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India emerges as top 25 leading exporters in world
PTI

October 3, 2012: WASHINGTON: India has emerged as one of the top 25 leading exporters in the world along with countries like Brazil Mexico and Malaysia, WTO chief Pascal Lamy has said.

"In addition to China, many new trading powers have emerged -- Brazil, India, Mexico and Malaysia are all in the top 25 leading exporters' table and all posted export growth of 15 per cent or better in 2011, " Lamy said at the Brookings Dialogue here.

He said developing countries' share has increased to about 50 per cent compared to around 33 per cent of the global trade in 2008.

Also trade as a share of the world GDP has risen from roughly 40 per cent in 1980 to around 60 per cent today.

However, Lamy said that increasing use of non-tariff measures by different countries are impacting trade. "...governments are implementing a variety of non-tariff measures which impact trade flows, sometimes profoundly," he said on October 1.

These measures are regulatory in nature and are aimed at protecting consumers' health and safety, he added.They include standards, testing and certification procedures.

"But removing these types of regulations is often neither desirable nor politically feasible," Lamy added. The challenge before the WTO and other multilateral organisations is to reduce such discrepancies so that they do not conflict and unnecessarily restrict trade, he said.

Besides, regional or bilateral preferential trading arrangements may include elements not covered by the WTO agreements such as social and environmental standards, recognition of standards or qualifications. "There is a danger that the regulatory elements of each accord may not only differ but clash, creating perhaps unintended but very real barriers to trade," Lamy said.

He emphasised the need for global co-operation to address these measures.

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India needs to focus on developing new export markets: Pranab Mukherjee
Economic Times

5 October, 2012, New Delhi: Expressing confidence in the prospects of the economy, President Pranab Mukherjee today underlined the need to diversify exports to developing countries to achieve high growth.

India's high economic growth (during 2003-04 to 2007-08) was supported by diversification in export markets to Asia and Africa.

Addressing a FIEO award function, Mukherjee said: "I am confident about the prospects of Indian economy, which continues to be one of the fast growing economies of the world, and also that our export sector will be a part of this growth story."

"...notwithstanding its growing resilience the experience in more recent months suggests that as India's globalisation deepens, it too cannot escape from the impact of developments abroad," he added.

The unfolding of Euro-zone crisis has impacted the economy through lower growth, falling business sentiments, declining capital inflows and exchange rate, stock market volatility and attendant implications for investor confidence, he said.

The slowdown in external demand has led to significant deceleration in the growth of exports, with the outward shipments showing a negative growth since May 2012.

"Even as one awaits the recovery of demand in the developed economies, India needs to maintain the focus of its trade policy on developing new export markets in the emerging and the developing countries..., Mukherjee added.

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Stronger rupee will cut into exports' margin
Madhvi Sally, Economic Times

5 October, 2012, Ahmedabad: The stronger rupee will eat into the margins of rice, soya and maize exporters. The Indian rupee rose to a five-and-a-half-month high of 51.74 on Thursday.

A rising rupee makes rice, maize, soya feed exports costlier and reduces export margins. Rice exporters are demanding that the government give them relief of over 3% under the Focus Market Scheme and Krishi Vikas Yojana.

"We have taken up the issue with the Ministry of Commerce," said Mohender Pal Jindal, president, All India Rice Exporters Association.

Since India lifted a ban on the export of non-basmati rice in September 2011, the country exported about 8 million tonne of rice.

From April till August end this year, over 1.2 million tonne basmati rice and 1.9 million tonne of non-basmati rice have been shipped out.

"As paddy harvest begins across the country, prices will weaken by 4% to 5% which might help exporters," he added.

Currently, Indian rice is competitively priced against the Vietnam and Thailand varieties in the global market. Indian parboiled rice is being quoted around $420-$430 per tonne compared to Thai parboiled rice at $570-$580 per tonne.

However, it was still a big challenge to get buyers, said Anil Monga, MD, Emmsons International. "The rupee has strengthened by 10% in a week. It will impact exports of rice, maize, soya at atime when Christmas buying is going on," he added.

Exporters who have signed contracts but not hedged against currency fluctuations are going to be the worst hit.

"There is no demand for Indian corn at current prices.

We need to be $15-$20 cheaper from the current level to get orders," Monga added.

India corn is quoted at $305 a tonne CNF for November-December shipment. In comparison, good quality Argentina corn is quoted at $310 a tonne CNF.

Demand from Far-East nations such as Malaysia, Singapore, Vietnam and Indonesia will pick up once maize harvesting gathers pace across Andhra Pradesh and Karnataka in a month, said traders.

Exporters are looking at orders for maize and soya from Iran and Egypt, which happen to be non-traditional buyers.

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Government to roll out another export package soon
Amiti Sen, Economic Times

September 28, 2012, New Delhi: The government will soon announce another package to encourage exports, which have dipped sharply this fiscal due to shrinking demand from the Western countries, a major market for Indian goods.

An announcement to this effect is expected anytime after September 30, when the commerce department wraps up its assessment of the performance of various export sectors.

"Something would be announced definitely. But it will be limited by budget constraints," commerce and industry minister Anand Sharma told ET. The minister had announced a Rs 1,600-crore package for exporters in June, the effect of which is expected to kick in by October.

A commerce department official said the new package would focus on items that have recorded the sharpest fall in exports over the past few months, such as engineering products and textiles. "Sops are also on the cards for promoting exports to advanced economies where India's share is less than 1 per cent of total imports," the official added.

Exports fell 5.9 per cent year-on-year in the first five months of the fiscal due to continued uncertainty in the US and the EU, which together account for more than a fourth of the country's exports.
Sharma also said that efforts were on to extend discounted credit to more products.

"We have already expanded the list of products under the interest subvention scheme in June. I am trying to get a few more products added."

In June, the subvention scheme was extended mostly to labour-intensive products. According to the official quoted earlier, the department is now trying to include some large-scale industries, such as gems and jewellery, auto components, leather and pharmaceuticals.

The overall size of the package is expected to be paler than the previous one. "This time round, the incentives could be on incremental exports, over and above what the exporters did last year," said Ajay Sahai, Director-General of the Federation of Indian Export Organisations.

Growth in global trade has been sluggish due to the uncertainty in the global markets. The World Trade Organisation recently lowered it world trade growth estimate for this year to 2.5 per cent, from 3.7 per cent made in April, citing the Eurozone crisis as reason.

"Global markets are doing badly. Orders are not coming from the EU as importers are scared and don't know what the future holds. The US, too, has not revived," said Delhi Exporters Association president SP Agarwal.

Agarwal said an incentive package may not be enough to boost exports and that the government needed to reduce input costs by doing away with input taxes.

"We have to pay both service tax and VAT, which adds substantially to our costs and makes us incompetitive in the international market," he said, adding, "Our plea for exemption is being continuously ignored by the government."

India is targeting $360 billion in exports this fiscal, up nearly 20 per cent from the $306 billion achieved in the previous year.

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India reforms cheered, but impact still uncertain
Penny MacRae, Agence France Presse

10 October 2012: India's reforms blitz has cheered markets and changed perceptions of the government but the outcome is far from assured, with the nation a long way from returning to a high-growth path, analysts say.

Since mid-September, Prime Minister Manmohan Singh's Congress-led government has opened the retail, broadcasting and aviation sectors and proposed inviting foreign investment into the insurance and pension industries.

But some of this deregulation, which the media has dubbed the country's second reform "big bang" since Singh as finance minister began opening India's economy to the world two decades ago, may not have much immediate effect.

"The announcement is symbolically significant, partly because the reforms have been under discussion for years and partly because the decision shows evidence of sustained (government) momentum," said Eurasia Group analyst Anjalika Barali. But they may be "short on impact," she added.

Just nine of India's 29 states say they will implement the retail reform and allow in foreign supermarkets, with the others fearful of the effect on the hundreds of thousands of small store owners.

And while US giant Wal-Mart plans to open its first outlet in the next 18-24 months, other large retailers like Britain's Tesco and France's Carrefour, which initially expressed interest, are now struggling financially, analysts say.

In the aviation sector, the government has permitted foreign carriers to take a stake in Indian airlines, but the sector is drowning in debt and struggling with high prices of fuel and airport landing rights.

Kingfisher Airlines, owned by flamboyant liquor tycoon Vijay Mallya, is desperate for a foreign buyer, but is finding it tough to attract interest.

The Centre for Asia Pacific Aviation, a consultancy, says it does not expect "any foreign airline to invest in Kingfisher in its current state with its massive ($2.5-billion) debt burden, crippled fleet and poor employee morale".

Finally, the government's plans to raise foreign ownership caps in the massively underpenetrated insurance and pension sectors must still clear India's fractious parliament.

The reforms have already cost the government its parliamentary majority with the exit of a key ally who has threatened to bring a no-confidence motion against its former partner when the house reopens next month.

It could be "back to the old brick wall," warned CLSA economist Rajeev Malik, referring to the gridlock in previous parliamentary sessions.

As it slashed its growth forecast for the Indian economy this year to 4.9 percent, the International Monetary Fund (IMF) said on Tuesday that the "outlook for India is unusually uncertain".

The IMF's 2012 forecast for Indian economic expansion was its lowest in a decade, the institution said in its World Economic Outlook report.

The moves to open up sectors of the economy to foreign investment also fall short of addressing the so-called "structural problems" holding back the development of India's economy, Asia's third biggest, economists say.

Rigid labour laws discourage companies from hiring, antiquated land acquisition rules make setting up industrial projects difficult, while infrastructure from roads to power is old and insufficient.

Red tape and corruption are also huge problems for businesses and the government still runs large areas of the economy, including banks, mining companies and energy groups.

Subsidies on everything from fuel to fertilizers have also blown apart the government's budgeting, with a long-delayed move to hike the price of subsidised diesel as part of the reform package seen as a small move in the right direction.

But with general elections in 2014 and two state polls looming, the Congress-led government "knows its limits," said Ajay Bodke, strategy head at India's Prabhudas Lilladher investment house.

"The government has swung round perceptions of itself to being action-oriented rather than asleep," he said. "But they haven't addressed the really hard stuff like substantially reducing subsidies that is the most politically treacherous."

Investors have so far liked what they have seen from Prime Minister Singh and his reformist finance minister -- shares are up nearly 10 percent since the end of August -- but justifying the optimism is the government's next challenge.

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Exim Bank to promote exports of products, services from creative industry
Vinay Kamath and R. Ravikumar, Business Line

Chennai, October 8, 2012: Exim Bank has been striving to promote exports of products and services from the creative industry, through capacity building and skill development.

Elaborating on its efforts, the bank's Chairman and Managing Director T.C.A. Ranganathan said the key role of Exim is to identify areas with export potential.

He spoke to *Business Line* on the sidelines of the World Crafts Council Summit 2012, Kaivalam. The bank has sponsored the craft film contest to be screened during the event.

One such segment that the bank identified is the creative industry, which comprises areas such as the visual arts, craft, publishing, audio visual, design and new media. According to him, the size of the global trade in creative goods and services was over $380 billion in 2010. And, it is growing at an average annual rate of 8.3 per cent.

India's export basket of arts and crafts includes carpets, paintings, yarn, celebration items, glassware and paperware.

He said India is the eighth largest exporter of creative goods in the world. However, at $13.8 billion, it accounts for only 3.6 per cent, as against China's ($97.8 billion) or 25.5 per cent. It is very marginal and hence efforts need to be made to increase share.

Exim Bank, he said, steps in to create an enabling environment for rural micro enterprises to explore newer geographies. It conducts workshops for craftsmen and artisans to improve their creativity, fund them to increase capacity and help them identify the buyer market.

As the industry is a highly labour-intensive, cottage-based industry and is not structured, the bank has identified various NGOs and works with them. "These workshops, besides giving ideas to be more innovative, helps cross-fertilisation of ideas," he elaborated.

Ranganathan says lack of awareness and training on various issues and craftsmen's inability to extract premium prices for these products on the USP of being 'hand crafted' is a major drawback.

For example, he said packaging skills need to be improved. Citing how Japanese or Korean products are sold at least 10 times higher prices than comparable Indian handicraft products just with their superior packaging, he said good packaging will make the product more presentable.

"We work with a number of NGOs in the pursuit of enhancing artistic excellence and income. We try to marry them with people from the design and packaging industry to make their products more exportable," he said.

For example, he said the bank extended its support to URAVU in the Waynad district of Kerala, which promotes enterprises based on value addition of local and natural resources, especially bamboo. Exim Bank has also facilitated a West Bengal-based NGO for upgrading and modernising its existing unit producing various types of handicrafts based on natural fibres.

It also helped an enterprise employing women from BPL families for manufacturing off-the-loom tasar silk products in Bhagalpur, Bihar.

Going forward, Ranganathan said the bank is committed to facilitate the linkage between rural grassroots enterprises and corporates with overseas buyers and agencies.

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Exports to US rise despite slowdown
Dilasha Seth, Business Standard

New Delhi, October 8, 2012: The US' share in India's total exports rose to 11.3 per cent in 2011-12 from 10.1 per cent in the previous financial year, and 10.9 per cent in 2009-10, despite the slowdown there. In value terms, India's exports to that country grew 37.3 per cent in 2011-12, to $34.7 billion, according to data released recently. As a large number of patented drugs went off-patent towards the end of this year, the share was likely to increase further, experts said.

Federation of Indian Export Organisations Director-General Ajay Sahai said: "Despite a price advantage, barring a few big players, Indian pharmaceutical companies were not able to get entry into the US earlier. This will change now."

The importance of the US as an export destination could be gauged from the fact that though the combined population of India and China was six times that of the US, the combined consumption of these two economies was just about 60 per cent of the US, Sahai explained.

The share of the US in India's total exports used to be even higher earlier. It was 12.7 per cent in the pre-financial crisis year of 2007-08 (it came down to 11.4 per cent in the crisis period of 2008-09). In 2002-03, a little over 20 per cent of India's exports went to that country.

In value terms, India's total exports in 2011-12 stood at $303 billion, up 21.8 per cent over the previous year. Sahai said the top 13 export destinations for India, accounting for over $200 billion a year, were not emerging economic but advanced ones.

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India, US discuss ways to lower barriers to trade, investment
Press Trust of India

New Delhi, October 9, 2012: Committed to strengthening bilateral economic ties, India and the US today discussed ways to lower trade and investment barriers further.

In a joint statement after the India-US Economic and Financial Partnership meeting, Finance Minister P Chidambaram and US Treasury Secretary Timothy Geithner said the two sides will also strengthen co-operation to combat money laundering and terror financing.

They said India and the US are committed to exploring new areas to deepen and broaden economic and financial ties.

"Both countries recognise the great potential benefit from working together to meet the challenges of a shared future to generate jobs, sustain growth and help ensure macroeconomic stability... We discussed ways we can further lower barriers to trade and investment to facilitate stronger growth and job creation," the statement said. "Our work continues on infrastructure financing."

At the meeting, the two sides discussed economic and financial developments in their economies and in the world.

"We agreed to deepen our cooperation bilaterally and in multilateral fora, including the G-20 to contribute towards steering the global economy out of uncertainties and achieving strong, sustainable and balanced growth going forward," the statement said.

The two sides agreed to expand cooperation to deepen capital markets and strengthen financial regulations.

The third partnership meeting was attended by RBI Governor D Subbarao and US Federal Reserve Chairman Ben Bernanke, among others.

"The Partnership (launched in 2010) meetings have served as the forum for the highest level of engagement between India and the United States," the statement added.

The growing bilateral trade and investment across products, services and technology "is a sign of our commitment to build our relationship on a solid foundation that utilises our mutual strengths", it said.

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China forced to source Indian leather

Sushma U N, Times of India

28 September, 2012, Chennai: From competitor to customer, from threat to opportunity - the leather trade between India and China has come a full circle. Rising production costs and labour issues are pushing the Chinese to look at sourcing products from other countries, including India since Indian products match the Chinese in quality. That's a complete role reversal from just a year ago when the country used to supply critical ingredients to the Indian leather industry.

"The first indication of this (trend) came during the Shanghai Leather Fair when Indian manufacturers managed to sell goods, especially leather garments, to China," said Rafeeque Ahmed, chairman, Council for Leather Exports. Indian leather companies have been participating in the fair for the last two years and have seen a clear increase in sales to their Chinese counterparts, he said.

While Indian exporters are also looking at other markets such as New Zealand, Australia, Africa and Latin America, China promises to be the biggest in terms of volume. "Indian companies are now focusing on getting a foothold in China because it is a huge market," Ahmed said.

Companies are, for instance, focusing on high-end fashion garments and accessories, and footwear manufacturers are diversifying into newer areas like manufacture of women's and children's shoes. "Indian products are good; what we need to develop is marketing," Ahmed said.

Mohan Sreenivas of Orient Express, a manufacturer and exporter of leather garments, said, "China is a very important market for us and we are working towards understanding it." According to him, about 25% of his finished products go to China.

India's interest in China comes in the context of the need for the Indian leather industry to look at newer markets since its largest market, Europe, is in crisis. Warm winters in the European region have also affected Indian exports. China has, for long, been a major competitor for the Indian leather industry with Indian exporters in the past complaining that Chinese companies were killing their industry.

Lately, however, the Indian industry has been doing well despite Chinese competition.

In 2011-2012, the Indian industry exported leather products worth $4.9 billion, the highest from the country ever. Though exports have slowed down in the last six months, the dip will be made good in the second half of the year which sees exports for the upcoming spring-summer 2013 season, according to Ahmed.

The issue for the industry, however, is availability of skilled manpower. The entire industry is reeling under shortage of skilled manpower and Tamil Nadu, one of India's largest leather producers, is facing manpower shortage of about 15%, Ahmed said.

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Dip in Chinese orders pulls down cotton export
Business Standard

Mumbai, October 5, 2012: India’s cotton export in 2012-13 is expected to fall to seven million bales (a bale is 170 kg) compared with 12.8 million bales last year, following a sharp fall in Chinese demand, according to the Cotton Advisory Board (CAB), headed by the textile commissioner. China’s total imports are projected to fall to 2.5 million tonnes this year, half of last year’s. Around 65 per cent of India's cotton export goes to China.

China’s imports will be lower as their crop is good; they also have huge stocks,” said A B Joshi, textile commissioner. India's cotton prices are higher compared to global ones.“Although China is expected to reduce import of cotton from India, they may start importing cotton yarn,” said Umang Kapasi, joint managing director of the Coimbatore-based Shri Vardhaman Cotton Corporation, which is also an indenting agent.

CAB has estimated this year's (the cotton year starts in October and ends in September) total cotton production at 33.4 million bales compared to 35.3 million last year. The 2012-13 production would be lower due to scanty rainfall in major growing areas of Gujarat, particularly Saurashtra. However, output in Andhra Pradesh is expected at 7.2 million bales compared to 5.6 million last year, compensating for the loss in Gujarat.

Consumption of cotton by mills and non-mill consumption is expected to be higher this year compared to last year (see table). “Mill consumption is higher this year due to rise in productivity of smaller mills, which are in a financially better situation compared to last year. Also, the order inflow is much better this year,” said D K Nair, secretary general of the Confederation of Indian Textile Industry. Last year, many mills had financial issues, which led to their taking less of orders.

Internationally, too, mill consumption is put higher. According to the estimates by International Cotton Advisory Committee, “outside of China, mill use is expected to increase by five per cent, to 14.9 million tonnes (mt). Taking into account reduced shipments to China, cotton production is forecast down by six per cent to 18.6 mt, while stocks in the rest of the world are expected to grow by 16 per cent to nine mt in 2012-13.”

According to ICAC, with this projected fall in Chinese imports, the price outlook in the rest of the world is conducive to lower international prices in 2012-13.

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Cotton export registrations to remain under DGFT
Anindita Dey, Business Standard

Mumbai, October 2, 2012: The cotton registration for the new season, 2012-13, continues to remain with the Director General of Foreign Trade (DGFT) under the ministry of commerce.

This is despite repeated requests of the textiles ministry to regulate cotton exports and export registration to better manage supply, demand and prices in the domestic market. The request was made especially on the back of cotton imports this year, despite India being an export hub of the commodity traditionally. Under the ministry, the textile commissioner gets to handle registration of cotton exports.

In a meeting last week, it was seen that imports were not due to rise in the domestic price of cotton or shortage in availability. These were triggered primarily due to a fall in international prices. There was contraction in the data of the two ministries as well. While the ministry of textiles has shown a total import of 1.5-2 million bales (a bale is 170 kg), commerce data shows only 500,000 bales of import this year. Therefore, the registration continues with DGFT, said sources.

Earlier, the ministry had also written to the ministry of commerce and to DGFT on this issue. Sources said the proposal had been endorsed by the minister of textiles, Anand Sharma, who also holds the commerce portfolio.

DGFT has cited instances of mismanagement of export registration, raised by cotton associations under the open general licence (OGL) in the ensuing season, commencing October. The commerce ministry had put cotton under OGL in 2011 for the cotton season ending September 2012.

In the domestic market, cotton prices are currently at Rs 37,000-38,000 a candy (a candy is 356 kg of cotton). In August, say sources in the ministry of textiles, Indian cotton mills had already contracted 10 million bales for imports and around three to four million bales have already been imported in the last two-three months. Until recently, India was a big exporter of cotton. The country's annual harvest was 35.2 million bales, while domestic requirement was just 26 million bales. Currently, there is hardly any stock in the domestic market to feed the domestic market, a peculiar situation, said officials.

Reportedly, in the current procurement drive, arrivals in mandis have started tapering. This year, cotton output has been 33.6 million bales, of which 12.5 million have been exported, mainly to China. Against 200,000 bales of daily arrivals during the peak season, arrivals have dropped to 15,000 bales a day. The government's plan to create a special buffer of one million bales under the Cotton Corporation of India looks stretched because only 350,000 bales have been procured, at a cost of Rs 500 crore. The government has sanctioned Rs 2,500 crore for the purpose.

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Ministry asks DGFT to stop sugar export registrations
Anindita Dey, Busines Standard

Mumbai, October 5, 2012: The ministry of food has directed the Directorate General of Foreign Trade (DGFT) to stop further registration of sugar export. However, the decision is yet to be notified.

Sugar export is unrestricted under the current policy.

Sources said exporters will honour commitments for registrations made till September 30. They added there had been cancellations even in registrations already contracted since prices are more remunerative in the domestic market than abroad.

The food ministry has estimated production of 23.5 million tonnes (mt) for the current 2012-13 season, as against 26.2 mt last year. According to officials, the major shortfall has been in Maharashtra which has estimated production of 6.2 mt, against nine mt last year. A part of the crop has been diverted for fodder in the state. Uttar Pradesh , the largest producing state, has estimated 7.2 mt of production this year, marginally higher than last year's 6.95 mt. The higher estimate is based on high acreage in the state, said officials.

According to sources, even if UP's estimates are higher, the recovery (conversion of sugarcane into sugar) fluctuates, depending on the state advised price (SAP). "Many producers divert sugarcane for gur and khandsari for better remuneration and, thus, the higher estimates do not materialise in reality many times. Therefore, shortfall in Maharashtra is a cause of concern," said officials.

They added that 23.5 mt was a conservative estimate calculated by state cane commissioners from data based on September and many of the states have not accounted for the recovery seen in acreage, following resurgence of monsoon towards the end of kharif season, especially in Karnataka and Maharashtra. Therefore, once the late harvest starts coming into the market by the end of November, estimates could be a little higher than 23.5 mt.

India's annual consumption is 22-23 mt. According to industry reports, apart from low rain, Maharashtra also saw diversion of cane into fodder, owing to lucrative prices and fears of low rain in the kharif season. In Uttar Pradesh, however, farmers have reportedly planted cane in an additional 90,000 hectares, about four per cent higher than last year, prompted by a high SAP last year. So far, sowing in Uttar Pradesh rose to 2.36 million hectares, against 2.27 million hectares last year, according to the government data.

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Guar price crashes on export drop fears
Dilip Kumar Jha, Business Standard

Mumbai, October 2, 2012: The spot price of guar has crashed in Rajasthan mandis on concern of high output and a drastic decline in import orders from America, the European Union and the Gulf countries, the three leading export destinations of guar derivatives from India.

The guar seed price has plunged 44 per cent in the past six weeks, to trade currently at Rs 80 a kg, from Rs 145 a kg in mid–July. The gum price dived to Rs 240 a kg today from Rs 400 a kg in mid-July, down 40 per cent. The levels in that month were recent highs, when both guar seed and gum found sudden buying interest from retail farmers for sowing, following intermittent rainfall.

The Union agriculture ministry had estimated a 20 per cent increase in sowing area this kharif season, after revival of monsoon rainfall in the first week of August. The area under guar seed was forecast at 3.5 million hectares (ha) this sowing season, as compared to 2.91 mn ha last season. Purushottam Isaria, president of the All India Guar Gum Manufacturers Association, forecasts a 25 per cent rise in seed output this season. The estimate is 1.5-1.8 million tonnes, as compared to 1.2 mt in the previous season. However, this is significantly lower than earlier trade estimates of a 300 per cent increase in output. At the beginning of the kharif sowing season, traders said farmers would respond promptly to last season's record high prices and bring as much area under the seed as possible. Farmers did eye guar at the beginning of the season but a lack of rain hampered sowing. Then, water logging on excessive rainfall hit germination in the sown crop, lowering overall output estimates.

"Hence, the output, though higher this year, is unlikely to achieve the previous estimates. Overall, output might remain marginally higher by 20-25 per cent this year compared to last year," said B D Agarwal, managing director of Vikas WSP Ltd, one of the largest guar gum exporters.

The 90-day guar crop requires four-five spells of intermittent rainfall. Sowing begins with the onset of the monsoon rain, for harvesting in October.

The drastic price decline has created a massive trade imbalance between exporters and importers of guar derivatives in the US market.

Importers of Indian origin based in America have started re-negotiating prices after the shipment of guar gum from India. According to a leading exporter, around 15,000 tonnes of gum are lying at US ports due to the price negotiations; US buyers who booked at $27,000 a tonne are now seeking delivery at $10,000 a tonne. The exporter said the government's help had been sought on the issue.

Importers abroad had also built a massive stockpile last year, assuming an increase in prices. According to Ravikant Kanoongo, director of Hindustan Technosol Pvt Ltd, a leading exporter from Rajasthan, guar gum import orders are very low today and are unlikely to resume soon. Once the crop prospects become clear, stockpiles decline and the price continues to soften, demand would rebound, he said.

Also, the US government has initiated working on an alternative to guar gum for its application in hydraulic fracturing – the process for extracting hydrocarbons from tight formations that have revolutionised oil and gas production. Indian exporters feel this substitution is unlikely soon and so demand would continue to pour in from foods, cosmetics, drugs, explosives, fire retardant and paper industries.

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Indian IT defused US outsourcing bogey
Devjyot Ghoshal, Business Standard

New Delhi October 3, 2012:It is election time in the US. So, it's no surprise that the unwanted mantle of "outsourcer-in-chief" is being tossed back and forth between President Barack Obama and the Republican Party's Presidential nominee, Mitt Romney. Curiously though, the Indian information technology (IT) industry, a favourite whipping boy during the 2004 and 2008 White House races, has largely been spared the sharp rhetoric that it had slowly grown accustomed to, and that too in the midst of a lacklustre US economy.

There are two main reasons for this. First, the US today has bigger economic headaches than outsourcing. "The country has lost more jobs to manufacturing than to services," says T V Mohandas Pai, a former director at Infosys, "So, much of the rhetoric now is about that," he adds.

That probably explains why China's manufacturing powerhouse, instead of Indian IT, has found itself smack in the middle of the US Presidential fight. In fact, a recent study by the Pew Research Centre found that 56 per cent of US respondents feel that their government should "be tough" with China on economic or trade issues.

Hired in the USA

At the same time, the Indian IT armada, too, has evolved. In the last five years, according to the industry's apex body, Nasscom, Indian IT firms have increased their investment in US-based centres by almost 10 times.

This has meant that from having around 58,000 permanent employees in the US in 2005-2006, the headcount doubled to around 107,000 in 2010-11. Of these, three out of every four jobs are held by US nationals, and within the larger ecosystem, Indian IT has created 175,000 indirect jobs in the US. The projections are that over the next five years, the number of seats that Indian IT companies have in the US will double again, bringing with them more investments. In total, the IT industry provides direct employment to about 2.8 million people and indirectly employs another 8.9 million people.
None of this, however, has happened of its own accord. Instead, jolted by the post-Lehman financial crisis, it was the Indian IT industry's scramble to move up the value chain that resulted in companies leaving behind the labour arbitrage game and getting into higher-value work that requires more on-shore presence. "The problem was that the existing business was getting commoditised," says S Ramadorai, vice-chairman of TCS, India's largest IT services provider. "Reinvention became important."
As a part of this reengineering, Indian IT attempted to decrease its reliance on application development and maintenance services and branched out into consulting, enterprise solutions and other domain-specific segments, where specialised skills are required. "That is where Indian companies are hiring in the US," adds Pai, who previously led Infosys' human resources team. "And, it will increase," he says.
Padmanabhan Venkataraman, the current head of Infosys' US operations and IT services delivery, says that the growth in the volume and value of business will mean that local headcount growth will continue. "Last year, we hired about 1,200 (in the US). This calendar year, we will hire up to 2,000. In total, Infosys has about 15,500 employees in the US," he explains. "We will continue to hire in this manner," he adds.

Selling the story

For Nasscom, all this has made selling the Indian IT story much easier. From the blustery 2004 election campaign, where the industry body found itself on the back foot, defending outsourcing and fighting legislations, its campaign today has grown into creating partnerships, alongside a more proactive stance. Kiran Karnik, as the president of Nasscom between 2001 and 2007, was in the thick of it when the outsourcing bogey was first raised in the 2004 US Presidential race. "The time around 2003-2004 was very tough. We had never faced anything like that before," he says. "There was a new generation in the US that had never faced job losses (due to the 2002-2003 economic slowdown) and we became a convenient target." So, few in the Indian IT industry were ready for the sharp rhetoric and related actions when it began.

"It started off in 2004, with the Benedict Arnold (an infamous US traitor) label attached to firms that sent jobs overseas. Initially, it (Nasscom's work) began purely as an effort to stop anti-outsourcing legislation. That was the single- biggest driver," says Ameet Nivsarkar, vice-president at Nasscom. "Over a period of time, it has evolved. We have created partnerships with counterpart associations, like-minded academic institutes, think tanks and researchers," he adds.

That list now includes some 20 partners, from TechAmerica (Nasscom's US equivalent) and the US Chamber of Commerce, to think tanks like the Brookings Institution and the Peterson Institute for International Economics. Yet, scores of legislative attempts that can make business difficult for Indian IT firms continue to be tabled.

"On the tactical front, this continues. Ninety-nine per cent of the Bills don't see the light of the day and a lot of times, it is just a political statement," Nivsarkar explains. "Often, perceptions are formed on information which is not current. Our job is not just to stop Bills, but to give them correct information. But, we have moved from a defensive position to a more aggressive one. It is important to communicate what benefits are being generated (for the US)."

"The understanding that outsourcing benefits US firms has begun to hit home," adds Karnik. "Politicians had begun to realise this earlier, and now, it is coming across to the broader public — that US companies cannot be globally competitive without outsourcing."

Yet, recurring challenges like visa allocations remain and the Indian IT industry isn't seen as a part of the US industrial complex, unlike Japanese car makers, for instance, who find themselves deeply integrated into the economy.

A new normal?

Nonetheless, Pramod Bhasin, former CEO of Genpact, India's largest business process outsourcing (BPO) firm, feels that not only has the US industry matured to realise the importance of outsourcing, particularly after the pain of the slowdown, but Indian IT service providers have also improved their offerings.

"In the past, we would do what the customer used to do," says Bhasin, "Today, we can perform tasks better than the customer. Now, it has become virtually impossible for the customer to stop outsourcing." The result has been that in the last four years, Genpact's headcount in the US has gone up almost fourfold, to about 2,000. These aren't large numbers, but growing local hiring points to a clear divergence from the traditional labour arbitrage model. Talent abroad doesn't come as cheap as in the subcontinent. Infosys' Venkataraman knows that, given that the company wants local hires to constitute at least 50 per cent of its workforce in countries where it operates, although doubts exist on how this will impact profitability. "Our experience is that our customers appreciate what we are trying to do. They want us to move up the value chain," he explains, "Margin pressure shouldn't be a big problem for us, given our focus on high-value services," he adds.

But Indian IT firms are yet to master higher-value, non-linear services — where revenue growth is detached from the headcount increase — with most companies deriving less than 10 per cent of their revenue from such models, according to a UBS report from earlier this year, and using a model with more local hiring in international markets will hit margins.

"Given that margins will shrink, they (companies) have to ensure they increase prices, but, to do that, they have to move into higher-value work," adds Karnik. "There will be some shrinkage (in margins) but you have got to accelerate non-linear work."

In a sluggish market that isn't likely to be easy, profitability will remains an issue for some firms in the middle of their transformational curve. However, what is now clear is that the noticeable political resistance to Indian IT that emerged in the last decade has now abated.

"Yes, the political risk is down, although it hasn't died out," says TCS' Ramadorai. "But for how long could they beat the same drum?"

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Clinton to look into hike in US visa charges
Times of India

3 October, 2012, New Delhi: US Secretary of State Hillary Clinton has promised to take up the issue of

hike in visa charges with authorities concerned in America in the light of protests by Indian software companies.

In a meeting with foreign minister S M Krishna on Monday, Clinton assured India that the US would try and "rectify" the decision, even if not immediately.

The US in 2010 announced a hike in work visa charges, including H-1 B, apparently to meet the cost of securing its border with Mexico.

Even though the decision was not country-specific, top Indian software companies impacted by the decision alleged that they were being discriminated against leading New Delhi taking up the matter diplomatically with the US.

India has also been contemplating filing an appeal in the WTO against the move.

"She has assured to take it up with the concerned and rectify,"said an Indian official after the meeting.

Government sources said though that they were not expecting the US administration to take any step immediately to address India's concerns given that presidential elections are taking place soon.
Both leaders also discussed wide variety of issues including bilateral and regional issues in a frank and friendly manner.

On Libya, Clinton thanked prompt Indian response to condemn attack on Benghazi Consulate.
Regional issues that came up during the discussions included Afghanistan, regional cooperation in South Asia, and India's Look East policy," said an Indian official.

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European Union wants India to allow extended patent life for drugs
Amiti Sen, Economic Times

October 3, 2012, New Delhi: The European Union is making frantic efforts to convince India to liberalise its patent regime as part of the proposed bilateral free trade agreement.

Negotiators from the 27-member bloc have been insisting that India allow European pharmaceutical companies to extend the life of their patented drugs in the Indian market beyond the commitments made under the Trade Related Aspects of Intellectual Property Rights (TRIPS).

They argue that the European parliament does not allow bilateral trade deals that does not include an agreement on intellectual property. Patents worth an estimated $150 billion, held by European pharmaceutical companies, are set to expire over the next five years.

"Although India sent out a strong message last year during the negotiations that it would not agree to go beyond the commitments made under TRIPS, the EU is now saying that it has to get some concessions beyond the mandate of TRIPS," an Indian official told ET.

Following EU's insistence, India agreed in August to hold special sessions on TRIPS and services. Last week, several rounds of talks were held between senior officials from the two sides in Delhi, but they failed to reach a conclusion.

With patents on many blockbuster drugs set to expire soon, an estimated $250 billion in sales are at risk between now and 2015, according to data from Evaluate Pharma, an on-line pharmaceuticals research company.

US drug major Pfizer has already reported a sharp dip in profits after the patent on its cholesterol-lowering drug Lipitor ran out last year. European drug companies including Sanofi-Aventis and Astro Zeneca are among companies that are likely to get hit over the next few years.

What the EU primarily wants from India is data exclusivity, which refers to exclusive rights of a company over the clinical data for its drugs, without actually holding a patent for it.

"This would allow patent holders to make slight changes in formulations once the patent life of a product comes to an end and immediately file for data exclusivity," the official said.

"Since generic producers, or manufacturers of copied version of the originally patented drugs, are not allowed to produce drugs with data exclusivity for 10 years, the product would have several years of extended protection."

India gives patent protection for a period of 20 years, which it considers adequate. "We are not in favour of giving data exclusivity at all as it could make life saving medicines unaffordable in the country," the official said.

"The EU wants to carve out a deal that would not affect live-saving medicines. We have to see what they have in mind."

The Indian pharmaceutical industry is the third largest in the world in terms of volume.

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Pfizer says to appeal over India drug patent refusal
Penny MacRae, Agence France Presse

5 October, 2012: US drug giant Pfizer said Friday it will appeal against an Indian ruling overturning a patent for a cancer drug, saying the decision raises questions about intellectual property protection in India.

Indian generics heavyweight Cipla opposed the granting of the domestic patent for Pfizer's Sutent, which is used to combat liver and kidney cancer.

The patent office's decision went to the heart of India's patent act, which says a patent cannot be granted for a drug unless changes make it significantly more effective and innovative.

"The patentee (Pfizer) has miserably failed to demonstrate any improved activity" warranting a patent, the patent office said in its decision.

"The invention that is claimed in the patent does not involve any inventive step... and hence (is) not patentable," Nilanjana Mukherjee, senior patent officer, said.

A spokesman for Cipla, which revolutionised AIDS treatment by supplying cut-price drugs to the world's poor and which has been campaigning to be able offer other low-cost generic medicines, had no immediate comment.

But Pfizer managing director Jazz Tobaccowalla said the company believes the ruling "undermines intellectual property rights in India".

"We will vigorously defend our basic Sutent patent," the Pfizer executive said in a statement, adding the company would appeal against the ruling to India's Intellectual Property Appellate Board.

The patent decision marked another win by Cipla against a global pharmaceutical company.

In September, a court threw out a patent infringement case launched against Cipla by Swiss drugmaker F. Hoffmann-La Roche over the Mumbai firm's version of a lung-cancer drug, ruling it had a different molecular makeup.

The cases have been watched worldwide as they involve interpretation of stricter drug patent protection rules introduced by India in 2005 to comply with World Trade Organization regulations.

India has some of the toughest criteria for drug companies to obtain patents, said D.G. Shah, secretary general of the Indian Pharmaceutical Alliance, an industry body.

"These rulings show (foreign) companies need to take into account that India will not permit tweaking of formulations for getting a patent. If they had those expectations, they were unrealistic," Shah told AFP.

Medical charities have expressed concern that compliance with WTO rules could reduce the country's role as a supplier of low-cost medicines. India is the world's leading exporter and manufacturer of non-branded medicines.

But Western firms -- looking to countries such as India for sales growth -- have voiced criticism of brand protection in India.

Earlier this year, an Indian ruling allowed a local firm to produce a vastly cheaper copy of German pharmaceutical giant Bayer's patented drug Nexavar for liver and kidney cancer.

India's patents chief ruled the price Bayer charged was "exorbitant" and told the firm to give a "compulsory licence" -- permitted under WTO rules for public health reasons -- to Indian firm Natco Pharma to make a less costly version.

Experts say that ruling could pave the way for a rush of other "compulsory licence" applications in India and other poor nations, allowing access to patented life-saving drugs at a fraction of the cost.

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Mamata Banerjee seeks bailout for seafood exporters from commerce ministry
Sutanuka Ghosal, Economic Times

October 3, 2012, Kolkata: West Bengal chief minister Mamata Banerjee has written to the Union commerce and industry minister Anand Sharma to bail out the seafood exporters who have sent black tiger shrimp consignments to Japan.

The importing nation has rejected the consignments on the ground that they have high levels of ethoxyquin. Banerjee wants the Centre to immediately negotiate with the Japanese authorities so that exporters, who are largely from West Bengal and Odisha, don't suffer a huge loss this year.

The two eastern states together export tiger prawns worth Rs 1,200 - Rs 1,500 crore annually to Japan.

But the Asian nation has suddenly reduced the ethoxyquin content in shrimps to 0.01 parts per million (ppm) without informing the Indian government or the exporters. It has not only come as a major blow to exporters but to 50,000 farmers who have taken to aquaculture. It is learnt that 200 containers of shrimp have been rejected over the past few weeks by Japan on the detection of ethoxyquin.

Taj Mohammed, regional president (West Bengal) of Sea Food Exporters Association of India (SEAI), said: "Anand Sharma has taken up the issue with his Japanese counterpart. We are hoping that the Japanese authorities will amend their regulation."

The commerce ministry has rushed a delegation led by the chairman of Marine Products Export Development Authority (MPEDA) and comprising the director of Export Inspection Council and the resident director-designate of MPEDA in Japan. G Mohanty, regional president (Odisha) of SEAI, said: "There are no international norms fixed for ethoxyquin levels in shrimps by authorities in America or the European Union, for instance. And, even Japan permits it up to a certain level in fish."

Fishmeal forms an important component of feed for shrimps. To avoid rancidity in fishmeal, a large range of anti-oxidants are used. Ethoxyquin is one of the most popular and effective anti-oxidants used worldwide, M K Ram Mohan, deputy director, MPEDA said. Mohanty added that Japanese importers are requesting the Indian exporters to take back the consignments.

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Centre sounds hopeful on Japan lifting ban on shrimp import
TNN

October 4, 2012, Bhubaneswar: The Union government is hopeful of Japan lifting its curbs on import of shrimps from India, said director, Export Inspection Council of India (EICI), S K Saxena.
Around two months ago, Japan had put restrictions on importing shrimps from India on the ground that the seafood contained higher levels of ethoxyquin, an anti-oxidant and also an ingredient in shrimp feed, than it could allow.

Saxena, who along with chairperson of Marine Products Export Development Authority (MPEDA) and others recently visited the East Asian island nation, termed the Japanese decision "non-scientific". "We have represented our case to Japan's health authorities and food safety commission and requested them to remove the non-technical barrier," Saxena told TOI.

"For fish, the maximum residue limit (MRL) of ethoxyquin fixed by Japan is one ppm (parts per million). But there is no prescribed limit for shrimps, which means Japan has put the curbs based on default standards," explained Saxena, who was here last week to hold discussions on the issue with Odisha government representatives.

"The presence of ethoxyquin in Indian shrimp consignments was found to be 0.1 ppm, which is very low and posed no problem. Hence, the Japanese decision was not backed by any scientific evidence," he said, adding, "The Japan government did not consult us before imposing the restrictions. We have told them that we will be constrained to move the World Trade Organisation (WTO) unless they act fast and remove the barrier."

Industry insiders said presence of ethoxyquin in fish and shrimp was not surprising because it being an anti-oxidant was used in fish meal and shrimp feed. "Shrimp is being exported from India during the last few decades to different countries. We use the same practice and same feed for all countries, but barring Japan no other country has raised any objection. This has forced us to suspect foul play by competing countries," said president, Seafood Exporters Association of India (Odisha chapter) G Mohanty.

Japan's restrictions on shrimp import has hit Odisha as an estimated 50,000 people are directly or indirectly engaged in shrimp culture in the state, said sector insiders. State fisheries and animal resources development secretary Satyabrata Sahu said he was optimistic that the issue could be resolved. "There is no need to panic. I believe this is a temporary trade obstacle, which could be overcome at the earliest," he added.

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India Japan trade targeted to double, hit $25-billion mark by 2014
PTI

5 October, 2012, Kolkata: The bilateral trade between India and Japan has been targeted to almost double to USD 25 billion by 2014, Consul General of Japan Mitsuo Kawaguchi said today.

"The value of two-way trade between our two countries has reached USD 14 billion in 2010-11. Target is to increase it to the USD 25 billion mark by 2014. I think it won't be an over ambitious target because our bilateral trade is still far below potential and there is enough room to expand it," he said at an event organised by Calcutta Chamber of Commerce.

He said India's export to Japan had started showing an uptrend even before the Comprehensive Economic Partnership Agreement was signed. The CEPA was signed in February 2011 and came into force in August last year.

India's export to Japan was about USD five billion in 2010-11, against around USD 3 billion earlier.

Kawaguchi said India's exports to Japan mainly included mineral fuels, mineral oils, natural and cultured pearls, precious and semi-precious stones, iron and steel, fish and crustaceans, and fodder.

On the other hand, Japan exports items to India include boilers, machinery appliances, optical, medical and surgical instruments, and articles of iron and steel.

Besides, he said, foreign direct investment from Japan to India between April 2000 and 2009 was USD 13.3 billion, placing that country in the fourth place after Mauritius, Singapore and Britain.

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4th round of India-Australia FTA talks likely in November
PTI

October 7, 2012, New Delhi: The fourth round of Free Trade Agreement (FTA) negotiations between India and Australia is expected to be held in November this year, in New Delhi, a top official has said.

"We had three rounds of negotiations and would have the fourth round in November in New Delhi," Australian High Commissioner in India Peter Varghese told PTI.

In May last year, the two countries had launched the negotiations for comprehensive market opening pact.

But the negotiations are still at an early stage and India and Australia have not yet exchanged the first list of goods and services that are to be exempted from duties and are to be liberalised.

"These three rounds had been preliminary discussions. In the fourth round, both the governments are likely to put offers on the table. That's when the serious negotiations will take place," Varghese said.

At the moment, both the countries have a list of issues they would like to see addressed, he added.

According to a joint feasibility study conducted by both the countries, the comprehensive FTA is likely to result in India gaining an additional 0.15-1.14 per cent to its Gross Domestic Product (GDP), while Australia would end up with the gains between 0.23 per cent and 1.17 per cent to its GDP.

India has comprehensive FTAs with many other countries such as Japan, Malaysia and South Korea and it is negotiating similar agreements with more nations, including New Zealand.

Besides, Indian Commerce and Industry Minister Anand Sharma and his Australian counterpart Craig Emerson last year had agreed to work towards doubling the bilateral trade to USD 40 billion by 2016.

Varghese said: "If we succeed in concluding the FTA, I think it will be a big boost for the trade".

At present, the bilateral trade between the two countries stands at about USD 22 billion.
Indian exports to Australia include gems and jewellery, chemicals, leather, textiles and agricultural products. India's imports from Australia comprise agricultural items, horticulture, coal, gold and wool.

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A bilateral agreement in limbo
Biswajit Dhar, Mint

October 8, 2012: Just over a year back, the Prime Ministers of India and Bangladesh signed the framework agreement on cooperation for development, which was universally regarded as a milestone in the relations between the two countries. The agreement provided the basis for an extensive engagement between the two countries for mutual benefit.

A year has passed since then. There has been virtually no movement in implementing various parts of the agreement, which is important for strengthening bilateral economic relations. Given the substantial gains waiting to be reaped, it is imperative that the two governments draw up a roadmap for securing these gains.

India’s offer to give Bangladesh duty free and quota free market access to all the products that are of interest for the latter’s export basket was regarded as the most important step forward in strengthening the trade ties between the two countries. For reasons that are only of historical relevance, India had included a large number of products in its sensitive list for the least developed countries in South Asia. These products were thus denied the preferential tariffs that India had offered under the South Asian Free Trade Agreement.

What was most disturbing for Bangladesh was that this list of sensitive products included garments, the sector on which it has been heavily dependent for its export earnings. With India denying preferential access to garments, these products were virtually non-existent from its list of products imported from Bangladesh. Not surprisingly, therefore, Bangladesh faced a trade imbalance with India, something that has increased over time. India has faced constant criticism on this score.

While India should take some blame for this distorted trade structure, it has to be pointed out that Bangladesh imports from India products that are then processed to form a part of its country's export basket. Cotton and man-made staple fibres and filaments have constituted one-third of India's exports to Bangladesh. In other words, the contribution that India has been making to Bangladesh's exports of garments cannot be underestimated.

Bangladesh's exports to India provide another positive facet, which is that it provides an opportunity to the country to diversify its exports. Most of the items figuring in India's import basket are, in fact, non-traditional items. That these are getting an opportunity for export in Indian markets means that Bangladesh's export base is getting a chance to expand.

It is in this Bangladeshi effort to expand its export base to which India can lend its support. Producers of several non-traditional items face supply-side bottlenecks, a problem that can be addressed by Indian enterprises through establishment of joint ventures in Bangladesh. In the past, Indian firms have shown interest in large investment projects in Bangladesh, some of which failed because of the internal political dynamics in that country. Some of these failures involved large investment projects and in their aftermath, potential investors turned their back on the neighbour.

One strategy that can be fruitfully employed is to harness the potential of the small and medium enterprises (SMEs) in Bangladesh. India will do well to contribute to this by providing the opportunities to link Bangladeshi SMEs to resources and markets in India. The food processing sector presents itself as an ideal candidate for the establishment of value chains between the two neighbours. Through a strengthening of this sector in Bangladesh, India can export the abundant horticulture products available in its north-eastern states. These states can then provide the necessary market to the producers in Bangladesh. What this example shows is that there are opportunities through which the resources available in India's east and the north-eastern states can be matched with those available in Bangladesh in order to create a sub-region of prosperity.

Alongside preparing the blueprint for such production networks, governments and industry in both countries have to work in unison to ensure that obstacles to trade and investment are removed. Enterprises in the two countries have often complained of procedures and policies in their respective countries that hamper and even inhibit their operations, and the governments would have to invest adequate resources to ensure that these barriers are removed.

In this context, one area where India must focus on is the upgrading of the facilities available at the land customs stations (LCS) existing between the two countries. At present, most of these LCS provide only rudimentary facilities for conducting trade, with many essential services yet not available. Programmes were initiated during the 11th five-year Plan period for modernizing several of these LCS and converting them into integrated check posts (ICP), which would provide in a single modern complex, customs facilities, banks, food testing laboratories, all equipped with state of the art amenities for the conduct of trade. Under these programmes, seven LCS between India and Bangladesh are to be converted into ICPs in a two-phase programme. Setting up of these ICPs will not only provide greater opportunities for trade and commerce, but will also help in the development of the border regions, which are among the least developed in both countries.

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

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New trade winds
T S Vishwanath, Business Standard

October 11, 2012: World Trade Organisation (WTO) Director General Pascal Lamy is an optimist who wants to ensure that WTO remains relevant. This is evident when one looks at his statement to the General Council of WTO a few days ago when he said that discussions among ministers, negotiators, and other stakeholders confirmed a "collective desire to re-engage".

However, it is important to note that he is a cautious optimist. Pointing at the impasse that the Doha Round of negotiations of WTO have faced in the last one year, Lamy referred to the re-emerging desire to negotiate by cautioning that, "I am neither under any illusion that the factors that have shaped the impasse which we face have changed substantively, nor do I harbour any dream about achieving grand designs or comprehensive deals."

But reports from Geneva suggest that Lamy's optimism is not unfounded. Countries, reports indicate, are showing some cautious optimism to new proposals that are now coming to the table for negotiations. One such proposal that Lamy alluded to in his address to the General Council was the current position on trade facilitation where some countries are of the view that there is a need to move ahead if consensus can be arrived on this specific agreement. However, in the General Council meeting in July several countries had, while stressing the significance of trade facilitation, noted that they did not at this stage consider this area as self-balancing.

Several member countries had stressed the importance of transparency, inclusiveness and multilateralism in any processes ahead, including in agreeing on early harvest candidates within the Doha Round. A number of other countries had also emphasised the importance of respecting the development mandate of the Round.

In his address, Lamy cautioned that the members were now faced with a global economy that is confronted by increasingly strong headwinds. "Slowing global output growth has led us to downgrade our 2012 forecast for world trade expansion to 2.5 per cent from 3.7 per cent in April and to scale back estimates for 2013 to 4.5 per cent from 5.6 per cent. The trade slowdown in the first half of 2012 was driven by an even stronger deceleration in imports of developed countries and by a corresponding weakness in the exports of developing economies. Past experience has shown that in an increasingly interdependent world, economic shocks in one region quickly spread to others - no one is immune. In other words, and I think we all agree this is becoming increasingly obvious, the only way to effectively face up to this crisis is through global collective action."

One area that needs collective action is taming export competition in agriculture. The G20 group on agriculture has come up with a proposal that seeks an update on the information available with WTO secretariat on export subsidies, export credits, state trading enterprises, and food aid that together constitute export competition.

The G20 has also asked for more details on tariff rate quotas that are used by countries to charge high tariffs on products after the initial quotas are over. It is without doubt that to keep the Doha Agenda development oriented, it will be important to seek higher access for agricultural products from developed country markets that have maintained tariff and non-tariff barriers on these products. There is also a need to look beyond tariffs and identify other barriers like the sanitary and phyto sanitary conditions that are imposed on goods coming into developed country markets from developing and least-developed countries.

Reports emanating from the recent public forum held in Geneva also show that there is a new-found interest developing in the Doha Round. But then it will be important to ensure that the interest that has remained at low ebb for some time is now not just renewed but sustained through some action from members, especially countries like the US that will be critical to the success of the Round.

The Bali Ministerial meeting slated for December 2013 provides negotiators with enough time to come up with some proposals that can help revive the Doha Agenda and bring the WTO back on track. But for that it will be important for all countries to look at proposals that have the greatest possibility of creating a strong consensus on some critical areas like agriculture and industrial goods.

Committed to strengthening bilateral economic ties, India and the US today discussed ways to lower trade and investment barriers further.

In a joint statement after the India-US Economic and Financial Partnership meeting, Finance Minister P Chidambaram and US Treasury Secretary Timothy Geithner said the two sides will also strengthen co-operation to combat money laundering and terror financing.

They said India and the US are committed to exploring new areas to deepen and broaden economic and financial ties.

"Both countries recognise the great potential benefit from working together to meet the challenges of a shared future to generate jobs, sustain growth and help ensure macroeconomic stability...
"We discussed ways we can further lower barriers to trade and investment to facilitate stronger growth and job creation," the statement said.

"Our work continues on infrastructure financing."

At the meeting, the two sides discussed economic and financial developments in their economies and in the world.

"We agreed to deepen our cooperation bilaterally and in multilateral fora, including the G-20 to contribute towards steering the global economy out of uncertainties and achieving strong, sustainable and balanced growth going forward," the statement said.
The two sides agreed to expand cooperation to deepen capital markets and strengthen financial regulations.

The third partnership meeting was attended by RBI Governor D Subbarao and US Federal Reserve Chairman Ben Bernanke, among others.

"The Partnership (launched in 2010) meetings have served as the forum for the highest level of engagement between India and the United States," the statement added.

The growing bilateral trade and investment across products, services and technology "is a sign of our commitment to build our relationship on a solid foundation that utilises our mutual strengths", it said.

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