INDIA’S TRADE NEWS AND VIEWS

8 September to 22 September 2011

India WTO Review Highlights Growth, While Urging for More Reforms

The last four years have seen strong economic growth in India, largely as a result of trade liberalisation and structural reforms set in motion in the 1990s, according to a new WTO secretariat report on the country’s trade policies…

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The United States attacked India's trade policy on Wednesday, criticising its barriers to agricultural imports and retail sector investment and warning that it may not have shaken off the red tape and trade restrictions that has long plagued foreign business…

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India today rejected the criticism of its trade policy, especially by the US, at the WTO and asked the members to judge the country by what it has done over the years…

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India's merchandise exports grew in August from a year earlier but the volume shrank 17% from the previous month, and the expansion pace may decelerate further due to global economic uncertainties…

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Domestic car sales may be on a downhill drive, but exports from India have risen 22.39% in April-August period this fiscal over the same period last financial year…

Utopia lacks sponsors: FTA talks with EU resume without drive

Trade can be a powerful force for economic and social good if the terms on which it is conducted are negotiated fairly…

The danger of a trade war

The European Union (EU) plans to impose a carbon emissions levy on all airlines that fly over its territory beginning 1 January next year. The decision could not have been taken at a more inopportune time…

Traders tense over duty free access to Pakistan in EU

Textile and leather industries of Punjab are tense after the government of India decided to drop its objections in the World Trade Organisation (WTO) general council meeting mid next month against duty free access to 75 Pakistani items in the 27-member European Union…

Indo-Pak trade: high on hope, low on execution

An unfinished Integrated Check Post (ICP), a shabby passenger terminal, the lack of a connecting road on the Pakistani side and pending permissions, all threaten to undermine a historical trade agreement…

Indo-US trade talks: India to seek withdrawal of visa fee hike

India will ask the Barack Obama administration to end its restrictive trade practices that have made exports to the US more expensive and raised costs of Indian IT companies operating there…

New policy to earmark purchases from domestic electronics firms

India is considering a move that would make it mandatory for all government departments to make at least one-third of the annual purchases of computers and other electronic equipment from domestic manufacturers…

India, Saudi Arabia talks on PP anti-dumping tax next month

Saudi Arabia and India will resume talks next month on the prospects of lifting an anti-dumping tax imposed on the kingdom's polypropylene exports…

Govt may lift ban on onion export

Under mounting pressure from the agitating onion growers and various political parties in Maharashtra, the UPA Government is likely to reconsider its decision to impose a ban on the onion exports…

Developing Asia's growth to slow: ADB

Asia's developing economies will post slower-than-expected growth this year and next as key trading partners reduce orders due to worries about the global economy…

Questions over Future of Doha Intensify as Ministerial Draws Nearer

As the WTO returns from its summer recess, members are actively looking at what options remain for the struggling Doha Round of trade talks, especially given the fast approach of December's WTO Ministerial…

Take smaller steps to reach final deal: Interview with Lamy

Pascal Lamy, director general of the World Trade Organization (WTO), is in the most difficult phase of his long career…

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India WTO Review Highlights Growth, While Urging for More Reforms
Bridges Weekly Trade News Digest

21 September 2011: The last four years have seen strong economic growth in India, largely as a result of trade liberalisation and structural reforms set in motion in the 1990s, according to a new WTO secretariat report on the country's trade policies. While the country has done well to avoid the adoption of protectionist trade measures in response to the global economic crisis, the report found room for improvement in areas such as agricultural import tariffs, transparency in government procurement, and the use of anti-dumping measures.

WTO members met on 14 and 16 September to review the report from the trade body's secretariat; the report, known as the Trade Policy Review (TPR), praised India's promotion of sustainable growth through trade policy and foreign direct investment. The review also lauded India's ability to use trade policy for the achievement of long term goals, such as promoting economic growth.

However, the secretariat warned, India's tendencies toward using trade policy for resolving short term problems such as inflation could be counterproductive. The report noted that using trade policy instruments for such purposes "may detract somewhat from the stability sought, as this requires constant fine tuning of policies, rendering the trade regime more complex."

Members at the review largely acknowledged India's efforts in reducing average most favoured nation (MFN) tariffs; during the period under review, MFN tariffs fell from 15.1 percent in 2006-7 to 12 percent in 2010-11. Attempts in India to "streamline customs procedures" were also commended by both members and the secretariat report, particularly the adoption of an electronic customs clearance system.

Agriculture, antidumping policies draw notice from members

Agricultural tariffs and anti-dumping measures took centre stage in the review's suggestions for further improvements, and drew particular attention from the US at the review.

Despite an overall drop in tariffs, the review reported an agricultural tariff rate of 33.2 percent, compared to 8.9 percent for manufactured goods. This protective trade policy is propagating "low productivity and modest growth rates," the report cautioned.

US Ambassador Michael Punke, in his statement at the review, acknowledged the challenges posed by inflation in India; however, he also called for increased openness in the country's trade policies, placing particular emphasis on "long-term reductions in agricultural tariffs, and removal of unjustifiable sanitary and phytosanitary (SPS) measures and technical barriers to trade (TBT) impediments on agricultural imports."

Chairperson Mario Matus, who is also Chile's ambassador to the global trade body, also highlighted in his concluding remarks the questionable "scientific basis for certain [SPS] measures adopted by India" and urged the country to eliminate those technical standards that were acting as trade barriers.

Similarly, the review cited India as one of the highest users of anti-dumping measures, which target products whose price abroad is less than that in their country of origin.

The secretariat report found that India had initiated 209 anti-dumping investigations against 34 trading partners in the period covered by the review period, imposing 207 anti-dumping measures; this was an increase from the 176 anti-dumping investigations and 177 anti-dumping measures initiated during the previous review period.

The US also spoke out about transparency concerns, citing "India's failure to submit required notifications to the WTO, particularly in the areas of agriculture [and] subsidies," and not regularly engaging in public notifications of matters impacting trade and investment as a source of difficulty for those firms seeking to conduct business in India.

Doha issues creep into discussion

While the review generally praised India's involvement in the Doha Round negotiations, the US made a point in its remarks to bring up the long-standing differences between the US and India in the struggling trade talks.

Punke noted that, while the US "support[s] India's use of an open trade policy" to fulfil objectives of inclusive growth and economic development, such support "underscores our disappointment in India's reluctance to participate in meaningful market opening through the Doha Round negotiations, despite India's place as one of the world's fastest growing economies."

The US has long disagreed with Brazil, India, and China over industrial sector tariffs, with the US arguing for mandatory participation in 'sectorals,' i.e. the cutting of tariffs across an entire industry. Washington has asked that emerging economies take on greater responsibilities when it comes to non-agricultural market access, in order to reflect their growing role in the global economy.

More information

Trade policy reviews are held for all WTO members; the global trade body's rules mandate that the four largest traders - China, the EU, Japan, and the US - undergo such reviews every two years, with other countries having longer lag times between reviews. The last review of India's trade policies was in May 2007.*ICTSD reporting*

US slams slow, opaque Indian trade policy

Tom Miles, Reuters

GENEVA, Sept 14 - The United States attacked India's trade policy on Wednesday, criticising its barriers to agricultural imports and retail sector investment and warning that it may not have shaken off the red tape and trade restrictions that has long plagued foreign business.

The broadside from U.S. Ambassador Michael Punke was part of India's trade policy review, a regular examination of trade liberalisation that every member of the World Trade Organization (WTO) has to go through at the hands of its peers.

Punke said the lack of transparency helped explain why India was ranked 165th out of 183 in the World Bank's "Doing Business" report. Stumped U.S. trade officials had repeatedly been forced to ask India to explain its policies to prepare for the review.

"We, ourselves, became increasingly amazed at how many matters we found to be important and for which we were unable to obtain answers independently," Punke said, according to a transcript of his remarks.

The U.S. criticism was far stronger than a WTO report issued as a starting point for the debate, which had largely welcomed India's efforts to open trade, while disapproving of its frequent tweaks to trade policy for political reasons.

In a list of criticisms, Punke decried "exceedingly high" tariffs in agriculture and a "severely restricting" government procurement regime.

INFLATION

Recognising India's need to fight inflation, he called for a strategy of lowering food prices with significant, long-term reductions in agricultural tariffs and the removal of "unjustifiable" impediments to agricultural imports based on health concerns and other technical barriers to trade.

While its policy in agriculture, India's biggest employer, was doing "a disservice to consumers and producers", it had also done little to develop the largest sector of its economy, services, with multiple policy initiatives stalled for several years, Punke said.

Market opening had helped the information technology sector to flourish, so it was disappointing to see India charting a different course in other areas, Punke said.

"For example, the past year has witnessed policies, already adopted or being considered, that explicitly shut out imports entirely ... or require private entities to source a significant amount of their purchases from manufacturers in India, as in the case of policies on electronic products and telecom equipment.

"Although India has expressed its intention to continue on its successful trajectory of liberalization, these types of initiatives tend to evoke comparisons to trade-restrictive policies pursued in previous, poorly-performing periods of India's economic development."

The United States was also worried by recent signals that India might limit foreign direct investment in sectors such as pharmaceuticals and banking, which had previously flourished thanks to more open policies.

Plans to update India's laws on intellectual property also "fell well short of best practices", Punke said.

India should avoid export restrictions and minimum export prices, he said, since access to global markets had been increasingly important for its economy.

"It is unfortunate, however, that India has chosen to push exports in the past year through a series of new trade-distorting export incentives," the U.S. trade envoy said.

"The United States considers these measures particularly troubling when afforded to the textile and apparel sector, given India's obligation to gradually phase out export subsidies in that sector starting no later than 2007."

India rejects West's criticism of trade policy
PTI

Sep 16, 2011, GENEVA: India today rejected the criticism of its trade policy, especially by the US, at the WTO and asked the members to judge the country by what it has done over the years.
"Nearly all of you, including our partners in regional trade agreements have commended India's openness and continued liberalisation ... I am, therefore, somewhat puzzled at the criticism levelled at us by some members about the inadequate market access offered by India," India's Commerce Secretary Rahul Khullar told WTO members.

"Judge us by what we have done over the years and not by the latitude we have," he said, in a response to the US criticism that "the agriculture sector in India remains closed to many foreign products".

The US trade envoy Ambassador Michael Punke expressed sharp concern "about the lack of transparency in many aspects of India's trade policy" and a range of restrictions faced by members in the government procurement, agriculture trade, weak enforcement of intellectual property rights and sanitary and phytosanitary measures.

Some other WTO members also expressed concern about rising anti-dumping measures and continued gap between the applied and bound tariffs by India.

Khullar argued that despite large merchandise trade deficit, which is projected to increase to 11.5 per cent of the GDP in 2013-14, India has kept its markets open for imports.
The Secretary said the concern about "the large gap" between bound and applied tariffs for agricultural products is "nothing but a reflection of our steady and continued autonomous tariff liberalisation".

He said there is no merit in labelling "India's import licensing regime as complex". Khullar said that it affects only a few restricted items primarily on grounds of protection of human, animal and plant life and the environment.

He also dismissed the concerns raised by the US that Indian apparel and garment exporters receive special tax credits saying "our export promotion schemes are based on the concept of duty neutralisation and providing a level playing field".

As regards trade remedy measures, particularly anti-dumping, India said if "it had a protectionist intent, then the easy route of increasing the tariffs up to the bound rates was available to us, we have not gone down that road."

The chair for the trade policy review mechanism Ambassador Mario Matus said members "praised India for having used trade policy to promote sustainable growth".

India August Exports Rise 44%
MUKESH JAGOTA, Wall street Journal

9 September 2011, NEW DELHI: India's merchandise exports grew in August from a year earlier but the volume shrank 17% from the previous month, and the expansion pace may decelerate further due to global economic uncertainties.

Exports climbed 44.2% from a year earlier to $24.3 billion, coming off an 82% on-year expansion in July, Commerce Secretary Rahul Khullar said at a news conference. Shipments increased thanks mainly to increased demand for engineering goods and chemicals.

Imports in August jumped 41.8% from a year earlier to $38.4 billion, widening the trade deficit to $14.1 billion from $11.1 billion in July.

Mr. Khullar warned that export growth is likely to stutter in coming months as traditional strongholds--the U.S. and EU--continue to hobble in economic uncertainties. The global jitters could have a knock-on effect on other markets, such as in South America and Southeast Asia, which are increasingly emerging as attractive destinations for Indian exports.

"Exports will fall more in September and October," Mr. Khullar said, adding that the government may offer some stimulus to exporters to cushion them against any sharp decline in demand.

"It is better to kick in now with some action, and the earlier it comes the better," he added.
Mr. Khullar didn't specify the steps the government may offer to exporters, who are already reeling under high credit costs and raging inflation.

Data from the HSBC Purchasing Managers' Index for August showed the pace of new orders for Indian manufacturers decelerated to the slowest in 29 months as export orders contracted at the sharpest rate since the series was started.

However, for the first five months of this fiscal year that started April 1, exports grew 54.2% from a year earlier to $134.5 billion, keeping hopes alive that India can manage to meet its full-year export aim of $300 billion. Imports grew 40.4% from a year earlier to $189.4 billion in the same period.

"Imports are not slowing down as much as exports, and if that trend continues then we have a problem," Mr. Khullar said.

Car exports grow 22% in April-August period this fiscal
Economic Times

12 September, NEW DELHI: Domestic car sales may be on a downhill drive, but exports from India have risen 22.39% in April-August period this fiscal over the same period last financial year.

According to the latest data from Society of Indian Automobile Manufacturers, passenger car exports in April- August period this fiscal stood at 2,17,409 units as against 1,77,634 units in the same period last year. The growth in exports is mainly on account of newcomer Nissan clocking good volumes, while Ford India has also managed to increase its overseas shipments by over threefolds during the period. Nissan Motor India, which sells hatchback Micra mainly in Europe, exported 42,540 units during the period. In the same period previous year it had not started exports from India.

Ford India managed to increase its exports, mainly on the back of compact car Figo to 10,118 units during the April-August period against 3,168 units last fiscal. Hyundai Motor saw 1.77% increase in its exports to 1,07,572 units as against 1,05,699 units in the year-ago period.

Utopia lacks sponsors: FTA talks with EU resume without drive
Pallavi Aiyar, Business Standard

September 13, 2011, Brussels: Trade can be a powerful force for economic and social good if the terms on which it is conducted are negotiated fairly. Theoretically, genuine free trade would eliminate borders and boundaries, inviting us to imagine a world where goods, peoples and ideas could flow unimpeded in beneficial symbiosis.

This would be a world where visa queues had lost their power to terrorise. Where Indian architects could, should they so desire, work on projects in Florence and Spanish lawyers argue cases in Mumbai. Where a Belgian postman might slurp at an Alphonso mango on a Sunday afternoon out at the Grand Place, even as a techie in faraway Bangalore opens a fizzy can of Belgium's famous Lambic beer, both without breaking the bank.

This week, another attempt to try and inch towards realising some semblance of this ideal is taking place in the bureaucratic sprawl of the European Union's (EU's) headquarters here. The chief negotiators of the ongoing India-EU free trade agreement (FTA) discussions are meeting here on Monday and tomorrow. The two sides continue to circle each other like weary, but still-wary pugilists.

Deadline after deadline for concluding the deal have been missed since negotiations were launched in 2007. And, despite encouraging noises by trade ministers as to the imminent signing of an agreement, negotiators privately admit to a deadlock.

With Manmohan Singh's United Progressive Alliance (UPA) government besieged by hunger strikers and charges of corruption on the one hand, and an EU beleaguered by fiscal crises and internecine squabbling amongst member states on the other, the India-EU FTA appears to have run out of political steam. A source close to the negotiations on the Indian side reasons that if talks are left to bureaucrats, they will argue till hell freezes over without a result. A political push is what is needed to kick-start what is a politically complicated deal for both parties.

Grinding gears

But, given the current environment in India and the EU, politicians are wont to step cautiously and the political capital that may accrue long-term from an FTA is outweighed by the political risk it will engender in the short term.

As a result, the talks are floundering, with the positions of both sides known, but few compromises in sight. Cars are a particularly sticky point. The Europeans claim they want a 100 percent elimination of tariffs in the auto sector. Indians scoff that this is a fantasy.

"How can we be expected to come down to zero, when our tariffs are as high as 60 per cent? If we are being asked for the impossible, it shows they (the EU side) are not serious," said one source. Hope had centred on a proposal whereby tariffs on high-end, luxury cars in India are abolished, while small and medium car makers retain a degree of protection. While this might be acceptable to some of Germany's upscale auto manufacturers, small car makers in France and Italy are reportedly loathe to agree. The Indian auto industry is unlikely to acquiesce easily, either.

It's not only the chapter on trade in goods that is at an impasse. Formal offers have not even been exchanged when it comes to the arguably more complicated chapter on trade in services. The EU is asking for greater access to a range of sectors, including insurance, banking, legal services and retail. But Delhi is firm that any demands necessitating legislative changes in India, as greater access in the insurance and legal services sectors would, are a red line that cannot be crossed.

'Substance'

Then, EU officials huff in response, there is no point in negotiating an FTA that lacks "substance." "Substance" has emerged as the mantra of choice for the EU side, the argument being that Europe is only interested in an "ambitious" agreement.

India's free trade deals with Japan and Korea, where cars were kept off the table, are held up as examples of agreements lacking in substance. The India-South Korea pact for instance, only included the phasing out of duties on 85 per cent of Korean goods and 93 percent of Indian products.

In contrast, the recently concluded EU-South Korea FTA banishes duties from 99 per cent of Korean imports in Europe and 96 per cent of European exports to Korea. The Europeans say they want a similar level of ambition with the India deal.

The Indians argue that given their high levels of existent tariffs, this is unrealistic. Since the EU's tariffs are already much lower than India's, any agreement will of necessity pinch India more. Delhi, therefore, insists that Brussels accept an asymmetry in the level of tariff reduction.

EU officials counter that while this might, in principle be acceptable, what is important is what sectors are included in the tariffs that are in fact scrapped. In other words, cars, once again. Meanwhile, the Europeans have yet to make clear their position on one of India's major demands, relating to the temporary stay in the EU of highly skilled Indian service providers like information technology and financial services professionals, architects and so on. An offer to facilitate the movement of Indian professionals within the EU has been the expected trump card that Brussels will play in exchange for concessions from the Indian side.

However, Indian officials say there is still little clarity on what the EU will be able to deliver in this respect, given that visas and immigration are a member-state competency rather than one that the European Commission can directly negotiate. The spectre of an army of "cheap" Indian labour marching into Europe and taking away local jobs is often raised by critics of the FTA which makes it politically very sensitive, given the high levels of unemployment experienced by many EU nations.

An India-EU FTA would not only boost trade — Federation of Indian Chamber of Commerce and Industry estimates that bilateral trade could touch $572 billion by 2015 if the deal goes through — but would also have geo-strategic implications as Europe looks to strengthen its relationship with strategic partners in a new world of emerging economies.

The reality is that despite all its putative benefits, in the absence of a strong political patron on either side, the deal between the world's largest economy and one of its fastest growing competitors looks set to languish in negotiating limbo.

The danger of a trade war
Livemint

21 September 2011: The European Union (EU) plans to impose a carbon emissions levy on all airlines that fly over its territory beginning 1 January next year. The decision could not have been taken at a more inopportune time.

Under the EU Emission Trading Scheme (ETS), airlines will have to account for carbon dioxide emissions. They will have to pay fines in case they do not make allowances for emissions. The ETS will unfold in a phased manner over the next two to three years but there is no denying that once in place, it will hit aviation companies.

Had the matter been one of purely implementing a set of environment-friendly regulations, the protests would have muted after a while. The problem is that this is a trade issue: the EU is loath to apply these rules to European airlines alone as it will hit them adversely, hence it plans to hit everyone equally. This is a pernicious argument.

At this moment, the world can ill-afford a thoughtless scheme such as this one. For one, EU-ETS has the potential to further complicate the next round of global trade liberalization and also bilateral trade agreements. For example, India could very well retaliate by creating hurdles in the EU-India free trade agreement (FTA). This is because, Indian aviation companies are already in financial trouble and they can do without more problems.

Then the proposal is self-defeating for the EU itself. Chances are that aviation hubs such as Frankfurt, Brussels and others will lose out to their rivals outside the EU. Business can easily move to these destinations and worse, the possibility of European airlines being discriminated against cannot be ruled out.

India, the US and other countries have taken a lead against EU-ETS. As reported in *Mint* today, New Delhi has invited several countries for a round of consultation and coordination. A joint declaration condemning the EU move will be issued. This ought to be just the first step. In case the EU persists with its plan, more realistic steps may need to be taken to dissuade it.

Traders tense over duty free access to Pakistan in EU
Sanjay Sharma, Times of India

Sep 12, 2011, 10.39AM IST: Textile and leather industries of Punjab are tense after the government of India decided to drop its objections in the World Trade Organisation (WTO) general council meeting mid next month against duty free access to 75 Pakistani items in the 27-member European Union.

EU offered the concession for three years to help Pakistan recover from a devastating flood. Pakistan exports around $300 million worth of these items to EU. When the European body offered concession to Pakistan last year, India, Bangladesh and Vietnam objected to it at WTO. Except India, the other countries had withdrawn their objections earlier.

Ludhiana's textile manufacturers Ajit Lakra, Vinod Thapar and Narinder Miglani don't sense any immediate threat. "Yet Pakistan is good in cotton products and has currency and labour price advantages making it cheaper than Indian goods," said Thapar.

Lakra said now there is an all around competition in South Asia as Sri Lanka is also manufacturing quality apparel that are cheaper due to garments special economic zones (SEZ) set up in the island nation. But the labour cost in Sri Lanka is high.

"The only saving grace is that the items produced in Ludhiana have less competition from Pakistani manufacturers than those in Bangladesh," said Miglani.

Leather industry around Jalandhar is concerned if the concessions continue for three years, as promised by the European Union (EU), Pakistan may cut into their business. Exports from Jalandhar's leather industry are estimated to be at Rs 240 crore per annum. Director of Punjab Effluents Treatment Society Ajay Sharma said, "Pakistan is better at handling leather, has cheap and good raw materials apart from having cheaper currency that makes Indian products look costlier. On top of it, if they also get duty free access in Europe, India loses competitive advantage."

The industrialists see a glimmer of hope because of India's superior marketing capabilities. Many feel that since European economies are not doing well, they won't attract imports from anywhere.

Indo-Pak trade: high on hope, low on execution
Nayanima Basu, Business Standard

An unfinished Integrated Check Post (ICP), a shabby passenger terminal, the lack of a connecting road on the Pakistani side and pending permissions, all threaten to undermine a historical trade agreement.

Attari (Punjab) September 22: Pakistan's commerce minister Makhdoom Amin Fahim is scheduled to arrive in India around the 26th of September. His visit is an extremely important one for a number of reasons. Trade is a smart way to improve the trust deficit between India and Pakistan. Business ties work to strengthen bonds across borders and realising this, both countries are also pushing for a much liberalised visa regime for businessfolk.

In April this year, commerce secretaries of both countries came out with a zealous joint statement post their meeting in Islamabad. Hopes of a renewed and more vibrant trading relationship seemed to get a fresh lease of life. Both ministers planned to increase trading hours, facilitate faster clearance of cargo and expedite the movement of large vehicles and containers.

All of that risks being reduced to just hot air. The main crux of the joint-statement was increasing trade through the Wagah-Attari land route especially via a newly built second gate dedicated to passenger and freight traffic. As per the communiqué, the new integrated check post (ICP), which had been under construction since February 2010 under the aegis of the Ministry of Home Affairs (MHA), would become fully operational from October 1.

Yet, nothing seems to have progressed on the ground and all evidence points to a stagnation of these plans which could derail prospects of rapprochement between the two countries.

Firstly, while the construction—overseen by RITES—is in full swing, delay in the disbursement of funds by the MHA has taken the sheen off the project, officials told Business Standard, and forced a delay of at least two to three months. So far, only the ground floor of the passenger terminal had been constructed along with three warehouses and special centres for pilgrims. The ground reality is that the new ICP, which is spread over 125 acres, is far from becoming operational anytime soon.

Trade between India Pakistan, while not huge, has healthy prospects as traders, businesses and even people from both countries are eager to access each other's goods as well as markets, which range from cosmetics to cement. For Pakistani businesses, like say FMCG companies, the route could prove to be a significant money saver as it no longer means bringing in far more expensive raw ingredients for face creams and cosmetics from the United Kingdom, for example, or even Indian goods via Dubai (which is the alternative route used to beat the ban on certain Indian goods).

It's not that Indo-Pak trade through the border posts are non-existent. Last fiscal, total exports worth Rs 452.86 crores took place through the Attari road land custom station compared to Rs 395.92 crores and Rs 421.18 crores in 2009-10 and 2008-09 respectively. On the other hand, imports reached Rs 1,170.46 crores in 2010-2011 against Rs 798.05 crores in 2009-10 and Rs 410.30 crores in 2008-09, according to official statistics. But those numbers could get much higher with the a new and smoothly functioning ICP.

Reason is, the ICP is expected to do away with the existing entry and exit points that face huge traffic delays and chaotic jams. Presently, trucks are allowed to ply only till 2-3 PM everyday and the average stoppage time of each of the trucks is around two hours. This is because of the regular parade exercise involving a high-stepping face-off between Indian and Pakistani soldiers cheered on by jingoistic crowds that takes place near the existing gate which leads to closure of traffic for the day after 3 pm.

The new ICP is expected to have specific platforms where goods would be unloaded in an organised way, but none exist so far. Presently, goods carried by the Pakistani trucks are being unloaded right next to the pigeon-holed customs counters in a haphazard manner by porters wearing blue uniforms resulting in pandemonium. There are no separate resting places for the drivers either.

One of the biggest stumbling blocks that has emerged is the absence of a parallel road on the Pakistan side in order to the make the new gate viable. As a result, when the new ICP becomes operational, instead of going straight from the new Gate Number 2 into Pakistan, passengers would have to travel around 1.5 kms more to arrive. Similarly, trucks would also need to travel an extra 1.8 kms. The Indian side is building a straight road on the international border from the ICP to Pakistan, but since the latter is yet to build a connecting road the ICP will essentially serve as a big parking lot for passengers and traffic.

"Until and unless the straight road from India to Pakistan's border is opened, this ICP is useless for us. Yes, we might get a more spacious area to rest while we unload the trucks but nothing more than that. Delays would continue to take place," said Rayeez Khan while smoking a Gold Flake cigarette. Khan is a Pakistani truck driver who brings stones from the Jhelum river five to six times a month.

That's not all. The government has also moved at a glacial pace in granting essential permissions needed to make Gate Number 2 operational. The Border Security Force (BSF) that has a watch-tower near the gate, the forest department which needs to remove trees and Punjab State Electricity Board (PSEB) which needs to bring connectivity up to the ICP—which inturn needs permission from the National Highway Authority of India (NHAI) since the wiring takes place along the main highway—all need to sign off on the project. But the applications with them are still pending, suggesting a business-as-usual attitude.

In order to ferry the passengers on the extra stretch of road, it was decided that battery buses would be operated on this extra stretch of road since passengers have to walk with their luggage. But in a recent meeting the MHA has decided to ask Punjab Tourism Corporation to provide vehicles. This is the same MHA that had decided to establish a body under the ministry called the Land and Port Authority of India (LPAI) to monitor the functioning, development and maintenance of the ICP. However, this too has become mired in red tape, and the government is in the process of electing a chairman and members, which might take another two months.

Perhaps the one thing most emblematic of the project and relations between the countries is the state of the passenger terminal. This was initially planned to represent state-of- the-art architecture with central air-conditioning and all kinds of modern facilities. However, what has been built is a huge structure with an over-arching dome with white-ceiling fans and cramped immigration counters, suggesting that while the rest of India booms, this is one endeavour that is most resistant to change.

Indo-US trade talks: India to seek withdrawal of visa fee hike
Amiti Sen, The Times of India

20 September 2011, NEW DELHI: India will ask the Barack Obama administration to end its restrictive trade practices that have made exports to the US more expensive and raised costs of Indian IT companies operating there.

Commerce and industry minister Anand Sharma will meet US trade representative Ron Kirk next week and is expected to make a strong case for withdrawal of the steep increase in professional visa fees and the additional duties imposed on government imports. He is also expected to ask for speedy restoration of the generalized system of preferences scheme that allows duty-free imports of specific goods from developing countries like India.

"The US has not responded to India's demand that the hike in visa fees and imposition of extra duties on government imports should be withdrawn. We want them to take notice this time," a government official told ET.

Finance minister Pranab Mukherjee and Sharma will both be part of a CEO forum together with the USTR and treasury secretary Tim Geithner in Washington on Thursday. "We expect the issues bothering us to be taken up strongly as CEOs from both sides are also hit by the measures ," the official said.

The increase in fees for H-1 B and L1 visas for funding domestic programmes such as enhancing border security and meeting health needs of 9/11 victims is bothering India as these implicitly target and discriminate against IT companies. India feels that these could be inconsistent with the US multilateral commitments under the General Agreement on Trade in Services.

The additional 2% duty imposed on government purchases from countries like India that are not part of the government procurement agreement of the WTO could also be against US commitments. "Minister Sharma has already written to the USTR about India's concerns on these issues but there has not been any satisfactory response so far," the official said.

The issue of negativity towards Indian professionals and attempts to restrict free flow of services and professionals may also be taken up. "IT body Nasscom has reported increased negativism in granting visas and harassment at the port of entry in the US and this may be a point of discussion," he said.

Nasscom had written to the US ambassador in India, Timothy Roemer, in November, on rejection of a larger number of business visas and visa interviews taking the form of interrogation. India is expected to invite US pension funds and insurance companies to invest in its infrastructure debt fund and call for collaborative projects in energy-efficient buildings, water, agriculture and health care.

New policy to earmark purchases from domestic electronics firms
Surabhi Agarwal, Livemint

14 September 2011, New Delhi: India is considering a move that would make it mandatory for all government departments to make at least one-third of the annual purchases of computers and other electronic equipment from domestic manufacturers, according to an official at the department of information technology (DIT) who did not want to be identified.

The move is aimed at giving a boost to electronic manufacturing in India. While parts of the initiative may be in breach of international trade rules, the government is looking at ways of ensuring compliance, the official said.

The government is one of the biggest buyers of hardware in India. According to market research firm International Data Corp., 6-8% of the $10 billion (Rs. 47,000 crore) that will be spent on computers, servers and other hardware in India in the current fiscal to March will be accounted for by the government.

The idea has been welcomed in some quarters, but several experts said it's impractical because India lacks the electronic components industry backbone that would make local manufacturing work. Most companies that manufacture in India merely assemble components imported from China and Taiwan.

There are several who consider the move a bad idea and some of them, according to the DIT official, have begun lobbying against it. Mint couldn't independently ascertain this.

In 2009-10, India's electronics import bill was $29 billion and this is expected to rise to $323 billion (at current growth levels of 16%), which in turn will lead to a trade deficit of $296 billion in fiscal 2020, according to a report by Avendus Capital Pvt. Ltd.

The draft DIT policy has been sent out for comments to other ministries, the DIT official said. The ministry's policy note is based on recommendations by the Telecom Regulatory Authority of India. A government task force on manufacturing also said in a report that India will spend $400 billion on electronics in 2020, up from around $45 billion in 2009. In a recent interview to Business Standard, minister of state for planning Ashwani Kumar said that it was possible that by 2030, the import bill for electronic equipment will outpace the petroleum, oil and lubricants segment unless domestic manufacturing kicks in. India spent around $106 billion on oil imports in 2010-11.

According to the same newspaper report, the Planning Commission had proposed 30% preferential access, or reservation, be given to domestic manufacturing in government procurement.

According to the policy being considered, companies that are selling products not based on patents registered locally, can sell to government departments only if the products have had 25% of their value added locally in the first year. This has to increase to 45% by the fifth year. In the case of companies selling products based on local patents, the corresponding proportion has to be 40% and 60%.

Although most technology multinationals have research and development facilities in India, few make products locally and even those that do, will be hard-pressed to meet the criteria laid out in the policy.

"Even companies that manufacture in India are mostly assembling components imported from mainly China and Taiwan. No company manufactures everything themselves or has all suppliers in one country," said an executive at one of the top IT companies operating in India, who spoke on condition of anonymity.

The executive added that there are hardly any component makers in India and that in the case of some products, such as servers, there is little scope for localization.

"The maximum localization that can be done in any product is 10%," said a second executive at another IT company, who too didn't want to be identified. He added that even though India has a large domestic market and cheap labour, the reason IT manufacturing isn't a thriving activity is because of poor infrastructure and logistics, besides the tax regime and labour laws. "Why is the government forcing companies to set (up) shop; they should just fix these issues and companies will come on their own."

The DIT official said that the government would aim to ensure that the support systems are also established.

"We are setting up semiconductor fabs (fabrication units), which command 10-40% of the value of the product, giving incentives to the industry and setting up clusters, which will be islands of good infrastructure," countered the DIT official. "And for the rest, there are electronic manufacturing services companies such as Foxconn, Flextronics, which manufacture products across the board in bulk. Currently, their operations are very small in India, but if they expand, then the industry can procure from them."

The department's only concern is that some aspects of the policy could violate World Trade Organization (WTO) norms. "Government procurement is exempt from the WTO framework," the DIT official said. "However, private procurement is not. Some of the government-licensed agencies may fall into that category, so we have to figure out how to include them in the policy."

Poornima Shenoy, founder and former president of the India Semiconductor Association, said the proposal does not look like it violates any of WTO terms. "The government is only saying that if it gives business worth thousands of crores to these companies, then some part of it has to be returned to the country in the form of investment," she added.

This isn't the first time the government is trying to give a push to the domestic manufacturing of electronic equipment. In 2007, it unveiled the Special Incentive Package Scheme to turn India into a chip production hub. Under the policy, the government offered to underwrite 20-25% of the capital expenditure. Not only was the policy ill-timed—it coincided with the global economic crisis—but domestic industry found the threshold limits for investment unreasonable.

India, Saudi Arabia talks on PP anti-dumping tax next month

PTI

Dubai, August 23, 2011-- Saudi Arabia and India will resume talks next month on the prospects of lifting an anti-dumping tax imposed on the kingdom's polypropylene exports, a news report has said, quoting informed sources.

Saudi Arabia's Commerce and Industry Minister, Abdullah Zainal Alireza, will lead the Saudi delegation for new talks in New Delhi, the Indian trade mission in Geneva said, adding that Finance Minister Pranab Mukherjee will lead the Indian team.

According to the Arab News report, analysts have assigned utmost importance to the next round of talks, as previous bilateral negotiations have failed to reach an agreement.

New Delhi imposed an anti-dumping tax on Saudi PP exports in July, 2009.

India imports 25,000 tonnes of polypropylene from Saudi Arabia annually.

Before imposing the anti-dumping tax of 1.5 per cent per tonne, or USD 20-22, Saudi polypropylene was the lowest priced product in the market, the report said.

Saudi Export Development Centre (SEDC) Executive Council Chairman Abdul Rahman Al-Zamil described the 22 per cent tax as "unreasonable" and urged New Delhi to reconsider the decision in the light of the strategic trade relations between the two countries.

According to Al-Zamil, India imposed anti-dumping taxes on Saudi polypropylene exports, saying it had cheaper feedstock.

"The availability of cheap feedstock in the kingdom is quite natural as a result of abundant local gas supply and the location of petrochemical plants closer to gas pipelines," he said.

Govt may lift ban on onion export
The Pioneer

Mumbai, Sept. 18 -- Under mounting pressure from the agitating onion growers and various political parties in Maharashtra, the UPA Government is likely to reconsider its decision to impose a ban on the onion exports on Tuesday.

During his visit to the city on Saturday, Union Finance Minister Pranab Mukherjee assured Chief Minister Prithviraj Chavan and his deputy Ajit Pawar that Empowered Group of Ministers, headed by him, would discuss the situation arising out of the Centre's decision to ban the onion exports, at its meeting is scheduled for Tuesday. "We will take an appropriate decision on that day," the Minister reportedly assured Chavan and Pawar.

Mukherjee, who was in the city for a meeting with Chief Ministers in the west zone States, took stock of the situation pertaining to onion, sugarcane and cotton crops in the State, at a meeting he had with Chavan, Pawar, Ministers and senior bureaucrats of various departments concerned. Among the crops, he discussed at length the issue of farmers affected by the Centre's ban on onion exports.

On a day when reports from the maximum onion growing district suggested that nearly 40 per cent of the total 9 lakh onion stored in various godowns had begun to rot, Chavan and Pawar urged the Finance Minister once again to lift the ban on exports of the perishable commodity.
Saturday's was the second occasion in the last three days, when the ruling politicians in the state made a detailed presentation before the Union Finance Minister and stressed on the need for lifting the ban on onion exports without any further delay.

Earlier on Wednesday, the State's ruling DF Ministers had met Mukherjee, Union Agriculture Minister Sharad Pawar, Energy Minister Sushil Kumar Shinde, Commerce and Industry Minister Anand Sharma and Food Supplies and Public Distribution Minister of State(Independent Charge) KV Thomas in the capital and made a strong case for withdrawal of the onion exports ban.

Chavan told the Union Minister that lifting the ban on onion exports was the only way to ensure remunerative to the farmers for their produce during the rabi season.

Meanwhile, the agitation of onion growers entered the ninth day on Saturday. As many as 14 wholesale onion markets continued to remain closed in Nashik district, which alone contributes to over 60 per cent of total onion produced in Maharashtra.

Developing Asia's growth to slow: ADB
AFP

HONG KONG, September 14, 2011 - Asia's developing economies will post slower-than-expected growth this year and next as key trading partners reduce orders due to worries about the global economy, a report said Wednesday.

However, the region will continue to see strong expansion as it makes up for lost exports to the developed world by increasing trade with neighbouring economies, the study by the Asian Development Bank added.

The bank said the region's economies would expand 7.5 percent this year, down from its 7.8 percent forecast in April, while 2012 would also see 7.5 percent growth, down from a previous 7.7 percent estimate.

Slower demand in the US and Europe "continues to cast a cloud over the region," said the Manila-based bank, adding that export growth in leading economies, including trade powerhouse China, had slowed "substantially."

"At the same time, strong domestic consumption and expanding intra-regional trade are helping to underpin still solid growth levels (in developing Asia)," said Changyong Rhee, the bank's chief economist.

"Since the onset of the global recovery, the growth in exports to (China) from several Asian economies has been stronger than their exports to the rest of the world."

The share of regional trade among Asia's largest economies increased to 47 percent in the first half of 2011, up from 42 percent in 2007, the report said.

"Asian economies are becoming more resilient to external shock," Rhee told a press briefing in Hong Kong Wednesday, describing the lowered forecast as a "slight modification, not a huge drop."

The bank's latest forecast had excluded advanced economies falling into a so-called double dip recession, but Rhee added that "at this point the chance is growing."

The bank also warned that rising prices "remain a threat to many economies" with developing Asia's inflation rate expected to average 5.8 percent this year, up from 5.3 percent forecast in April, it added.

Regional inflation should then cool to 4.6 percent in 2012 as commodity prices fall "but central banks will still need to keep a close watch and may need to take remedial action," the ADB said.

Concerns about hot money flooding the region have eased as capital flows slowed in recent months, but there was a risk of an upsurge when advanced economies bounce back and debt markets settle, the report said.

"Capital has so far been flowing into the region at a manageable pace, but global economic uncertainty means policy makers should be prepared for greater volatility in capital flows," the report said.

The bank also warned that leaders would have to focus on the region's demographic landscape with young populations "growing older very rapidly, which will put many economies under pressure" in the coming decades.

"It is unprecedented in world history...the speed (of Asia's ageing population) is really high," Rhee said.

The bank's report looked at 44 jurisdictions stretching from the former Soviet states of Central Asia to some Pacific islands, but excluded developed countries such as Japan, Australia and New Zealand.

East Asia -- including Hong Kong, China, South Korea, and Taiwan -- remains the key economic driver for developing Asia, the report said, with growth forecast at 8.1 percent this year. That would fall to 8.0 percent in 2012 as China's economic engine slows, it added.

Inflation-hit South Asia will see its economies expand 7.2 percent this year -- with prices forecast to rise 9.1 percent -- while the region's India-led growth would hit 7.7 percent in 2012, it said.

Southeast and Central Asia's growth forecasts were also lowered "slightly" to 5.4 percent and 6.1 percent respectively for 2011, and 5.6 percent and 6.6 percent next year, the ADB said,

In the Pacific, resource-rich Papua New Guinea, Timor Leste and the Solomon Islands would push the region's growth to 6.4 percent this year, slowing to 5.5 percent next year.

Questions over Future of Doha Intensify as Ministerial Draws Nearer
Bridges Weekly Trade News Digest

15 September 2011: As the WTO returns from its summer recess, members are actively looking at what options remain for the struggling Doha Round of trade talks, especially given the fast approach of December's WTO Ministerial. While some WTO members, such as the US, are suggesting that the global trade body's membership acknowledge that the round is "deadlocked," others are urging the exploration of other possibilities.

Prior to the August break, trade officials had agreed that the earlier plan to pursue an LDC-plus package - one that had deliverables for Least Developed Countries (LDCs) - for the December ministerial was no longer feasible .With members unable to reach consensus on what non-LDC issues, or even what LDC-specific issues, might be included in such a package, the decision was made to change tracks and focus on non-Doha issues for the ministerial, along with a post-December work plan for Doha.

Much of the stalemate being seen in the trade negotiations stems from a long-running dispute between the US and emerging economies, such as Brazil, India, and China, over industrial tariffs, along with disagreements over cutting farm subsidies in developed economies. In the former case, the US has asked for mandatory participation in 'sectorals' - the cutting of tariffs across an entire industry - insisting that emerging economies take on greater responsibilities to reflect their larger role in the global economy.

The agriculture dimension of the embattled Doha negotiations featured prominently in last week's meeting of Cairns Group ministers. The group of 19 agricultural exporting countries met from 7 to 9 September in Saskatoon, Canada, to assess the state of play of the talks and urge WTO membership to push forward toward a successful conclusion of the Round. For more on the Cairns meeting, see our related story in this issue.

In a 9 September interview with LiveMint, a business news website that partners with The Wall Street Journal, WTO Director-General Pascal Lamy urged that it was time for members to recognise that the industrial tariff issue is holding up progress in other negotiating area. "The question is whether through smaller steps we can get to a final global deal," he said.

Frustration over the industrial tariffs issue also surfaced in recent statements from EU and US officials. US Ambassador Michael Punke, in a hearing on 12 September before the US Senate Finance Committee, told committee members that "the Obama Administration, with the strong support of Congress, believes that China and other emerging economies must shoulder new responsibilities to reflect this change. So far, they have been unwilling to do so."

Punke also rebuked some WTO members for their "reticence" regarding recent US suggestions for resolving the problems that caused the 2008 breakdown in Doha negotiations, adding that such reluctance left the US with "very little to show for those efforts."

EU Trade Commissioner Karel De Gucht, in a statement made to the EU Parliament and European Commission president on the same day, also brought up the sectorals issue. He noted that the root cause of the impasse was "fundamentally divergent expectations regarding the reciprocity of commitments that developed and emerging countries should take in opening their markets: one side asked for almost full harmonisation of commitments, while others insisted on far-reaching and preferential treatments."

De Gucht added that the EU remained in between those two extremes, and even made a proposal to that effect - one that, he found, "got large support from the concerned industries [but] there was unfortunately not enough traction around the negotiating table to negotiate further on the basis of this - I believe - good proposal."

Next steps for Doha unclear

As one developing country official told Bridges, "the situation is very confused on the Doha track." Members are now working with the Director-General on both non-Doha issues and a plan for Doha itself.

Over the summer break, various conflicting viewpoints on the general future of the Round have emerged. These viewpoints, the official noted, range from abandoning the Doha talks entirely, to freezing the Round and "taking time off" in response to the financial crisis, to abandoning the "grand design" under the single undertaking principle - under which nothing is agreed until everything is agreed - and instead addressing issues "piece by piece." Some members also blame the mandate of the talks themselves, set in 2001, for being outdated.

As a result, the official stated, it becomes "inevitable" that the Doha discussion will shift to a more "holistic approach," and delegations will have to "prepare and structure that discussion" for ministers in advance of the December gathering.

Punke, at the US Senate Finance Committee hearing, took a decidedly pessimistic tone when discussing the US's view of the future of the trade talks.

"What we are doing today in the Doha negotiations is not working," Punke said. "That is not a value statement, but a simple assessment of the facts. After ten years, we're deadlocked."
He added that whether the WTO's membership can "acknowledge the reality of our situation will be the first test of whether we can devise a credible path forward that will expand market access and strengthen the institution."

According to observers, delegates are being forced to acknowledge that pushing the Round through to a conclusion anytime soon is less and less of a realistic outcome.

"The air of pessimism is all pervasive, at the moment, because it's hard to find anyone who seriously believes that much will come before the ministerial," Simon Evenett, a trade professor at the University of St. Gallen, told Bridges.

"All you can say about the current situation that is good is that reality has finally intruded, and the people are able to see just how far we have to go," he said. "The fantasy is over and the stark reality is laid before us."

While consensus on how to resolve the Doha stalemate is lacking, many observers agree that any progress will depend largely on political leadership from members.

In a speech to CUTS International in New Delhi, Lamy told the audience that ministers will "have to talk turkey" at the December ministerial. "The debate is not about whether we bury the round or whether we fix another artificial deadline to conclude it. If we are clear that the issues in the Doha Agenda need to be fixed, the challenge before us is to find the political courage and the pragmatic steps which will lead our members to have an honest negotiation," he stated.

The upcoming weeks

Next week will see a meeting of the so-called G-11, a group of WTO members that includes Australia, Argentina, Brazil, Canada, China, the EU, India, Japan, Mauritius, South Africa, and the US. Earlier this year, the G-11 tried to kickstart a "horizontal process" in which WTO members could make tradeoffs across different negotiating areas .The countries will now discuss the Doha and non-Doha agenda for the ministerial, according to sources, that will "hopefully give us an honest discussion of where we are." It's "essentially a political discussion" for ministers, the source added.

While talks on non-Doha issues for the ministerial appear to be in the early stages, some countries are putting together proposals on areas such as "21st century issues" - food security, climate change, etc. - and currency issues, among others. *ICTSD reporting.*

Take smaller steps to reach final deal
Mint

9 September 2011, New Delhi-- Pascal Lamy, director general of the World Trade Organization (WTO), is in the most difficult phase of his long career. The Doha Round of multilateral trade negotiations is on the verge of collapse because of a widening rift between developed and developing nations. Lamy, 64, who was in India earlier this week, says the view that a more staggered approach should be taken on the Doha Round makes sense. Edited excerpts:

Do you think a multilateral trade agreement as comprehensive as Doha was ahead of its time, which is why an agreement has been elusive so far?

That is the view of some. Some people say that it is too ambitious, that the agenda was too large compared to the Uruguay Round, that the number of participating countries is also much larger. They say the combination of a larger agenda and a single undertaking and many more players may be over-ambitious. I am not sure this is right because the WTO mission is to regulate multilateral trade where it needs changes in existing regulations. And I do not see which part of this agenda was not relevant. It is not a question of whether the agenda was relevant or not, it is a question of whether the complexity of the agenda was doable. Hence, the view that some have expressed, that we will need to discuss for the WTO December ministerial meeting whether a more staged approach is better, whether a more staggered approach in which we look at the issues one by one instead of linking everything with everything makes more sense. In other words, a more pragmatic approach under which each area is looked at on a standalone basis on its own merit. That, of course, will necessitate an agreement among members. It remains to be seen whether they accept that or not. This is something we need to test in coming times.

So what you are suggesting is splitting up the Doha Round of negotiations into separate areas.

I am not there to make suggestions. But this approach is one that I have heard from many WTO members.

But on Monday we heard India's commerce and industry minister Anand Sharma say he wants the Doha agenda to be completed as a single undertaking, which means India is opposed to it.

I do not think both are incompatible. There is a provision in the Doha declaration which provides with what we call in our jargon for "early harvest". This means provided there is enough understanding among members, individual areas could be part of an early harvest.

So, in hindsight, do you think putting everything together agriculture, nonagricultural market access, and services as a single under taking for negotiations may have been a mistake?

All the issues on the agenda are relevant. They are included because members believe they need to be changed. But today, we have to face the reality that disagreement over industrial tariff reductions for the moment is holding up the rest of the topics. The question is whether through smaller steps we can get to a final global deal.

Are you still hopeful of a small Doha package for least developed countries (LDC) in the December ministerial conference?

We have tried this between Easter and the month of July with this LDC-plus package and the reality is that it did not work. Some members were ready to have a package of measures for the world's LDCs on a stand-alone basis. But some were only ready to do this provided other topics were also part of the package. It did not work. We now need to ensure that the ministerial conference in December will conclude with a path that allows negotiations to resume and to exit the stalemate that we are in.

How justified is the argument that emerging economies such as India and China should contribute more towards a Doha agreement than envisaged earlier, given their growing economic stature? What is your stand on the issue?

Not for me to take sides. What I have to do as the WTO director general is provide members a diagnosis of the situation on what the reasons of the stalemate are. Certainly, one of the reasons is the difference in views between the US on one side and the emerging nations on the other side. The US says the emerging countries have now developed to a point which requires them to accept trade disciplines which are "developed country-like" rather than "developing country-like". On the other side, emerging countries say they recognize they are not like LDCs. They are ready to subscribe more disciplines, more market opening than poor countries, but this does not mean they are ready to consider themselves as developed countries. They say they still have huge domestic development challenges. Whether a compromise can be found between these two positions clearly remains to be seen and this is what for the moment stalemated the industrial tariff reductions.

There is an overwhelming view among developing countries that Doha Round is stuck because the US president lacks the fast track authority for trade negotiations, without which countries are not willing to open their cards. Do you agree with that view?

I don't subscribe to this view. After all, the US had fast-track authority for bilateral agreements with Panama, Colombia and South Korea. These countries are still waiting for Congress ratifying this agreement. So having fast track authority is not where the main difficulty lies.

Don't you think a window of opportunity has been lost in 2011 and the next opportunity can come only after the US elections are over by 2012end?

I hear this view. But we have electoral cycles and political cycles in each and every WTO member. So if negotiations have to stop every time we have an election somewhere, then there will never be an international negotiation.

US is a major player but it is not the only player. We have just had a change of leadership in Japan. We also have a change in leadership in China. The WTO system operates in a sort of medium to long-term time frame and we have to be able to weather the durations of election cycles among our members.

It seems, so far, WTO is opposed to the innumerable preferential trade agreements (PTA) being signed by member countries. Why? Is it not the norm of the day? Why can't WTO accept it and work around them and find a role for itself?

I would not agree that the WTO's position is against PTA. If you read the WTO World Trade Report published in July, it (is) entirely devoted to the issue of the coexistence between the preferential agreements and multilateral rules... The message we sent is that as long as PTAs are about tariff reduction, there is no real problem of coexistence because the more preferences you give, the less preference you have. The multiplication of preferences is by definition eroding them. But there is a potential problem in preferential agreements with different regulatory agreements. A multiplication of regulatory regimes risk scattering the multilateral trade regime and limiting economies of scale, so, this is where we need more and better multilateral disciplines.

Do you mean to say that some of the bilateral regulatory agreements are against WTO rules and, hence, can be challenged in WTO?

It is not so much about regulatory regimes being against the WTO. It is more about the multiplication of regulatory regimes which can create barriers for global value chains.

What is your view on ACTA (Anti counterfeiting Trade Agreement)?Is it not against the TRIPS (Trade Related Aspects of Intellectual Property Rights) agreement? Why has WTO not spoken against it?

ACT A has been negotiated outside WTO. The TRIPS agreement says that nothing in the agreement prevents parties from negotiating TRIPS plus discipline. Now, whether what is in ACTA matches this condition or not is not for me to say. If some WTO members believe ACTA enters into a ground that is non-compliance with TRIPS, it is up to them to raise this issue in the WTO. In the WTO, only members have the ability to do so.

Many developing countries, including India, are not supportive of what are called the "21st century issues" such as climate change, exchange rate and food security, which WTO is expected to take up. How do you see progress on these issues?

I don't think there is an agreed position among developing countries. It is Brazil which recently introduced trade and currency in a working group at WTO. Food security is being pursued by many net food importing countries such as those in the African group. So, it is a developed versus developing (issue), which is why we have to continue with the discussion, including at the upcoming WTO ministerial in December.