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Anand Sharma welcomes Pakistan's transition from positive list to negative list regime for trade with India
Department of Commerce Press Release

29 Feb 2012, New Delhi: India has welcomed the decision of the Government of Pakistan to transition from a Positive List Regime to a small Negative List for trade with India. This development reaffirms the commitment of both Governments for trade normalization as per the roadmap drawn during the visit of Pakistan Commerce Minister from 26th September to 2nd October, 2011. There is reiteration of commitment that the negative list will be phased out by the end of this year. This will mark a dramatic shift in the lines that can be traded as now almost 90% items can be traded with Pakistan as opposed to 17% earlier. Welcoming the development, the Union Minister of Commerce, Industry and Textiles Shri Anand Sharma said "during my visit to Pakistan earlier this month, Prime Minister Gilani and Trade Minister Makhdoom Amin Fahim, had assured me that a final decision in the matter would be taken by end-February and I am happy that this has been achieved. We believe that strengthening economic engagement between India and Pakistan lies at the heart of building enduring peace and stability in this region. Flourishing trade is the biggest confidence building measure among any two nations. During my visit to Pakistan, I saw considerable enthusiasm in industry leaders and the trading community of both countries for deepening this engagement. We now need to continue the momentum of regular exchanges which we have started since mid-2011."

Shri Sharma's visit to Pakistan from 13th to 16th February 2012 was first ever visit by the Commerce Minister of India for substantive bilateral meetings. Accompanied by more than hundred high power business delegates, this visit marked a historic moment for both the countries, when political leadership and the business communities extended unequivocal support for full normalization and preferential trading arrangements between the two countries. The Joint Statement by the two Ministers at the end of the visit noted "It has been agreed that Pakistan will move from a Positive List to a small Negative List by February 2012. The negative list is to be phased out; the timing for this will be announced in February 2012 at the time the list is notified. It is expected that the phasing out will be completed before the end of 2012."

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Punjab wishes transit route for Indian goods through Pakistan, Afghanistan after MFN
TNN

Mar 1, 2012, CHANDIGARH: Despite Pakistan deciding to grant Most Favoured Nation (MFN) status to India by the end of the year, Punjab is waiting for India to have a transit route through Pakistan and Afghanistan to get access to oil-rich Central Asia.

Though transit route is one of the components of the WTO-mandated MFN status to all countries, yet giving transit routes by both India and Pakistan to each other is still seen with fingers crossed.

"Though transit is generally allowed with MFN, yet it may not be mandatory for both countries and Afghanistan is not even a member of WTO to abide by the WTO clause of a transit route," professor Sajal Mathur from Delhi-based Centre for WTO studies told a conference recently.

His observation was supported by a Union government official close to international trade affairs, but in his private capacity.

As of now there is no clarity as to if India will offer transit route for Pakistani goods to other countries and vice versa, knowledgeable sources said.

If transit is allowed, Punjab will get back its pre-partition glory as access through the state will lead to higher tax collection, promotion of trade and even manufacturing to feed Pakistan, Afghanistan and entire central Asia that is witnessing double digit growth.

Associate director of Delhi-based Rajiv Gandhi Institute for Contemporary Studies Dr PD Kaushik said if legal, illegal and third country trade is calculated, the figure of trade between India and Pakistan might touch 15 billion dollars.

He said a big cost constraint is that only 14 items out of more than 6000 items can be traded through land route despite the fact that the cost to take a 20 feet container through land route is around 300 dollars as against more than 1000 dollars through the sea route.

There is a market of around 100 billion dollars in Gulf Coordination Council (GCC) and Iran. It will go up to 500 billion dollar in future.

Talks started a month back for a land route to Russia through Pakistan, Afghanistan, Iran, Central Asian countries and Caucasian sea with three countries having already signed agreements and more than a score already agreeing to be partner in the project. Countries except Pakistan and Afghanistan have already set in motion a process to tie several loose ends related to connectivity and customs. Pakistan and Afghanistan will be the last in this series.

Dr Kaushik said with these routes becoming operational, Punjab will emerge a manufacturing hub for heavy machine tools, pharmaceuticals, agriculture implements and textiles. Gain through transit may compensate for the loss Punjab hosiery industry suffered post free trade agreements with Sri Lanka in early 1980s and Bangladesh recently. Both these countries have become big garment exporters at the cost of products from Ludhiana.

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Exports reach $242.80 bn in 10 months of FY12
Business Standard

Target of $300 bn this financial year within reach

New Delhi Mar 2, 2012: Total merchandise exports in the first 10 months of the financial year through January reached $242.80 billion, triggering hopes of meeting the government's target of $300 billion for the whole year. On the other hand, cumulative imports stood at $391.45 billion, widening the trade deficit to $148.67 billion, the government said on Thursday.

In January, exports rose by 10.10 per cent to reach $25.34 billion, compared to $23.02 billion in the same month last financial year, while imports topped $40.10 billion, up 20.25 per cent from

$33.35 billion in 2010-2011, according to data released by the ministry of commerce and industry. In November and December, the exports growth had fallen to single digits year-on-year.

This is for the second time that exports have registered a month-on-month increase, since it started falling July onwards due to a weak demand in Europe and US markets. Last month, while releasing the initial estimates, Commerce Secretary Rahul Khullar had said exports would now continue to rise with the effect of rupee's depreciation kicking in, the bulk of which happened in November last year.

Moody's Analytics said export cooled through the final quarter of 2011, though rebounded a little in January, helped by the cheaper rupee. "Imports continue to grow solidly, mirroring the Indian economy that is still growing at a decent clip, while the global economy struggles," it said in a note.

In January, crude oil imports surged by 26.78 per cent at $123.25 billion, as against $9.72 billion in the same month last year. All the same, total crude oil import during April-January reached $117.91 billion — up 38.33 per cent from $84.93 billion in the corresponding period of 2010-2011. Rising crude oil prices due to Iran-US stand-off could have some adverse impact in the remaining two months. Non-oil imports in January reached $27.78 billion, which was 17.56 per cent higher than non-oil imports of $23.63 billion in January 2011. Total non-oil imports so far stood at $273.54 billion rising by 25.71 per cent from $217.60 billion in the last financial year.

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Leather export prospects for 2012 are bleak
Pooja Sarkar, Business Standard

Economic uncertainty in Europe and a decline in new contracts spell trouble

Kolkata, Feb 28, 2012: Indian leather exporters, who sell to global brand names such as Wal-Mart, Calvin Klein, Esprit and French Connection, anticipate difficult times ahead as the signing of new contracts is nose-diving and economic uncertainty continues to grip the European Union. Leather exports saw healthy growth in 2011, but exporters expect the crisis of 2012 to be worse than the downturn of 2008.

Paresh Rajda, regional chairman, Eastern Region, for Council of Leather Exports (CLE), a Central government body, said that this was because four years ago, it was the United States that was hit; this time round, it is the EU – which accounted for 65.48 per cent of Indian leather exports in 2010-11 – that is in crisis.

Leather exports amounted to $3.84 billion in 2010-11, which puts it in the category of top ten foreign exchange earners for the country.

Rajda added: "Some exporters have already started losing money and will find it difficult to continue running their factories, as some overseas companies are going bankrupt and payments are getting stuck."

Sanjay Barmecha, who exports leather bags and wallets to France, Belgium and other EU countries, said, "Sales will come down by at least 25 per cent compared to last year. Our production costs have increased significantly and margins have dropped, as it is difficult to find buyers at revised prices. Revenue figures may be higher, but sales volumes have dropped." Officially notified DGCI & S export data put leather and leather products exports in the first seven months of the current fiscal year (April-October 2011) at $2,741.48 million, a growth of 27.33 per cent over $2,152.98 million in the corresponding period of last year.

Ali Ahmed Khan, executive director of CLE, said, "Though the current growth trends are impressive, there is some apprehension about future export prospects due to the continuing economic slowdown in the European Union."

Rajda added, "90 per cent of buyers have stopped giving big orders — they don't want to stock products anymore." Nor have exporters been able to find alternative markets.

He said, "Latin American countries like Brazil, Argentina and Chile were showing some promise, but due to pressure on their currencies there is a slowdown in that region too. And the Russian and Scandinavian regions are very closed and difficult to crack."

Adding to the woes is the increase in global leather prices, and in raw material, freight and labour costs, which have dented exporters' margins. Cost of production has gone up by 50 per cent.

Exporters said gross margins have crashed from 40 per cent to less than 25 per cent in the ladies handbag segment, from 25 per cent to 12-15 in the wallets segment, and from 10-12 per cent to seven to eight per cent in the industrial hand gloves segment.

Khan said, "Though the leather industry faces tremendous cost pressures for end products due to factors like increased cost of raw materials, freight and labour costs, exporters maintain competitive rates, as buyers are demanding a 15-20 per cent reduction in prices, citing the market crisis."

Barmecha added, "Labour costs have increased by 50-60 per cent in recent times and raw materials prices by 25-40 per cent, and for exporters who are sending cargoes by air the hit is higher."

A senior official of Indian Leather Products Association said, "A lot of exporters are now taking orders with minimal margins or no margins at all, and if there is an increase in production costs they will not be able to include it in the contract. Many just want to keep their factories running, and are operating at 40-50 per cent capacity."

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Exports of agri commodities in doldrums
Rajesh Bhayani, Business Standard

Issues related to quality, prices and global surplus restrict exports from India

Mumbai, Feb 29, 2012: Exports of several agricultural commodities have been facing hurdles. Even as quotas for sugar and wheat exports had been raised, the actual figures have not seen any significant rise.

Coffee exports have also faced viability issues, as prices in global markets have been lower than in India and recessionary conditions in Europe have impacted demand. Maize, which initially saw some exports, is now facing quality issues, hurting India's reputation as a quality exporter. Cotton exports, on the other hand, have bucked the trend, despite surplus in the global market and slowdown in Chinese buying.

Late last year, export of up to two million tonnes (mt) of wheat was allowed, thanks to a huge surplus in the domestic market. But, even in global markets, supply is much larger than demand, which has led to a fall in prices, making Indian exports unviable. According to the representative of a multinational exporter active in the Indian market, not even half of the export quota has been met till now. According to estimates, only about 500,000 tonnes of wheat have been exported.

"Wheat remains abundant around the world and prices are expected to remain bearish," said Rabo Bank in a report on agri commodities. India faces a similar situation, as the wheat crop is expected to be robust this season too, at an all-time high of 88 mt.

Availability of sugar in the global markets is not much different. Unless there are end-of-season crop losses, Brazil's stock is estimated to be in surplus. However, the sweetener has seen some export activity and it is expected that India would soon be able to exhaust the one mt quota. However, permissions for exports are still awaited. Industry leaders say they want to export to dilute the inventory and ensure they do not open the next season with domestic surplus. Sugar prices have improved in London over the past few days and are currently at $665 a tonne.

In case of maize, India's exports, so far, have crossed one mt and are expected to match last year's figures of 2.7 mt, as global prices have been higher. The domestic production of the commodity is expected to be 21.6 mt this year.

Amit Sachdev, the India representative of the US Grains Council, said: "Exports from India are still open, but some reports do indicate that there has been a quality issue with some consignments of maize, and this could be one of the reasons for prices to have remained soft for some time."

There had been reports that some consignments sent by India to Vietnam were rejected after a higher level of moisture and broken maize were found.

Cotton export registrations, meanwhile, have seen a sudden increase in the past few days, despite a global surplus. According to the International Cotton Advisory Committee, "Global cotton production is rising by an estimated seven per cent in 2011-12 to 26.8 mt. This would be the largest level of production achieved in five years. However, the global production could drop to 24.9 mt in 2012-13 due to rising agricultural production costs and lower prices received by farmers this season, improving attractiveness of grain and soybean".

In India, cotton is currently trading at 10 per cent lower prices than a fortnight ago — at Rs 33,000-34,000 a candy (356 kg) — on expectations the government could cut duties on synthetic yarn, which competes with cotton yarn, in the Budget.

Shirish Shah of Bhaidas Kursondas & Company said: "There are reports that seven million bales (of 170 kg each) have been shipped so far and the total registration with DGFT for exports is understood to have crossed 10 million bales."
Registrations have gone up sharply in the past few days on the fear that the government could be planning to restrict cotton exports.

Since India has lowered the minimum export price (MEP) for basmati rice, the export of the commodity is expected to pick up. On February 23, the government notified a reduction in MEP from $900 a tonne to $700 a tonne.

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Govt says will review cotton export ban

Sanjay Jog & Sanjeeb Mukherjee, Business Standard

Mumbai/ New Delhi Mar 07, 2012: Amid severe opposition, the government on Tuesday called a Group of Ministers' (GoM) meeting on Friday to review the decision to ban cotton export barely a day after it was effected. "The GoM will take into account all the views on this ban and take an appropriate decision," textiles secretary Kiran Dhingra said.

Dhingra said the textiles ministry was of the view that given the sudden surge in export registrations, the ban was necessary or else the country would not have enough cotton to run its mills till October. Earlier, farmers in parts of Maharashtra and Andhra Pradesh were reported to have resorted to distress sale of cotton on Tuesday. Union Agriculture Minister Sharad Pawar said the decision was wrong, taken without asking him and must be revoked.

In some places, farmers were said to have sold at Rs 2,500-3,000 a quintal, far below the government's minimum support price of Rs 3,300 a qtl for the long-staple variety. Against this backdrop, the Cotton Corporation of India (CCI) started direct procurement in Andhra Pradesh and issued instructions to officials to do it in Maharashtra if the prices of average quality cotton slipped below the MSP. Nearly 1,000 ginning mills in Gujarat would observe a two-day bandh from Wednesday in protest against the ban, news agency PTI reported.

Pawar said he took serious objection to the ban decision and had written to the Prime Minister. Pawar, head of the the Nationalist Congress Party, part of the ruling coalition, told Business Standard, "I was not consulted by the commerce ministry. I was kept in the dark on the issue. I came to know about this only after a notification was issued by DGFT (the directoate-general of foreign trade) yesterday. Such a decision, which would impact lakhs of farmers, should have been taken after proper consultations, either in the Cabinet Committee on Economic Affairs or the Cabinet Committee on Prices, like it is done in the case of wheat and sugar."

Pawar said the decision was harmful, as growers in Gujarat, Andhra Pradesh and Madhya Pradesh were in great distress, with traders having stopped buying from them after the decision. "Now the issue is in the Prime Minister's court," he said.

Gujarat Chief Minister Narendra Modi (from the opposition Bharatiya Janata Party) also sent a letter to the PM. Modi said he was shocked and the decision would be disastrous for farmers.

N P Hirani, Chairman, The Maharashtra State Cooperative Cotton Growers' Marketing Federation, said the Centre needed to immediately lift the ban in the larger interest of growers. "As per the estimates by the Cotton Advisory Board, the country will have production of 34.5 million bales (a bale is 170 kg), against the demand for 24 million bales, in 2011-12. Therefore, export of 10.5 million bales after meeting the country's requirement is possible, which will benefit farmers in particular," he said.

Shirish Shah, Partner, Bhaidas Cursondas & Co, said the ban was harmful for farmers, traders, ginners and spinners. "It should be lifted forthwith. At the same time, the Centre should allow export of 3.3 million bales already registered for export. Besides this, the registration of (another) 0.3 million bales has been contracted but not registered for export," he said.

Bhadresh Mehta, Additional Vice-President, Cotton Association of India, said farmers were expected to incur a total loss of Rs 2,500 crore from the decision. "The decision is a lose-lose situation for farmers, traders, ginners and spinners.

The government needs to come to the rescue of farmers on the lines of the Chinese government, which has increased its cotton support price by three per cent," he said.

"In mid-February, when a Committee of Secretaries (CoS) reviewed the export scenario, 8.3 million bales of cotton had been shipped out of the country, while registrations were for 10 million bales," said Dhingra.

However, by early March, when the CoS again met, the registrations had surged to 12.5 million bales, which meant exporters had some inkling the government might clamp down on exports and started applying heavily for registration.

"We were already in a bad situation as the shipped quantity of cotton would pull down the carry-over stocks for the 2012-2013 season to 3.6 million bales against a requirement of five million bales," Dhingra explained.

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Imports of sensitive items up 44.7% in April-Dec '11
PTI

1 Mar, 2012: Imports of sensitive items, including fruit and vegetables and edible oils, went up by 44.7 per cent to Rs 75,948 crore in April-December, 2011.

Imports of sensitive items stood at Rs 52,492 crore in the year-ago period.

Fruit and vegetables imports soared to Rs 7,406 crore during the period from Rs 3,833.8 crore in April-December, 2010, a Commerce Ministry statement said.

Items such as foodgrain, automobiles, milk and beverages fall in the sensitive category and the import of these goods is monitored by the government to see if there is any adverse impact on the domestic industry.

Imports of edible oils rose by 67.6 per cent to Rs 34,854 crore in April-December 2011, from Rs 20,791.50 crore in the year-ago period. India is the world's largest importer of edible oil and one of the largest consumers.

"The increase in edible oil imports is mainly due to substantial increase in imports of crude palm oil and its fractions," it said.

During the first nine months of the current fiscal, the import of items such as alcoholic beverages and spices also increased by 55 per cent and 70.3 per cent, respectively.

Imports of products of small scale industries such as umbrellas, locks, toys and glassware went up by 44 per cent to Rs 1,623 crore, compared to the year-ago period.

Automobile imports jumped by 71 per cent year-on-year in April-December 2011 to Rs 2,838.8 crore.

However, imports of food grain and milk and its products contracted by 93.6 per cent and 3.7 per cent, respectively.

Imports of sensitive items from Indonesia, China, Malaysia, Argentina, Germany, Korea, US, Canada, Japan, Thailand, UK have gone up, while those from Brazil and Australia have gone down.

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Import restrictions to boost local solar power equipment makers
Shreya Jai, ET Bureau

Mar 1, 2012, NEW DELHI: India will encourage local manufacturers of solar power equipment and restrict imports to help domestic industry grow in the competitive environment, minister for new and renewable energy Farooq Abdullah said on Wednesday.

The approach would be reflected in the second phase of the Jawaharlal Nehru National Solar Mission (JNNSM), he said at a conference organised by Assocham, an industry body.

"Phase II of the mission would be 'Indianised' and we will put in all efforts to save the domestic industry. The government will limit imports and encourage domestic manufacturing to boost solar energy generation. We want our domestic solar industry to grow and survive in the competition," he said.

He said that the foreign companies must set up manufacturing facilities along with research and development centres if they want to enter India for solar power generation. The minister's comments will cheer domestic players who have been asking the government to curb foreign involvement in the solar mission as it is hitting their market.

"We have always been open to level-playing competition. If the foreign companies set up their unit in India and then compete with the domestic manufacturers, it will work in the betterment of the solar energy sector only," said Vivek Chaturvedi, vice-president, marketing, Moser Baer (solar division).

Foreign companies have recently quoted and won bids at abnormally low prices - as low as 7.18 per unit for solar power - which domestic manufacturers say was possible because Indian players get lower subsidy.

"India's manufacturing sector doesn't lack anywhere. Our level of subsidies is lower than other countries and this creates disparity. High subsidies enjoyed by the foreign players converts into low prices here, making it difficult for the domestic ones to match up to them," said Chaturvedi.

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Chinese Imports Invade India
Bruce Einhorn and Kartikay Mehrotra, Bloomberg Businessweek

February 23, 2012: Outsourcing specialist Tata Consultancy Services, the largest Indian IT services company, moved into the China market 10 years ago, eventually teaming up with the Chinese government to provide outsourcing services to state-owned banks and other financial institutions. A decade later the TCS head count in China is not even a rounding error in the company's ledger: only 2,000 employees, compared with a global TCS staff of 235,000. Even with the government as a partner, an Indian company has to work hard at building relationships with potential Chinese customers. "It's disappointing," says Girija Pande, chairman of Asia-Pacific for TCS. Making headway in China "will take time."

Of the 2.7 million people India's IT services industry employs worldwide, just 16,000 are in China, according to trade association Nasscom. Indian companies struggle in China with nontariff trade barriers such as requirements to obtain security clearances before doing business with government-backed companies, according to Nasscom President Som Mittal. "The markets are really closed," says Mittal, who wants Indian officials to make improved access a priority in talks with Chinese leaders.

In the fiscal year ending March 2011, China exported $43.5 billion in goods to India, up from $10.9 billion in 2006, according to India's Ministry of Commerce and Industry. India's exports to China were only $19.6 billion, up from $6.8 billion in 2006. Cheap Firefox bicycles are ubiquitous in New Delhi. Technically, it is an Indian brand—except the bikes are made almost entirely of Chinese components. Chinese-made phones and telecom equipment "have flooded the Indian market," says Srikanth Kondapalli, a professor at the Centre for East Asian Studies at Jawaharlal Nehru University in New Delhi. "There is no reciprocity for Indian products."
The surge of cheap goods has led some Indian executives, like their U.S. counterparts, to say government-aided Chinese rivals are undermining India's industrial base. "Without a duty to control Chinese imports, we will continue to lean on cheaper, unproven equipment instead of building our own technology and our own industry," says B. Prasad Rao, chairman of Bharat Heavy Electricals. The $13 billion New Delhi-based producer of power equipment is struggling to compete against lower-priced products from Shanghai Electric and Dongfang Electric. Chinese-made power equipment, such as steam turbines and boilers, is about 20 percent cheaper than equivalent Indian products, according to Ashok Khurana, director-general of the Delhi-based Association of Power Producers. "The Chinese are very shrewd marketing people and we know our side is full of suckers," says Subramanian Swamy, president of the Janata political party and Minister of Commerce in 1991, when India signed its first free trade agreement with China.

Two months prior to the August bankruptcy of Solyndra, which highlighted the inability of U.S. solar panel makers to compete with the Chinese, Indosolar, India's largest maker of solar cells, defaulted on $56 million in bank loans. "China's doing a spectacular job of keeping India's economic growth under its thumb," says L.R. Shrivastav, chief executive officer of Moser Baer Power & Infrastructure, another Indian solar panel producer. The Indian government may join a U.S. complaint to the World Trade Organization targeting alleged dumping by Chinese solar companies.

To keep a closer eye on dumping and government-subsidized bids for domestic contracts, India's Department of Commerce will launch the Directorate General of Trade Remedies this spring, according to two government officials who spoke on condition of anonymity. Forty-four of India's 69 active antidumping cases before the WTO are against Chinese industries, according to the international trade body. "Manufacturers are afraid and want barriers," says Biswajit Dhar, director-general of Research and Information Systems for Developing Countries, a New Delhi-based think tank. "Either we're trying to block them or we're getting pummeled by them."

The bottom line: China exports to India twice as much as India exports to China, stirring concerns in India that local industries cannot compete.

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Chinese foreign minister likely to visit India in March
Elizabeth Roche, Livemint

Yang Jiechi's visit is being billed as preparation to the BRICS summit to be held on 29 March

Feb 28, 2012, New Delhi: Chinese foreign minister Yang Jiechi is expected in New Delhi in mid-March, two people aware of the planned visit said on Monday, for talks on the fourth meeting of the world's fastest growing emerging economies—Brazil, Russia, India, China and South Africa, known together as BRICS.

India will host the fourth summit of the group in New Delhi on 29 March for the first time. The meeting will concentrate on food and energy security, sustainable development, international financial crises and terrorism, a foreign ministry statement said.

Foreign secretary Ranjan Mathai discussed the agenda for the summit with Russia's first deputy foreign minister Andrei I. Denisov on Friday.

Yang's visit is in the context of "discussions on the BRICS summit", one of the two people cited above said. The second official said the visit will take place towards the middle of March. Both declined to be named.

"We do not forget that we are essentially developing countries and that is the constituency—what is it that we do that would be of value to the developing world? It is a positive interaction and engagement," Sudhir Vyas, secretary, economic relations, ministry of external affairs, told a recent conference on BRICS organized by Federation of Indian Chambers of Commerce and Industry. The global economic situation and its impact on developing countries will also be discussed, he said.

"BRICS is here to engage and help to the extent possible and to the extent of its capacity, to bring capacities to the table to see if it can contribute to the resolution of crises—whether economic or political," Vyas said. New Delhi plans to host a meet of BRICS trade ministers to strengthen economic interlinkages among the five emerging economies ahead of the summit, he said.

Though Yang's visit to New Delhi is being billed as preparatory to the BRICS meet, bilateral issues between India and China, including the long-pending border dispute, are also expected to be in focus, with the Chinese foreign office protesting Indian defence minister A.K. Antony's visit to Arunachal Pradesh last week.

The Chinese objections stem from its claims over 90,000 sq. km of territory in Arunachal Pradesh. India says China occupies around 38,000 sq. km in Jammu and Kashmir. Ties between the Asian neighbours have been mired in suspicion despite booming trade ties, largely due to their unresolved border dispute, a legacy of their brief but bitter 1962 war. Many rounds of talks between the two countries have not yet yielded a solution, though the border has remained largely peaceful, thanks to pacts signed in 1993,1996 and 2005.

On Antony's visit to Arunachal Pradesh, China on Sunday said India should refrain from taking any action that can "complicate" the border issue. Chinese foreign ministry spokesman Hong Lei has "asked India to work with China to maintain peace and stability in border areas", *Xinhua* news agency reported. China advocates a fair and rational solution through equal and friendly negotiations, Hong said.

In response, Antony on Monday slammed China, saying he was “surprised to see such a reaction”. “I feel it is most unfortunate and, at the same time, it is really objectionable,” Antony said in New Delhi.

There was a similar reaction on Sunday from Indian foreign minister S.M. Krishna who said India “will not tolerate external interference of China into the Indian territorial affairs”. “All seven states in north-eastern parts are part and parcel of India and China has no rights to make adverse remarks on Antony’s visit to Arunachal Pradesh,” he told reporters in Bangalore.

Rup Narayan Das, an analyst at the Institute for Defence Studies and Analyses, said the Chinese comments were routine, pointing to Beijing’s reaction in 2009 after a visit by Prime Minister Manmohan Singh to Arunachal Pradesh. “If you compare the tone and tenor of the statement this time, I think it’s rather mellow and toned down” compared with 2009, Das said. “Secondly, the reaction came several days after Antony’s visit. It is posturing by the Chinese side and not too much should be read into this.”

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Sino-Indian strategic ties to be determined by future 'bilateral trade'
Sreeram Chaulia, Economic Times

Feb 24, 2012: The beneficial impact of international trade on economic growth is widely accepted. But whether trade can improve political relations among nations is debatable. A new book by Pakistani writer Ahmed Rashid, Pakistan on the Brink: The Future of America, Pakistan and Afghanistan, has reopened this debate by positing that China no longer treats India as its enemy owing to the $74 billion worth of bilateral trade between the two.

Rashid ridicules delusions in Pakistan that China will continue to offer unconditional support to it against India. Beijing was an 'all-weather ally' of Islamabad in the past owing to geopolitical compulsions of checking New Delhi in South Asia, but Rashid's argument is that this calculus has been irreversibly altered by freer trade between China and India in the last decade. Contrast this with the $9-billion Sino-Pakistani trade, which has not transcended the defence sector.

Sino-Pakistani trade's lack of a private sector dimension means there are no strong constituencies in either country that root for closer integration and foreign policy consonance. Outside state elite circles, reminds Rashid, China is an unfamiliar abstraction for Pakistanis, who have little contact with Chinese counterparts. Burgeoning Sino-Indian trade with private sector involvement, on the other hand, leads to frequent travel, collegiality and even commonality of interests between exporting and importing firms on both sides.

That trade generates interdependence and peace between states is axiomatic. Cordell Hull, the US Secretary of State during World War-II and a champion of commercial liberalism, said famously that "if goods do not cross borders, then armies will". His intellectual inspiration, the 19th-century British free trade campaigner Richard Cobden, also believed that peace and mitigation of arms races between great powers could be achieved through reduction of tariff barriers.

One of the big puzzles of our times is how China and India are simultaneously growing at a fast clip, competing for global influence and power, and yet avoiding the prophesied wars that have recurred throughout European history among rising rival contenders. Is it trade, however lopsided in China's favour, which is keeping Beijing and New Delhi on a non-confrontational track? Are business interests trumping military and strategic unease?

Critics point out, however, that trade flourished pre-World War-I among European powers. The fact that tariffs had been dramatically reduced across Europe since the 1860s through a series of bilateral free trade treaties did not save the continent from a destructive naval counterbalancing race, culminating in a terrible world war.

How did liberal interdependence fail to produce the positive externalities of security and peace in this case? Citing this instance, anti-liberal writers warn against blind faith in the political miracles that trade allegedly delivers.

However, Dale Copeland, a professor at the University of Virginia, has explained the pre-World War-I breakdown of cooperation and understanding among European powers as actually a vindication of liberal interdependence. The key for animus-free foreign relations, according to him, is not the past or present value of bilateral trade but the 'expectations for future trade'. Germany did have thick past and present trade relations with its European neighbours, but by the mid-1890s, it had become wary about trade protectionism from Britain, France and Russia. The idea of a 'central European economic area' seemed doomed by the early 1900s, as other European powers began to work in tandem to check the German industrial and exporting colossus.
If Copeland got it right, the direction of Sino-Indian strategic ties will be determined by whether or not both parties believe that future bilateral trade is on a rosy path. Foreign minister S M Krishna recently exuded confidence that the two countries were on course to achieve a trade volume of $100 billion by 2015. Chinese diplomats project this figure to cross $120 billion even earlier. The 'future expectations' of trade are, hence, quite optimistic, even though New Delhi is dissatisfied with the massive trade deficit it is running with Beijing at the moment.

So, has Pakistan's legendary 'special relationship' with China aimed at weakening India been buried by the avalanche of Sino-Indian trade and does this mean perpetual peace across the McMahon line? Such a conclusion is premature due to the pitfalls of economic determinism and reductionism. Insecurities and balance-of-power manoeuvres persist among major trading partners and they may even be necessary to prevent a slide into armed conflicts. But contrary to doomsday predictions that a second war between China and India is imminent any day, the expectation of deeper bilateral trade is helping to banish that prospect. *(The author is vice-dean at Jindal School of International Affairs)*

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India, Indonesia agree to fast track FTA talks
Tripti Aggarwal, PTI

Jakarta, March 5, 2012: India and Indonesia today agreed to fast track the ongoing negotiations for early conclusion of the proposed comprehensive market opening pact, aimed at enhancing bilateral economic engagement between the countries.

Commerce and Industry Minister Anand Sharma, who is here for a three-day visit, met Indonesian Economy Minister Hatta Rajasa and discussed about the progress of the free-trade agreement.

"We have discussed the status of the negotiations on Comprehensive Economic Cooperation Agreement (CECA). Both sides have agreed to fast-track the negotiations for an early conclusion," Sharma told reporters after his meeting.

In October last year, both the sides started negotiations for CECA, which would cover trade in goods, services and investment.

The bilateral trade stood at over USD 20 billion in 2010-11.

He said that the bilateral trade target of USD 25 billion by 2015 would be achieved well before the time so both sides have felt the need to revise it.

Both the sides also deliberated on the widening the scope of free trade agreement between India-Asean, which would include services and investments. Indonesia is a member of Asean.
India and the 10-member Association of South East Asian Nations (Asean) has already implemented free trade pact in goods and are engaged in intense negotiations to widen the scope of the pact.

Sharma also met his Indonesian commerce counterpart Gita Irawan Wirjawanand and Industry Minister Mohamad S Hidayat.

Both the sides emphasised on increasing economic cooperation in sectors like mining, energy and infrastructure building.

India and Indonesia have identified five areas - manufacturing and skill training; healthcare and pharmaceuticals; mining, agro and food processing; R&D - where joint working groups will be set up.

On a tax imposed by Indonesia on coal exports, Sharma said: "These issues have been discussed. There would be a balanced approach, which would be rewarding for both countries".

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EU will offer more than India in trade deal: Envoy
Sanjay Jog, Business Standard

Mumbai, Feb 25, 2012: The European Union will offer more concessions that India in the proposed free trade agreement.

The EU Ambassador to India Joao Cravinho on Friday said: "Concessions to be offered by EU will be more than those provided by India. However, it will benefit both." The challenge in the execution of the FTA was quite big as it was going to cover a population of 1.75 billion he said.

"By far, the FTA between EU and India will be the biggest, considering the coverage of population. But at the same time it will be deep in terms of level of tariff reduction and the sectors that will be covered. India and European Union (EU) are yet to arrive at a consensus on opening of markets for services, wine, spirits and automobile sectors., he said.

Besides, both the countries still differ on the issue of sanitary and phytosanitary standards (SPS) applied by EU. However, Cravinho said, given the level of complementarity between the two economies, EU and India would successfully arrive at an agreement to finalise the deal by the end of the year.

Speaking at the sidelines of the FICCI's national executive committee meeting here, Cravinho told Business Standard: "Currently, a lot of technical negotiations are going on between EU and India. There has been a high level of ambition but both EU and India are not underestimating the complexity of issues faced by both. There is a question of opening of markets by both in services sector and also in wine, spirits and automobile. One thing is clear that EU and India have gone too far down the road and it is difficult to turn around. We are hopeful that FTA will be finalised by end of year."

He said EU and India negotiators were tying up the loose ends.

As far as SPS is concerned, Cravinho admitted that Indian companies have raised concerns about the standards. Similarly, EU has put up its argument in favour of SPS. "However, the proposed FTA will devote a special chapter on SPS as well as non-tariff barriers. The objective is to ensure uniform trade advantages and safety for consumers," he added.

Cravinho said the FTA could provide a stimulus for further opening of the Indian economy and it will have a multiplier effect. "Indian economy is still inward-looking. This policy served quite well in the past but it may not do so in future in the current globalisation. If Indian economy remains protective, it will continue to be less competitive. However, I strongly believe the FTA can provide stimulus for further opening of the Indian economy."

As far as the opening of the multi-brand retail is concerned, the EU Ambassador noted that the Indian government has clarified that it was consulting cross sections in order to arrive at a consensus before putting in place a legal framework.

On trade between EU and India, Cravinho said there was further scope to tap potential. "Trade between EU and China is six times compared with India. Chinese economy is three and half times of India. However, due to complementarity in economies and democratic set up, trade will further grow between EU and India," he added.

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India mulls IDB membership to boost trade with Latin America
Smriti Seth & Vikas Dhoot, Economic times

FinMin may have to shell out $300 million

1 March, NEW DELHI: India is likely to join a multilateral bank this year to give a fillip to its trade ties with Latin America that have expanded at an unprecedented rate in the last decade.

The finance ministry is considering an investment of about $300 million to become a member of the US-based Inter-American Development Bank (IDB), which supports development in Latin America and the Caribbean region with a corpus of over $60 billion.

The foreign ministry had been pitching for an IDB membership almost every year since 2001, but the finance ministry had been reluctant as there was hardly any trade with the region then. The recent spurt in economic ties has spurred a re-think, with the commerce ministry giving its backing.

"There is a time for everything, and given the growth in trade since 2001, I think the time has come to seriously evaluate this (IDB membership), which the ministry of finance is doing," said Jyotiraditya Scindia, Minister of State for Commerce and Industry.

A membership of the bank would facilitate easier credit for Indian entrepreneurs seeking to invest in the 43-nation Latin American and Caribbean markets. More importantly, it will signal long-term commitment to a region that has seen interest from China but has greater natural complementarities with India. China joined IDB in 2009.

India's trade with Latin American countries (LAC) has grown at over 1,000% in the last decade, from less than $2 billion in 2001 to $25 billion in 2010-11. In the same period, the region's share in India's total trade basket has more than doubled from 1.8% to 4%.

Indian corporate investments in the region are also peaking-crossing the $15-billion mark recently. With Indian firms such as Reliance Industries, Essar, Renuka Sugars, GAIL and United Phosphorus exploring big-ticket investment opportunities across sectors, officials expect these numbers to scale up fast.

"With the world's economic architecture changing, it's very important that India integrates with this part of the world," Scindia said. The minister heads a committee on trade and investment ties with the Latin America and Caribbean region, which is expected to suggest measures to ease bottlenecks in economic transactions in March.

A senior foreign ministry official said that big Indian firms were capable of entering the region on their own, but middle-rung companies would need credit support for tying up joint ventures with local partners. "The Exim Bank of India won't lend to such projects, but the IDB could offer funds through local partners," he said.

While the region's population of about one billion has boosted Indian exports in pharmaceuticals, engineering goods and textile products, officials see greater opportunities due to similarities in growth patterns and the mutual needs of the two regions.

"Over the next two decades, many LatAm countries need to upgrade their infrastructure. The region offers huge tracts of land and hydrocarbon reserves, which can help us meet our food and energy security goals," the official said. "If we want to realise these opportunities, we need to enter now."

An essential for acquiring IDB membership is purchase of its shares and contribution to its Fund for Special Operations, which is expected to cost about $300 million but can be paid in tranches.

"The Bank is always open to the possibility of eventual negotiations for membership by India and by other countries," an IDB spokesman told ET, while denying any ongoing negotiations with India.

The foreign ministry is keen on prompt action as the shares on offer in the bank won't be available forever. "Some European countries had committed to join the bank but couldn't back it with funds. We can tap into those shares only for a limited time," the official said.

"If India takes this step, Delhi would be sending a very positive signal about its real intentions regarding Latin America," said Juan F Cordero, Costa Rica's Ambassador to India.

"It would be possible to get resources from the bank to finance projects that involve both countries," Cordero said, pointing to possibilities in infrastructure projects, easier procedures for commerce and technical cooperation like 'buying' India's IT expertise.

IDB currently has 48 member states including developed nations such as the US, Germany, France, Canada and the UK, besides three Asian countries-China, Japan and South Korea-which acquired membership recently.

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Argentina's new import norms impacting Indian exports: FIEO
PTI

Mar 4, 2012, NEW DELHI: Worried over delay in shipments due to the new import procedure initiated by the Argentinian government, exporters have urged the Commerce Ministry to take up the issue with the Latin American country.

From February 1, the Argentinian government have asked its importers to take the government permission before importing any product from any country, including India.

"This move would impact bilateral trade...We have asked the Commerce Ministry to raise the issue with the Argentina government," Federation of Indian Export Organisations (FIEO) President Rafeeq Ahmed said. He said that under WTO norms, a country can take such a step on the ground of collecting data or traceability of imports, but the respective government has to give its permission within a specified time period.

"However, the Argentinian government is taking a long time to give its permission...Indian exporters have complained that their consignments have come to a stand still and they are stranded with huge stock of goods produced specially for that country with logo of buyers - so cannot sell elsewhere. Our buyers are very keen to buy, but not getting permission," he added.

A senior official in the Commerce Ministry said that they have received representation from the exporters.

"The Commerce Ministry will take up the issue with Argentina," the official added.
In 2010-11, India's exports to the Latin American country stood at $ 398 million, imports were aggregated at $ 1.02 billion.

India mainly exports chemicals, machinery, auto parts, plastics, pharmaceutical and iron and steel.

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Philippines' voice-BPO growth no threat to India
Bibhu Ranjan Mishra, Business Standard

The archipelago's outsourcing exports is about $9 bn compared to India's $15 bn

Bangalore/Mumbai, Feb 24, 2012: Philippines might have emerged as the new capital for call centre works, but the country still has a long way to go to match India in the overall business process outsourcing (BPO) segment not just in terms of size of the industry, but also in terms of range of services. According to various industry and analysts' reports, Philippines has overtaken India in the voice-based BPO services delivery, but in the overall BPO category India still leads the pack with BPO exports of close to $15 billion.

The BPO industry in Philippines was estimated at about $ 9 billion in calendar year 2011 (as per the data obtained from research firm Everest), with voice-based BPO services (call centre works) dominating the vast majority of the total BPO exports at about $7.38 billion. This is marginally higher than India's voice-based BPO exports' revenues of about $7 billion in financial year 2011.

Industry analysts say that though Philippines' BPO industry is growing at a faster rate than India, even at the current rate of growth it will take a few more years to match the Indian BPO industry. Amneet Singh, vice-president, Global Sourcing, Everest Group, said, "On the voice side, the Philippines' BPO industry has overtaken India. It's because there is a clear advantage for Philippines for serving voice customers, primarily in the US market on account of cultural affinity and better English accent. But on the non-voice BPO side, there is still a significant difference between India and the Philippines."

The Indian BPO industry is expected to earn exports revenues worth about $16 billion in financial year 2012. This is a growth of more than 12 per cent over financial year 2011. At present, the Indian BPO industry provides direct employment to about 880,000 people, according to Nasscom Strategic Review for 2012.

"India is way ahead of Philippines when it comes to data-based works. Moreover, moving the work to any other centre is a decision of the customer as well as the vendor. For us, it is a derisking strategy. Also, as we become more and more global, we also want to expand our presence globally," said Keshav Murugesh, CEO of WNS.

While most of the BPO delivery centres in the Philippines are run by Indian companies, most of these companies use the country as a base to offer alternative delivery option to global clients. For example, Aegies, BPO arm of Essar Group, is the largest BPO in Philippines, employing about 12,000 people.

"We often provide solutions where it makes the best sense — whether in India, the Philippines, Guatemala or Bucharest. In certain cases, we explain the customer the reason why it makes sense to get the work delivered from the Philippines," said N V 'Tiger' Tyagarajan, president & CEO of India's largest BPO services provider Genpact.

Indian BPO players also believe that there are certain skillsets that are easily available in the Philippines which help them to ramp up faster in that process. "If any BPO company wants to add a large number of people for various BPO services, their choice would be the Philippines, which is capable of offering such services, apart from India. For example, in finance & accounting, Manila alone has over 100,000 certified accountants which helps BPO companies to quickly ramp up their F&A practice in that country," said Swaminathan D, CEO and MD of Infosys BPO.

One of the factors that make India more lucrative is that operation cost in the country is still 5-15 per cent cheaper than what it is in the Philippines. However, India may not offer the same cost advantage in future with the exit of the Software Technology Parks of India (STPI) scheme, which was giving tax incentives to the IT-BPO sector. When the STPI scheme was discontinued in March 2011, almost 70 per cent of the BPO centres were located in STPI facilities.
Unlike the Philippines, where BPO centres are largely located in two cities, Manila and Cebu, India offers multi-city delivery options and this makes the cost structure variable. India has close to 22 cities, including tier I and II cities, offering BPO services. In the Philippines, 80 per cent of the BPO companies are located in Manila, and the option of cities as alternative delivery locations is limited.

On the positive side, the Philippines offers better infrastructure. Besides, the BPO industry in that country does not provide security and transportation services to the employees, which is an added cost in India. The attrition rate, though somewhat lower in the Philippines, is expected to go up with the maturity of the industry.

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Walls and laws
The Indian Express

By allowing foreign lawyers to conduct temporary business in India, the high court opens a window

Feb 23, 2012: The Madras high court has brought some clarity to the vexed question of what foreign lawyers may and may not do in India. It has ruled they are allowed temporary "fly-in, fly-out" stints, to advise on international law, and participate in negotiations and arbitration proceedings.

Foreign law firms have been clanging the gates since the 1990s — and back then, the RBI had allowed three firms (Chadbourne & Parke, Ashurst Morris Crisp, and White & Case) to set up liaison offices. This was bitterly resisted. Though successive law ministers have voiced their commitment to opening up the legal market, and suggested it's just round the corner, sustained opposition from domestic law firms and a protectionist Bar Council have stymied it. Those who argue for it say that such legal practice falls in the services sector and India is bound under WTO to liberalise it. However, in 2009, after 14 years to mull the issue, the Bombay HC upheld the Lawyers Collective's challenge to the RBI's permission, ruling the Advocates Act 1961 applied to litigation as well as non-litigation practice, and non-Indian nationals can enrol as advocates in India only if, reciprocally, their country allows Indian lawyers to practice in the same manner there. Foreign law firms have circumvented Indian rules in many inventive ways — crafting "Best Friends" agreements with Indian firms, employing extensive India practices, etc. However, in 2010, 31 foreign law firms and a legal process outsourcing company were hauled to court by a Chennai lawyer, A.K. Balaji, who claimed they were still operating in India, overtly and covertly, and that's what the Madras HC has just ruled on.

This verdict clears up some of the haze surrounding the subject — for instance, it was unclear what constitutes "practice" — how the duration and frequency of visits by a foreign lawyer would be counted, what kind of work was allowed, whether they were allowed to have a workplace in India, etc. The Madras HC has sensibly ruled short visits don't amount to a practice. Of course, the Advocates Act would have to be amended if the legal market is to be genuinely liberalised — and that should be a matter of "when", not "if", in the interests of greater competition, better employment prospects for lawyers, and global expertise.

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Lack of internal coordination on services talks irks Commerce Ministry

Arun S &Thomas K Thomas, Hindu Business Line

New Delhi, March 2: The Commerce Ministry is peeved at the lack of coordination within the Government during the services trade negotiations at the bilateral Free Trade Agreements (FTA) and even the World Trade Organisation's (WTO) multilateral trade negotiations.

According to an internal note seen by *Business Line*, the Commerce Ministry said that "while negotiating these agreements (FTAs), it has been seen that there is no internally coordinated approach in the Government towards dealing with this (services) sector in a cohesive manner." The Ministry said it usually holds inter-ministerial consultations and meetings with industry associations, professional bodies and other stakeholders for feedback and inputs during such negotiations.

However, the Ministry rued that since there is no defined group of stakeholders that can be regularly consulted, at times it does not get timely and meaningful responses.
Significantly, it also said during multilateral and bilateral negotiations, "important issues are often addressed in an ad hoc fashion."

A close coordination with other ministries and stakeholders will also help India in WTO multilateral talks where negotiations for disciplining domestic regulations of countries are currently on, the Commerce Ministry said.

These domestic regulations include qualification requirements and procedures, licensing requirements and procedures, implicit market access barriers, all of which are affecting India's professionals trying to offer their services in markets abroad, it said.

It further said India is pitching for greater market access abroad for its service providers, and that disciplines on domestic regulations is India's key demand.

The Ministry said only an institutional arrangement in the form of an Inter Ministerial Group (IMG) will help in sensitising other Government departments of the reciprocal measures required in service sectors and in turn help trigger regulatory reforms.

The IMG can suggest steps to address domestic regulatory and resource issues hampering the growth of services sector policy as well as identify key areas in domestic reforms to enhance India's services exports sector's potential, it said.

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Talks on for WTO regional centre in Chandigarh
Sanjay Sharma, TNN

Feb 28, 2012, CHANDIGARH: Talks have been initiated for setting up a regional resource centre for consultation on World Trade Organization (WTO) issues at Mahatma Gandhi State Institute for Public Administration of Punjab (MGSIPAP) here.

The idea emerged at a regional conference on "International Trade Issues/WTO and Prospects", organized by Delhi-based Centre for WTO studies. The Centre is part of the Indian Institute for Foreign Trade (IIFT), which is a government of India-supported institute.

MGSIPAP director general B K Srivastava told The Times of India here on Monday that talks were on.

No information, however, was available on as to what level the talks had progressed.

The need for institutional arrangements in states was expressed by additional secretary, commerce and trade, government of India, Rajeev Kher.

Kher told The Times of India, "States have been facing a problem of information and expertise and information on WTO and international trade".

Professor Sajal Mathur from the Centre of WTO studies also revealed that Andhra Pradesh, Maharashtra, Karnataka and Tamil Nadu had already made such arrangements. The centre was planning an aggressive campaign to build capacity in all 28 states.

The conference had participation from Punjab, Haryana, Himachal and Jammu and Kashmir.

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WTO: Battleground for emerging economies

Leïla Choukroune, Hindu Business Line

Brazil, China or India, the new global trade champions, are ready to seize their legal weapons, hence possibly transforming the WTO dispute settlement system.

February 28, 2012: The solar battle between India and China has been brought to a rather abrupt close by the government's decision to reject Indian manufacturers' plea for anti-dumping measures against cheap Chinese products. However, some other emerging trade wars may soon be fought at the WTO level.

Brazil, China or India, the new global trade champions, are ready to seize their legal weapons, hence possibly transforming the WTO dispute settlement system.

China on the offensive

Last July, the Dispute Settlement Body (DSB) of the WTO first offered a triumph to Beijing in a case China introduced against the European Union in response to anti-dumping measures taken by Brussels on Chinese iron and steel products.

Beijing had already won a difficult battle against the US in March, while the WTO Appellate Body acknowledged that Washington had partly acted inconsistently with its obligations under the Agreement on Subsidies and Countervailing Measures (SCM), by imposing anti-dumping and countervailing duties on questionable grounds.

A diligent student in international trade, China now adopts a more offensive stance against its major commercial partners. After 10 years of participation in the WTO and a first study phase during which Beijing has become familiar with the WTO dispute settlement mechanism as a third party in as many as 87 cases, China has appeared 23 times to the DSB as a defendant, and already eight times as a complainant.

With a better in-house expertise of international trade law, and now convinced of the benefits to be derived from a quasi-judicial settlement of international trade disputes, Chinese lawyers have caught up on legal techniques, and developed sophisticated reasoning.

Brazil, India in picture

Interestingly, the next contesters of Beijing may not be the EU or the US, but rather Brazil or India.

With the recent imposition of a 30 percentage-point tax increase on cars with less than 65 per cent local content, the Brazilian government firmly reacted to the significant imports of Chinese cars, and the risk to see the country “de-industrialised”.

Following Tata Motors' announcements, some other foreign car companies may decide to build car factories in Brazil, hence avoiding high taxes, but this may also result in a major WTO dispute as Brazilian —Indian industrialists seem to distinguish between Chinese and some other trade competitors.

Be it chicken, tyres, paper, steel, intellectual property or solar panel, the China-related disputes cover all possible areas of international trade, but one finds rapidly that the vast majority of cases deal with anti-dumping measures adopted in reaction to what is often perceived as unfair trade.

The WTO agreement indeed makes it possible for its Members to respond to dumping to the extent an “important” damage to the domestic industry is demonstrated. In this respect, the complicated calculation of dumping differs depending on whether the accused unfair trader is a market economy or not.

Without a market economy status and with a fundamental role for the State in its economy, China is now in a complicated position.

It will soon face many more dumping-related disputes, possibly introduced by some other emerging trade champions who want to protect themselves against unfair Chinese competition, but aren't known to be in favour of liberal orthodoxy either.

‘State Capitalists'

Having emerging or developing countries fighting against each other at the WTO is not something new. India, for instance, has brought a number of complaints against Brazil, Argentina or South Africa, but something else is at stake today.

Many of these emerging trade champions are, to a very large (China) or much smaller extent (Brazil), “State Capitalists”, as recently described in a survey by *The Economist*.

Ambiguous market economies or economies in transition play with different rules than those ideally imagined for a free trade scenario.

They skilfully select those of the legal tools available in the WTO Agreement that could better protect their syncretic economic model, hence contributing to the creation of a hybrid system, and a possible redefinition of the WTO's values and role.

Is this something to worry about or, on the contrary, an opportunity for clarification of the rules of the game?

One can indeed wonder if free trade has ever existed, when the EU or the US keep fighting regarding the unacceptable character of their respective highly subsidised industries or agriculture.

This eruption of new players on the commercial scene may lift the veil of hypocrisy that reigns in an idealised model of international trade that is not always respected by its main proponents known to be in favour of liberal orthodoxy.

The author is with Maastricht University Law Faculty.

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India drags Turkey, Egypt to WTO for import duties on Cotton yarn
Amiti Sen, ET Bureau

Feb 24, 2012,NEW DELHI: Striking against rising global protectionism, India has dragged both Turkey and Egypt to the World Trade Organisation for imposing special import duties on Indian cotton yarn, lowering competitiveness in these markets.

New Delhi has been criticising Turkey for violating WTO norms at several forums of the WTO for the past few months, but it has requested formal consultations on the issue for the first time, which is the first step towards filing a dispute.

Egypt, on the other hand, will be asked to explain reasons behind imposing similar duties on cotton yarn in December 2011.

Both countries have resorted to safeguard duties as such levies are easier to impose since a country only has to claim that rising imports were harming the domestic industry, a government official told ET.

Indian cotton yarn producers say that Egypt and Turkey, the fifth and sixth largest export destinations for the products, were growing markets and all attempts to check imports through unnecessary restrictions have to be opposed.

"We are concerned by the imposition of safeguard duties by both countries and hope the issue is resolved soon," said Siddharth Rajagopal, executive director, The Cotton Textiles Export Promotion Council or Texprocil.

Turkey imposed safeguard duties between 12% and 17% with effect from last July over and above the customs duty of 5% making prices of India's exports shoot up. Egypt, on the other hand, imposed a specific duty of 55 cents per kilogram of yarn in December. "In Turkey's case we have questioned its claim that adverse effect on the domestic industry due to higher imports was because of unforeseen developments and imposition of global trade rules," the official said.

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US challenges India poultry ban at WTO
Reuters

Washington, Mar 07, 2012: The United States on Tuesday began action at the World Trade Organisation (WTO) to open India's market for poultry meant and eggs, saying an Indian ban on US imports intended to stop the spread of bird flu was not based on sound science.

"The United States is the world's leader in agricultural safety and we are confident that the WTO will confirm that India's ban is unjustified," US Trade Representative Ron Kirk said in a statement on the US request for consultations.

India's ban in the name of protecting local poultry producers from losses caused by avian influenza is "clearly a case of disguising trade restrictions by invoking unjustified animal health concerns," Kirk said.

The US poultry industry welcomed the move, which they said could pry open a market for US poultry exports conservatively valued at more than $300 million.

"In our view, India's posture is thinly guised protectionism," Jim Sumner, president of the US Poultry and Egg Export Council, said in a statement.

"More than 100 countries enjoy chicken imported from the United States. As the middle class in India continues to expand, and the market moves more toward commercial poultry, the United States should be afforded the opportunity to compete fairly with our products in this growing market," Mike Brown, president of the National Chicken Council, added.

US officials said international scientific standards for controlling avian influenza do not support banning imports due to low pathogenic avian influenza, which is the only type detected in the United States since 2004.

The United States is the world's largest broiler meat producer and second largest exporter, behind Brazil.

India's broiler meat consumption has risen from 2.23 million metric tonne in 2007 to a projected 2.75 million this year, according to a US Agriculture Department report.

India is forecast to produce about 2.70 million metric tons of broiler meat this year, providing some opportunity for imports, the Agriculture Department report showed.

Consultations are the first step in the WTO dispute settlement process and parties are encouraged to agree to a solution at this stage. If the matter is not resolved through consultations, the United States may request the establishment of a WTO dispute settlement panel.

Litigation at the WTO can take one to two years to conclude.

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US hikes dumping duty on Indian shrimp imports
C.J. Punnathara , Hindu Business Line

Increase unlikely to impact trade, says exporters body

Kochi, March 2: The Sixth Administrative Review on shrimp exports to the US has fixed a 2.51 per cent anti-dumping duty on Indian shrimp consignments, up from 1.69 per cent awarded last year.

However, what is noteworthy of the latest review is that another company, Falcon Marine, has been awarded de-minimus status - they have been awarded duty of 0.5 per cent or less, sources in the Seafood Exporters Association of India (SEAI) said.

Earlier, Devi Seafood had already come under the sub-minimus status. While there have been a small increase in the rate of duty for the country as a whole, SEAI sources said that it will not have any serious implication for trade.

The findings of the Sixth Administrative Review were announced in the US on February 29 and India is still to get the detailed report.

What is salutary, SEAI source pointed out, is that Indian shrimp exports to the US should be out of ‘zeroing' at the end of the Seventh Administrative Review period – February 2012 to January 2013.

What is zeroing

While it is inevitable that every country would be forced to sell a very small portion of its export consignment beneath fair-value price mainly under distress conditions, the practice of the US Customs to identify these specific consignments and charge anti-dumping duty on all shipments is known as zeroing.

The World Trade Organisation, in recent rulings ,has declared zeroing as an illegal practice under the WTO guidelines as it was found violating several international and multilateral trade rules.

The removal of zeroing will be welcomed by the Indian trade and is expected to strengthen the country's shrimp exports further.

India's seafood exports increased to Rs 12,191 crore during April-December 2011, with shrimp exports contributing the bulk.

Frozen shrimp

Frozen shrimp exports constituted over 51 per cent of the total value of seafood exports during the period. What is further noteworthy is the fact that US was the single most important shrimp export destination during the period.

The US accounted for 33 per cent of India's total shrimp exports and realised 42 per cent of the shrimp export realisations.

The low rates of anti-dumping duty and positive moves on zeroing would have far reaching positive impact on India's seafood exports.

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Anti-dumping duty likely on imports of soda ash
PTI

New Delhi, February 23 2012: India may impose an anti-dumping duty of up to USD 38.79 per tonne on a chemical, used mainly in detergents, imported from seven places including China, EU, Pakistan and the US, to protect domestic players against cheaper imports.

The Directorate General of Anti-dumping and Allied Duties (DGAD) has recommended imposition of the duty on imports of 'soda ash', the Commerce Ministry said in a notification dated February 17.

The Directorate's recommendation comes on the basis of its findings that increased imports have caused "material injury" to the domestic industry, it said.

Alkali Manufacturer’s Association of India had filed a petition for imposition of an anti-dumping duty on behalf of the domestic industry.

The duty ranged between USD 2.38 per tonne and USD 38.79 per tonne, it said.

The DGAD, which is under the Commerce Ministry, in its recommendations said that the chemical has been exported to India below its normal value from China, European Union (EU), Kenya, Iran, Pakistan, Ukraine and the US.

"... the Authority is of the view that imposition of definitive anti-dumping duty is required to offset the dumping and injury," it added.

Soda ash is an essential ingredient in the manufacturing of detergents, soaps, cleaning compounds, float glass, container and specialty glasses and other industrial chemicals. It is also widely used in textiles, paper, metallurgical industries and desalination plants.

Anti-dumping duty is recommended by the Commerce Ministry, while the Finance Ministry imposes the same.

The country has already imposed anti-dumping duty on imports of fabric, yarn, nylon tyre cord and several chemicals.

Unlike safeguard duties, which are levied in a uniform way, anti-dumping duties vary from product to product and from country to country.

Countries initiate anti-dumping probes to check if domestic industry has been hurt because of a surge in cheap imports.

As a counter-measure, they impose duties under the multilateral WTO regime.

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India opposes pharma piracy pact by 10 nations
Amiti Sen, ET Bureau

Mar 3, 2012, NEW DELHI: India has strongly opposed an anti-counterfeiting trade agreement by a small group of countries including the US, Switzerland, Canada and Japan recently, which it feels will be used to stop the country's generic drug exports.

New Delhi has said the agreement is at the behest of the multinational companies that fear competition from cheaper drugs produced in India. China, Brazil, Bangladesh, Thailand and Equador, too, backed India's concern that the anti-counterfeiting trade agreement, or ACTA, goes beyond TRIPS - the multilateral agreement on intellectual property.

The ACTA was signed by ten WTO countries including Australia, Canada, Korea, Mexico, New Zealand, Japan, Morocco, Singapore, the US and Switzerland in October last year to check global trade of counterfeit goods and pirated copyright protected works through stricter enforcement laws.

The EU, and its 22 member states, signed the plurilateral pact in January this year, but key countries including Germany, Poland and the Netherlands have refused to join the treaty on the ground that it breached freedom of speech and privacy.

The EU can ratify the agreement only when all its constituent states are on board. The agreement, which intends to improve "the enforcement of intellectual property rights" in participating countries by setting international standards over how copyright infringements are dealt with has also been criticised for providing for 'criminal' enforcement and seizures.

India said ACTA can undermine the TRIPS Agreement, which has safeguards to ensure that legitimate trade in generics between two countries cannot be hampered even if it passes through a third country that has stricter domestic intellectual property regime. Citing cases of seizures by customs at European ports of generic medicines being exported by India to other developing countries, India said the ACTA would legitimise such acts.

"In the recent cases of seizures, the EU had to release the shipments and admit that it was in the wrong as the move violated TRIPS Agreement. But with ACTA in place, there would be a risk of legitimising such seizures," a government official told ET.

Brazil said one-size fits all was not advisable as each country had a different IPR situation. India said ACTA would inhibit South-South trade and added that there were also concerns about digital freedom and fundamental hostility towards consumers.

WTO members are already signatories to international patent regime TRIPS that has in place regulations to ensure patent protection. India moved from a process patent regime to a stricter product patent regime in 2006 in line with its commitment under TRIPS.

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Patent rights?

T S Vishwanath, Business Standard

WIPO must protect the developmental needs of countries with genetic resources as it pushes for inventions and innovation in industry

Mar 01, 2012:The Geneva-based World Intellectual Property Organisation (WIPO) has moved forward on the creation of a single text for discussions in the area of genetic resources. The use of genetic resources and traditional knowledge for industrial application through patents has been an issue of debate for many years at the World Trade Organisation (WTO) and WIPO.
The new text was discussed at the 20th session of the WIPO Intergovernmental Committee on Genetic Resources, Traditional Knowledge, and Folklore (IGC) in February. The committee was set up over a decade ago to sort out the differences between countries that are rich in genetic resources and traditional knowledge and the developed world that uses these genetic resources for developing patents for industrial use.

One of the most contentious issues in creating this single legal text started with some of the developed countries seeking to change the term intellectual property rights (IPR) mentioned in the text to patents. However, countries like Bolivia that supported the use of IPR said the term needed to have boarder coverage since patents, as a term, had a narrow focus, while IPR also included geographical indications.

The new text provides different options that can be chosen by countries for defining some important terms. For example, for defining "genetic resources" the text provides two options. The first option provided for discussions stated that "genetic resources" are genetic material of actual or potential value, while the second option defines "genetic resources" as it is understood in the CBD (convention on bio diversity) and related instruments and the International Treaty on Plant Genetic Resources for Food and Agriculture.

The other area of concern for developing countries has been the need for patent seekers to state the source from where the genetic resources have been obtained and also provide details of any traditional knowledge that may be associated with these. Developed countries like the US and Japan are of the view that mandatory disclosure of such information will make the job of patent seekers very difficult. The US felt the need for carrying out studies to see the impact of such a move that did not find support from many countries like Egypt, South Africa and India. The African group was, reportedly, of the view that there are several studies that exist and they can be put together by WIPO for better understanding. India, reportedly, made a strong statement at the meeting that there are enough instances of how available genetic resources and traditional knowledge had been used freely by patent seekers without acknowledging the source of the genetic resource or the traditional knowledge attached to it.

A few countries tried to overcome this issue by stating that WIPO may put together a non-binding document that lists out the genetic resources and traditional knowledge available in different countries. However, many others who support the need to acknowledge the presence of genetic resources in patents were of the view that non-binding documents would not serve the purpose.

The debate on the use of genetic resources and traditional knowledge has been going on for a long time since developing countries fail to make profit because of the use of genetic resources by patent seekers that are later developed into business products by industry.

The IGC, which was set up with the aim of resolving the dispute, has certainly come a long way to look at issues on both sides of the table. However, it is important for countries to ensure that the rights of the owners of genetic resources and the traditional knowledge associated with it is acknowledged and rewarded. Patents are extremely important instruments to provide a push to inventions that galvanise industry into making better products.

However, any move that takes away the original rights of the people who own the resources would be unfair. The possible exclusion of the rights of people was evident when the indigenous people who attend the meeting of the IGC staged a walkout stating that they were not being heard in these meetings.

If WIPO has to be seen as a transparent and fair organisation that balances the developmental need of members with genetic resources with the need for providing a push to inventions and innovation in industry, then it will have to find the right mix of proposals in the final document on this contentious issue.

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