thailand, which is also part of the 10-member Asean bloc, India has been demanding opening up of the services sector for greater movement of its professionals in Thailand such as doctors, nurses, architects and chefs, officials in the department of commerce told Business Standard.

India has a free trade agreement (FTA) with Asean in merchandise goods, while a deal on services trade has got delayed due to several roadblocks. The deal would also lead to slashing of tariffs on as many as 94 items traded between India and Thailand. India already has an early harvest scheme with Thailand since 2004 that led to speedy elimination of tariff on 82 items of export interest to the sides. Tariffs on all these 82 items became zero for both sides in 2006.

Some of the topmost items traded between both the countries are fruits, wheat, fish, ores, chemicals, inorganic acids, alloys, rubber, plastics and gear boxes.

Both sides are also looking towards having a trilateral trade corridor that would link both the countries through Myanmar.

The India-Thailand Trade Negotiating Committee has been constituted to negotiate a comprehensive FTA covering trade in goods, trade in services, investment, rules of origin and dispute settlement mechanism. Talks to have the CECA started in November 2001 when the then Prime Minister of Thailand Thaksin Shinawatra met Prime Minister Manmohan Singh agreed to set up a joint working group to undertake a feasibility study of a free trade pact.

Not by coal and gold alone

Biswajit Dhar, Livemint

Trade between India and Australia is stuck in a one-way direction. More has to be done to lift it above the normal

26 September,2011: Economic relations between India and Australia are headed northwards as the two countries have initiated negotiations for formalizing a comprehensive economic partnership agreement (Cepa).

The initiation of the negotiations marks the end of somewhat lukewarm bilateral relations that was caused by two quite disparate occurrences. The first was the refusal by Australia to supply uranium to India even after the Nuclear Suppliers' Group (NSG) had agreed to lift export controls on material, equipment and technology despite its not joining the Nuclear Non-Proliferation Treaty (NPT) or placing its entire nuclear programme under safeguards. Australia's position can at best be termed as ambivalent for while it had not opposed lifting of the export bans imposed on India, it had itself refused to export uranium that India was looking for. The second distraction in furthering bilateral relations was a series of assault incidents on Indian students. However, with both countries putting the contentious issues on the back burner, the stage is now set for their engagement in some hard-nosed negotiations for deepening existing economic ties.

India's increasing dependence on Australia as a major source of imports has ushered in a new phase in the trade relations between the two countries. From less than $4 billion in 2004-05, India's imports from Australia increased to more than $12 billion in 2009-10, making it the country's sixth largest import source. This rate of increase was matched only by imports from China and those of petroleum products. There was, however, a reversal of the trend during the last financial year, as imports from Australia fell by more than $2 billion.

While India's imports from Australia have been buoyant, its exports have barely moved. From about a $1 billion in 2006-07, exports to Australia have risen to a mere $1.7 billion in 2010-11. Sluggish export growth meant that India has not only maintained a very high trade deficit with Australia, but also an export-import ratio that has remained close to 1:8 in most of the recent years.

This large deficit would instantly have been a source of concern but for the composition of India's imports from Australia. Two of the most prominent items that India imports are gold and coal and both are significant in view of India's recent growth story. The world's largest exporter of gems and jewellery has been provided ever-increasing supplies of the yellow metal by Australia, which had, by 2009-10, become the second largest import source after Switzerland. And, for an energy deficient country looking to augment its domestically available supplies of fossil fuels, Australia has emerged as the largest supplier of coal. But despite a favourable-looking composition of its imports from Australia, India should be concerned about its inability to penetrate an economy which has been experiencing rapid expansion of purchasing power, aided by the recent commodity boom. India's record of exports to Australia should be even more disconcerting given that the country's exports have been going through a phase of exceptionally high rate of growth in general.

India's inability to penetrate Australian markets is exemplified by its rather indifferent showing in the area of services trade. Australia's economic boom has brought with it large demands for services for which the country has reached out to the global economy. As a result, Australia's imports of services have increased by nearly 40% over the past five years. But in this growing market for services, India's share has remained stagnant at around 1%.

The low penetration of India in Australian markets despite a range of favourable factors, including the presence of a successful and influential Indian diaspora, can be reversed if the right opportunities are explored in the on-going Cepa negotiations. In the past, India's engagement with Australia was overshadowed by its concerns in the agricultural sector. The argument advanced was that Australia would seek opening of India's agricultural markets given its large export interests in the sector and that any move in this direction would seriously undermine food security and livelihoods, particularly of the small and marginal farmers in India. While these arguments would continue to be important, India needs a thorough enquiry as to why its market access in Australia has remained limited in both goods and services. Once the impediments are identified, the two governments can take concrete steps to remove them in course of the Cepa negotiations.

There is, however, a much larger dimension of this economic entente between India and Australia, which is the growing cooperation between the two countries in giving shape to some of the significant regional groupings. The development of a dynamic Asian region through the East Asia Summit depends critically on India and Australia to provide much-needed direction. The Indian Ocean Rim Association for Regional Cooperation (IORARC), a collective of 18 countries that focuses on areas of economic cooperation that provides maximum opportunities for development, has remained languid since it was launched nearly a decade and a half back. With India assuming chairmanship of the formation this year and Australia as the vice-chair, IORARC has the great opportunity to realize the objectives for which the organization was established.

US Congress may revive trade benefits to India, others

PTI

New Delhi, Sept 27: The US Congress is likely to approve trade preferences for the least developed and developing countries in the next few weeks, a move which will help Indian exporters as well.

"The GSP Bill was passed last week out of the Senate. The House of Representatives is likely to approve it next month...it is actually going to be retroactive," Chad Kreikemeier, advisor to US Senator Jeanne Shaheen, said here.

The Generalised System of Preferences (GSP) expired on December 2010 under which imports from developing and least developed countries were allowed preferential access to the US market.

Under the GSP, Indian handicraft items--brass lamps, carpets and engineering products--power generators were allowed duty-free access to the US to the tune of USD 3.5 billion in 2010.

Kreikemeier, Defence and Foreign Policy advisor to the US Senator said, it is most likely that GSP Bill would be passed and signed by the US President Barack Obama in the next few weeks.

"...this (GSP) is a part of larger trade package... so it is going to be extended, reauthorised is the right word," the advisor said.

Commerce and Industry Minister Anand Sharma had earlier raised the issue of revival of GSP.

The US used to provide GSP for up to 4,800 products from 129 designated beneficiary countries and territories. Total imports to US under GSP from these nations were worth USD 22.5 billion in 2010.

The US Trade Representative Ron Kirk and Secretary of State Hillary Clinton had also urged Congress to reauthorise the GSP, at the earliest opportunity and for the longest period possible.

Big gaps in US-India trade positions
Indira Kannan, Business Standard

Washington Dc September 26, 2011, 0:34 IST: The United States has ruled out signing a Totalization Agreement with India for now, despite an intensive push by the Indian government and the country's information technology sector in that direction.

These agreements are signed by the US government for avoiding double taxation of income on social security taxes. These agreements must be taken into account when determining whether any alien is subject to US social security/medicare tax.

In an interview via email to Business Standard, US trade representative Ron Kirk said the US was permitted to enter into totalization agreements only with countries that met certain objective statutory conditions. This was not the case with India.

An agreement would enable Indian professionals working in the US to benefit from their contributions to American social security programmes even if they return to India after working for fewer than 10 years in the US, the case for several Indians who go to the US on H1B visas.

After his meeting with Kirk here on Thursday, Indian commerce minister Anand Sharma had told Business Standard he'd pressed for a totalization agreement, noting both India and the US had similar agreements with several European nations, and should be able to work out an agreement with each other as well.

However Kirk said, "We look forward to changes in India's social welfare regime that could form the basis of further discussions. Until then, however, the United States will not be in a position to negotiate a totalization agreement with India."

On complaints about the higher rate of rejection of H1B and L1 visa seekers from India this year, Kirk said the state department (the American foreign ministry) was responsible for consular affairs. Adding: “I appreciate that this is of serious concern to many in India but I know that our consular officers in India have been working harder than ever to review a record number of visa applications so that qualified applicants can enter the United States.”

Other irritants

The USTR’s office noted after the latest meeting between Sharma and Kirk that the value of trade in goods between the two countries had increased over threefold in the past decade. However, several irritants remained, including the old complaint from the Obama administration about restrictions faced by American solar energy firms trying to do business in India.

On that issue, Kirk suggested India might be breaching World Trade Organisation (WTO) rules. “We continue to have serious concerns about the local content requirements under India’s National Solar Mission, including with respect to their compatibility with WTO rules,” he said. “We are particularly disappointed that India recently chose to expand the scope of those requirements for Phase-1, Batch-2. We look forward to working constructively with India in its Phase-2 guidelines to ensure it can meet its clean energy objectives in a manner that does not discriminate against imports.”

Asked about expectations from the US administration and business groups for India to open its multi-brand retail sector to foreign direct investment, Kirk said, “We share the hopes of several Indian ministers that a favourable policy can be announced in short order.”

Sharma had told Business Standard on Thursday that this issue would have to take a back seat to the New Manufacturing Policy, his top priority at this time. Kirk did not demonstrate much optimism for quick progress on multilateral trade talks, either.

There is, clearly, considerable distance between the Indian and American positions on reviving the deadlocked Doha Round of WTO talks. India contends there is enough on the table for developed and developing countries to take a staggered approach and work out a series of smaller agreements. Kirk disagreed, saying there were obstacles to reaching agreements even on smaller issues.

“The United States worked very hard with WTO members, including India, over the past six months, trying to reach outcomes on Doha, including some type of small package outcome. But divergent views on all issues under discussion have continued to inhibit a positive outcome,” Kirk said. He called for WTO members to recognise that “business as usual is not working, and have an active, structured consideration of next steps” leading up to the December Ministerial meeting.

Kirk and Sharma are scheduled to co-chair the next round of the India-US Trade Policy Forum next January. A USTR statement after their meeting here noted the TPF is the primary bilateral mechanism for addressing trade and investment issues, playing a critical role in promoting trade and investment flows to higher levels that better reflected the importance of the bilateral economic partnership.

India needs to develop better standards in electronics manufacturing: CII
Economic Times,

25 September, NEW DELHI: India needs to develop better standards to push the domestic manufacturing of electronic products in line with international practices, the Confederation of Indian Industry (CII) said Sunday.

CII said the trade of information technology and electronic products would increase, as the World Trade Organsiation (WTO) had eliminated all import duties on a wide range of items, but it also meant they would also come under increased scrutiny for quality.

"Under the WTO-ITA-I agreement, with tariffs being reduced to near zero, international electronic and electrical products trade would increasingly be subjected to higher technical regulations and conformance standards," said CII.

"Already, the number of these regulations and standards has increased significantly in recent years, especially relating to consumer protection, national interest, quality, environment protection, and corporate social responsibility," it added.

The lobby urged the government to revise regulations and ensure conformity of standards for developing the domestic information communication technology and electronics (ICTE)manufacturing sector.

"Standards, testing, labelling and certification requirements for quality are also rising. Electronics companies must conform to these standards or risk loss of business," said CII.

Globally, the electronics industry is valued at about $1.75 trillion and is one of the largest and fastest growing manufacturing sectors in the world.

Electronics products are among the top three globally traded products with robust value chains linking factories across the world.

The ICTE sector in India has been growing at a compounded annual growth rate of 16 percent in the last five years, but in comparison to global levels, its value at $26.6 billion remains considerably small.

About 60 percent of India's demand for ICTE products is met through imports.

According to a report of the task force of department of information technology, ICTE production in the country could grow to $400 billion by 2020, including $80 billion of exports.

"There is need to develop and mandate conformance standards for locally manufactured as well as imported ICTE products in harmony with international practices and benchmarks. Offering incentives to companies to adopt such standards would help integrate Indian companies with the global supply chain," added Inderdeep Singh, chairman, CII national committee on ICTE manufacturing.

Now, EU raises concerns over telecom manufacturing policy
Business Line (The Hindu)

30 September 2011: The European Union has raised concerns against the proposed telecom manufacturing policy on grounds that it may flout WTO norms.

In a letter to the Secretary, Department of Telecom, the EU said that though India has the right to define a domestic manufacturing policy, it should respect the obligations under international law.

The Ministry of Communication and IT had floated a proposal to reserve 30 per cent of all electronic equipment procurement to items manufactured in India. This includes telecom gear and IT peripherals. When the policy is announced, telecom companies, both private and public sector, will have to buy 30 per cent of their hardware from those that have manufacturing base in the country or face penalty. The policy also gives fiscal benefits to local products in terms lower taxes.

If implemented, it will have major impact on European manufacturers, including NokiaSiemens, Ericsson and Alcatel-Lucent.

"The proposed preferential access measures favouring Indian manufactured products appear to run counter to Article III:4 of the GATT 1994, as such measures would result in imported products facing a less favourable treatment than that given to domestic like products," the EU letter said.

The letter signed by the Ambassadors of Italy, Finland, Denmark, France, Germany and Sweden has also been sent to the Commerce Ministry.

US seeks clarification

The US Government had also raised similar concerns over this issue earlier as the proposed policy will also impact American manufacturers such as Cisco, HP, Motorola and Dell. The US has specifically objected to bringing procurement by private companies within the ambit of the new policy.

The US has asked, "Could India please clarify how the preference regimes for domestic purchases carried out by private sector enterprises that are licensed by the Government qualify as 'products purchased for Governmental purposes' so as to constitute government procurement under the terms of the GATT Article III-8a?"

The US has asked this as part of the fifth Trade Policy Review of WTO. Under international trading protocols, WTO members are not allowed to give protection to local products except when procured by governmental agencies.

Europe threatens to break off India free-trade talks
Agence France Presse

27 September 2011: European governments are threatening to break off negotiations with India on a free-trade deal the EU had hoped would be worth 175 billion euros a year, an EU report revealed on Tuesday.

Four years after talks began with New Delhi, frustrated European Union trade ministers have taken the decision to signal a fixed deadline for the deal of February 2012, at an already delayed bilateral summit.

Otherwise, they say, the offer would come off the table.

"A message will be passed to India that if by the time of the summit there is no agreement, there would need to be a pause in the negotiations," ministers agreed according to an official report on the talks seen by AFP.

An EU official confirmed the drastic threat, and said that of the 27 EU states, only Denmark spoke out against the high-risk strategy during the talks on Monday.

EU Trade Commissioner Karel De Gucht debriefed the ministers on a plan for fall-back positions which could see the EU accept less than it wanted in certain core areas.

Painstaking negotiations have been dragged down by big disagreements over "cars, wines, spirits and services," according to an official who attended the talks.

Given the mounting scale of the problems, the ministers backed the commission negotiators' so-called "landing zones" idea, but insisted that such "concessions will prejudice the EU in the long term," the official report read.

De Gucht hinted at a press conference on Monday that "at a certain point, it requires pragmatism" to reach an agreement.

His spokesman, John Clancy, said De Gucht only took the ministers' "general positions" on this fallback planning.

In an effort to jump-start the flagging negotiations, European Commission chief Jose Manuel Barroso will meet Indian Prime Minister Manmohan Singh on the sidelines of the G20 summit in Cannes, France, in November, and will also travel to Asia before the end of 2011.

Thirteen rounds of talks have been held since India and the EU started discussing a comprehensive market-opening pact in June 2007 to boost bilateral commerce.

The two sides originally hoped to conclude a wide-ranging deal by 2010 that could boost bilateral trade to $237 billion (175 billion euros) annually by 2015 from around $92 billion currently.

But India and the EU have already been at odds over intellectual property rights involving life-saving generic HIV/AIDS drugs and other medicines which are produced by Indian companies.

UNAIDS, the Joint United Nations Programme on HIV and AIDS, has expressed fears that EU proposals for the agreement could make generic HIV drugs unaffordable -- something that New Delhi has pledged to resist.

India, 25 others oppose EU airline carbon charge plan
Reuters News

NEW DELHI/LONDON, Sept 30 - European Union plans to charge airlines for carbon emissions are "discriminatory" and violate global laws, a group of 26 countries including the United States and China said in a joint declaration released by the Indian government on Friday. India, which hosted a two-day meeting in New Delhi this week, said delegates from the non-EU countries, which are also members of the U.N.'s International Civil Aviation Organization (ICAO) executive council, agreed to lodge a formal protest against the EU's new rules at the council's next meeting.

"There was wide concern expressed by all countries present, without exception, that the unilaterally imposed EU (emissions trading scheme) measures were inconsistent with the international legal regimes," the statement said.

"The legal infirmities in the EU laws were pointed out. It was stated by the various delegates that they were also discriminatory (to) carriers."

The EU says it needs to put a price on carbon dioxide (CO2) emissions to guard against future climate impacts such as crop failures, droughts or flooding.

It has launched an emissions trading scheme (ETS) to help it cut carbon dioxide emissions, which it has pledged to reduce by 20 percent below 1990 levels by 2020.

From January 2012, airlines flying into or out of EU airports will have to surrender permits to cover all the CO2 they emit during the entire flight. They join some 11,000 factories and power plants already in the $100 billion market.

ICAO said the issue of aviation in the EU ETS is on the agenda for the 190-nation body's next meeting in November, where the group of 26 countries said they will submit a working paper along with their joint declaration in opposition of the scheme.

Critics including the 26 opposing governments have called the "unilateral" scheme illegal, saying it violates the Chicago Convention on international aviation as well as some provisions under the World Trade Organisation (WTO).

Three U.S. airlines are currently challenging the EU plans in Europe's highest court, which is due to give its first opinion on the case on Oct. 6.

NOT BACKING DOWN

Although opposition to the EU's aviation rules is getting more vociferous, the bloc's executive shows no signs of yielding.

"The EU is not considering backing down," an EU spokesman told Reuters, adding that the bloc's executive encourages other countries to instead adopt similar emissions reduction goals. The EU maintains that it could exempt airlines from countries that have adopted climate policies deemed equivalent to Europe's targets.

But some nations have scoffed at the offer and retaliated instead through other means, saying aviation should be regulated on a global level through measures approved by all ICAO members. China blocked a $3.8 billion aircraft purchase by Hong Kong Airlines from France-based Airbus at the Paris air show in June, sources said, adding to fears of a brewing trade war.

India Proposes Discussion of Trade Issues for Durban Climate Meet
Bridges Weekly Trade News Digest

3 October 2011:On 21 September, the Secretariat of the United Nations Framework Convention on Climate Change (UNFCCC) added three items to the provisional agenda for the 17th session of the Conference of the Parties (COP 17), being held in Durban, South Africa from 28 November to 9 December. This move was sparked by India's request on 26 May to include 'intellectual property rights,' 'equitable access to sustainable development,' and 'unilateral trade measures' as additional issues for discussion at this year's climate conference - a suggestion that has already caused tension between some developed and developing countries.

All countries will need to agree during the opening session of the COP whether to keep the issues on the agenda and thus give them a formal space for discussion during the meetings. India has made clear that it would like to see these issues addressed under broader headings within the current COP agenda. In its request, India suggested including the subtheme 'Accelerated access to critical mitigation and adaptation technologies and related intellectual property rights,' which would fall under the topic of 'Development and transfer of technologies.' In addition, India proposed that 'Equitable access to sustainable development' as well as 'Unilateral trade measures' come under the topic of 'Review of implementation of commitments and other provisions of the Convention.'

IP, trade, sustainable development issues spur debate

The agreement to create a new Technology Mechanism at last year's COP in Cancun, Mexico raises the question of how or whether such a mechanism will address the intellectual property rights (IPRs) developing countries need to access technologies that will help them address climate change. India suggested that the Technology Mechanism should include the removal of constraints on the development and availability of climate friendly technologies. These technologies and their IPRs should be treated as public goods, India said, to help countries reach the Convention's climate change goals.

On the issue of equitable access to sustainable development, India highlighted the decision under the Cancun agreement to limit the rise in world temperatures to 2 degrees Celsius above pre-industrial levels. According to India, the principle of equity contained in the Convention implies that the sustainable development of developing countries should not be compromised by the global goal for climate stabilisation. A formal discussion could consider possible means and measures to ensure, through the multilateral system or beyond, a country's sustainable development in practice.

Another issue on the table is the question of the use of unilateral trade measures (UTMs) by rich countries in the name of climate mitigation. The climate Convention and last year's Cancun agreement both stress "that measures taken to combat climate change including unilateral ones should not constitute a means of arbitrary or unjustifiable discrimination or a disguised restriction on international trade." India urged Parties to prohibit UTMs on any grounds related to climate change. Such measures, it said, would simply pass the mitigation burden onto developing countries.

Several developed countries have opposed the inclusion of such topics in the Durban agenda, claiming that they have been sufficiently addressed at the 2010 climate talks in Cancun. The US has stressed that there has been no agreement on these issues in the past and that there is no prospect for any agreement on them in Durban, according to reports from the Third World Network, a development-focused NGO.

However, the majority of developing countries believe that the suggested items remain unresolved and therefore see a need to allocate time for discussion during the Durban meetings. Parties will meet for a final round of negotiations prior to the Durban COP next week in Panama City, Panama. These final talks will provide a temperature reading on what to expect in Durban, including on the increasingly contentious trade topics. Bridges will report on the meetings in next week's issue. *ICTSD reporting*