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Setback at WTO as demand to continue talks on Doha set aside

D. Ravi Kanth, Livemint

Geneva, November 30, 2015: India, along with an overwhelming majority of developing and poorest countries, received the biggest shock yet after a panel of facilitators at the World Trade Organization (WTO) set aside their demand for reaffirming the commitment to continue negotiations on all outstanding issues of the Doha Development Agenda (DDA) in the declaration to be adopted at the coming Nairobi ministerial meeting.

On Friday, the panel of facilitators said its report "contains neither draft language on nor place holders for the most contentious issues identified by members, namely the reaffirmation of the DDA and instructions on the way forward, and no new issues".

Following the facilitators' report, major industrialized countries—the US, EU, Japan, Australia and Canada, among others—insisted at a closed-door meeting on Saturday that if developing countries like China, India, Brazil, South Africa and Indonesia want reaffirmation of DDA negotiations, then they must accept "graduation" and forego special and differential and less-than-full-reciprocity flexibilities, according to people familiar with the development.

Effectively, the major industrialized countries turned the facilitators' report into a trade-off between the continuation of DDA negotiations on the one side, and radical changes in the WTO's architecture to bring graduation so to ensure that India, China, South Africa, Brazil and Indonesia undertake the same level of commitments as the developed countries for completing the Doha negotiations, according to people familiar with the development.

The countries which took part in the meeting included the US, China, India, Brazil, Japan, Australia, Canada, Norway, New Zealand, Switzerland, South Africa, Mexico, Colombia and Kenya, apart from the EU.

Ahead of the facilitators' report, over 100 developing and least-developed countries demanded the "reaffirmation" of DDA negotiations. India, China, Indonesia, South Africa, Ecuador and Venezuela, along with the Africa Group, the Arab Group, the small and vulnerable economies, the Africa, Caribbean, and Pacific (ACP) group, the recently-acceded members, and the least-

developed countries, have all demanded that the Nairobi Ministerial Declaration (NMD) must direct members to complete the DDA negotiations based on the existing mandates.

“We take note of the progress that has been made towards carrying out the Doha Work Programme, including the decisions we have taken during this (Nairobi) Ministerial Conference. These decisions are important stepping stones towards the completion of the Doha Round. We reaffirm the declarations and decisions we adopted at Doha, and all the subsequent declarations and decisions, notably the decision adopted by the general council on 1 August 2004; the Hong Kong Declaration of 2005 and the Bali Ministerial Declaration of 2013,” India, China, Ecuador, Indonesia, South Africa and Venezuela said in their proposal.

In his address to African leaders on 19 October in New Delhi, Prime Minister Narendra Modi said “the Doha Development Agenda of 2001 is not closed without achieving these fundamental principles (at the Nairobi ministerial meeting).”

But, disregarding the demands raised by the large majority of developing and poorest countries, the three facilitators—Gabriel Duque (Colombia), Stephen Karau (Kenya), and Herald Neple (Norway)— merely included the language as suggested by a handful of powerful countries such as the US EU, Japan, and other members, according to trade envoys familiar with the report.

The five-page draft report, reviewed by Mint, has portrayed the DDA negotiations in a negative manner to bolster the case made by the US and the EU.

For example, the facilitators said the members made “some” progress in the DDA negotiations despite concluding the $1 trillion trade facilitation agreement, which is part of the DDA, said an African trade envoy, who asked not to be quoted.

In the crucial Part III of the report, which deals with the post-Nairobi work programme, the facilitators turned a blind eye to the demand from the overwhelming majority of countries that “explicitly” called for reaffirmation of continuation of DDA negotiations based on the existing Doha mandates.

Echoing the oral statements issued by the US, the EU and Japan, the facilitators merely said: “We regret that it has not been possible to reach agreement on all areas of the (DDA) negotiations, including agriculture, NAMA (manufacturing), services, rules, including fisheries

subsidies, and TRIPS (trade related intellectual property). In particular, we note the importance of agriculture to many WTO members, including LDCs (least developed countries). We will, therefore, address all aspects of agriculture reform as a matter of priority."

"By drafting a declaration which basically points towards closing the Doha negotiations, as demanded by the handful of countries, the facilitators turned their back to all the issues raised by a majority of countries in their written submissions," a second trade envoy said.

Before the facilitators' report is discussed by members in a bottom-up negotiating framework on Wednesday, industrialized countries are trying to adopt a top-down approach to finalize the Nairobi ministerial declaration, the second envoy said.

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'Developing nations must have a say in WTO's Nairobi pact'

The Hindu Business Line,

24 November 2015: Developing countries and least developed countries have to be taken on board to achieve a basic minimum agreement at the World Trade Organisation's (WTO) ministerial meet in Nairobi, Sudhanshu Pandey, Joint Secretary, Commerce Ministry, said.

"If inequalities are getting sharpened, they are not going to assure us a good tomorrow," Pandey said at a seminar on issues for the Nairobi Ministerial, organised by research body RIS, Centre for WTO studies, CII and FICCI.

Trade Ministers from about 162 member- countries of the WTO will be in Nairobi during December 15- 18, to take stock of the ongoing Doha Development Round and try and agree on a small pact.

Trade experts pointed out at the possibility of some members such as the US trying to bring in new issues into the WTO at Nairobi such as environment, e- commerce, labour standards and stricter rules for IPR.

Former Commerce Secretary Rajiv Kher, who steered the negotiations at the previous ministerial meet in Bali in 2013, said that it was important for India to stop some developed countries from

their attempts at burying the ongoing Doha round, as India needed the flexibility to keep doing what it wanted to do and not roped in by new rules and issues.

“I will stick my neck out and say that the US will try to bring in all issues that are there in the Trans Pacific Partnership (spearheaded by the US) at the WTO and we have to be prepared for that,” said Abhijit Sen from the Centre for WTO studies.

The statements that came out of the G- 20 Summit and the APEC Summit have been disappointing, said Sachin Chaturvedi, Director- General, RIS. India and other members of the G- 33 group of developing countries have insisted on changes in the WTO’s agriculture agreement to provide for a special safeguard measure to check import surges by raising duties and also a permanent solution to the problem of treating food procurement subsidies.

Developed countries such as the US and Australia, on the other hand, want an agreement on export competition to remove all farm export subsidies.

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India, EU agree to re-start talks on free trade pact early next year

Amiti Sen, Hindu Business Line

New Delhi, November 22, 2015: India and the European Union (EU) have decided to re-start talks on a bilateral free trade agreement early next year ending months of acrimony over a ban imposed by Brussels on certain generic drugs tested by Hyderabad-based contract research firm GVK Biosciences.

“We have talked to the EU negotiating team on re-launching the FTA talks and dates would be fixed soon. “Our concerns on action against GVK will be put on a separate track and be sorted out independent of the negotiations,” a Commerce Ministry official told BusinessLine.

New Delhi had cancelled talks for a re-launch of the FTA negotiations in July to mark its protest against the 28-member bloc’s decision to ban 700 generics tested by GVK on allegations that it did not follow proper procedures while carrying out the tests.

The Commerce Ministry and GVK had strongly contested the charge. With India now ready to soften its stand on the matter, the two sides can pick up the threads from where talks on the India-EU FTA were suspended in 2013 over a number of tricky issues such as lower duties on EU's wines and automobiles, inclusion of services such as insurance and banking in the pact and greater access for Indian professionals in European countries.

"We believe re-starting the FTA talks would benefit both the sides. Anyway, the signal has gone strongly to the EU that it shouldn't be messing with Indian companies till it has a strong reason to do so. We expect all our concerns to be addressed on the arbitrary way the ban was imposed," the official said. Joint Secretary in the Commerce Ministry Anita Praveen has been appointed as the new chief negotiator for the talks and negotiations are expected to start early next year.

The India-EU FTA — formally known as the Broad-based Trade and Investment Negotiations — seeks to liberalise markets in goods and services, result in easier flow of investments and bring about stronger rules in areas like government procurement.

The EU is one of the largest trading partners of India accounting for a bilateral trade of $100 billion against India's total foreign trade of $760 billion in 2014-15.

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At APEC, Obama pushes for Trans- Pacific pact

The Hindu Business Line,

November 19, 2015: The Trans- Pacific Partnership trade deal between the US and 11 Pacific nations is drawing potential new members from Asia, as well as criticism from those excluded, as it heads for a tough ride in the US Congress.

Leaders of the trade grouping that spans the Pacific Rim met alongside a regional economic summit on Wednesday in Manila, and President Barack Obama urged them to ratify the deal "as quickly as possible".

Rising interest

The leaders issued a statement acknowledging interest among other countries in joining the pact, which currently represents about 40 per cent of the global trade.

“This interest affirms that through TPP we are creating a new and compelling model for trade in the one of the world’s fastest growing and most dynamic regions,” the statement said.

Philippines President Benigno Aquino III, host of the Asia- Pacific Economic Cooperation meeting, met Obama and sought his help in eventually joining the accord, which aims to reduce barriers to trade and set labour and environmental standards.

“If the whole idea is to broaden trade, making it exclusive actually defeats the whole purpose of why you enter into such agreements,” Aquino had said earlier during the week.

Indonesia and South Korea are among countries that have expressed interest in joining the trade arrangement, which is envisioned as a foundation for an even bigger region- wide trading bloc. The deal has drawn criticism, however, from China and Russia, which are not part of it. Russian Prime Minister Dmitry Medvedev said that world trade rules should be drafted within the framework of the World Trade Organization, not regional groupings.

Chinese President Xi Jinping also alluded to the potential conflict between regional deals and global trade rules.

“We need to encourage equal footing participation and extensive consultation, and make free trade arrangements open and inclusive to the extent possible,” Xi said in a speech.

US leaders divided

US officials have insisted the trade pact will be open to other countries, as long as they are willing to commit to its rules.

Still, ratification of the deal by the US Congress is not certain.

Australian Prime Minister Malcolm Turnbull, whose recently ousted predecessor Tony Abbott strongly supported the agreement, said that the biggest cause for concern appears to be gaining ratification in Washington.

“That’s President Obama’s challenge,” Turnbull said.

Republican lawmakers, who had supported the deal, appear to be backing off as the US presidential election looms next year. Many Democrats, including leading Presidential candidate Hillary Clinton, oppose the trade pact, which can only be approved or rejected by the Congress, with no amendments.

Obama acknowledged negotiations were challenging.

"This is not easy to do, the politics of any trade agreement are difficult," he said.

Apart from the US and Australia, Chile, Peru, Mexico, Canada, Japan, New Zealand, Singapore, Malaysia, Brunei and Vietnam have signed on to the accord.

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RCEP talks: India submits first round of offers on goods

Amiti Sen, The Hindu Business Line,

November 20, 2015: India has finally submitted its first round of detailed offers to dismantle tariffs on goods as part of the ambitious Regional Comprehensive Economic Partnership (RCEP) being negotiated between 16 countries.

The move comes ahead of the India- ASEAN Summit next week, where discussions on fast-tracking the negotiations are likely to take place.

"A detailed list of the items for which we would be eliminating tariffs has been sent to all the members this week. There was a delay as we had to consult most sectors and ministries including Revenue," a Commerce Ministry official told BusinessLine.

Once created, the RCEP — which includes India, China, South Korea, Japan, Australia, New Zealand and the 10 ASEAN countries — will be one of the largest free trade bloc (including goods, services and investment) in the world with 45 per cent of the world population and over $ 21 trillion of gross domestic product.

Busan meet

New Delhi and Indonesia were the only two that had not submitted their offers at the Busan meet in October. Consequently, they were also not allowed to look at the offers made by others.

"We can now access the offers made by other countries and make requests for improvements wherever we find

The broad contours of the first round of offers were concurred upon in September, India and China had agreed to eliminate tariffs on 42.5 per cent of items traded between the two.

them lagging," the official said.

It was important for India to submit its first round of offers this week as it would have been embarrassing for Prime Minister Narendra Modi at the India- ASEAN Summit next week, where some countries might have blamed New Delhi for the delay in negotiations.

"Although Malaysia had declared long back that the RCEP negotiations may not conclude by this yearend, we did not want to be blamed for it at the last minute," the official said.

The broad contours of the first round of offers were concurred upon in September, when India and China agreed to eliminate tariffs on 42.5 per cent of items traded between the two. India proposed the

same for Australia and New Zealand, who were ready to reduce tariffs on 62.5 per cent and 80 per cent of items from India, respectively.

New Delhi agreed to eliminate tariffs on 80 per cent items for the ASEAN compared to 74 per cent agreed to under the India- ASEAN free trade agreement. ASEAN countries were ready to reciprocate.

For Japan and South Korea, India offered to reduce tariffs on 65 per cent of items, which is less ambitious than its existing bilateral FTAs with the countries. The two agreed to remove tariffs on 80 per cent of items from India.

The next round of negotiations is likely in February, when the existing offers and the scope to improve them will be discussed.

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Modi resets India's Africa strategy

Rajrishi Singhal, the Hindu Business Line

November 17, 2015: Four changes or incipient trends were noteworthy at the third India-Africa Forum Summit last month. These spell out the contours of the engagement that India will pursue with the African continent, its constituent countries, and regional organisations, as well as the government's desire for a course correction in the traditional trajectory of the India-Africa relationship.

In the first change, a departure from the approach of previous Indian governments, the October event dispensed with the practice of following the Banjul formula, under which only a few African countries participated in the summit.

This time, the government invited all 54 African countries to New Delhi, and among those who came were 40 heads of state. While the shift in policy could be ascribed to this government's predilection for spectacular optics, it is also true that the multilateral summit gave India an opportunity to engage with each country.

Prime Minister Narendra Modi and External Affairs Minister Sushma Swaraj held numerous bilateral discussions with individual leaders and representatives.

Multilateral negotiations

This extensive bilateral exercise is tied to a second new policy stance—Modi's push to forge a united front with African nations for a common, but differentiated, negotiating framework in multilateral institutions. In his inaugural speech at the summit, Modi said: "…our global institutions reflect the circumstances of the century that we left behind, not the one we are in today…That is why India and Africa must speak in one voice for reforms of the United Nations, including its Security Council."

Beyond this, PM Modi has sought African support on two other critical multilateral fronts — climate change negotiations and trade talks. For the first, Modi wants to create a club: "I also

invite you to join an alliance of solar-rich countries that I have proposed to launch in Paris on November 30 at the time of the COP-21 meeting."

A combined front such as this will be necessary when negotiating with rich countries for resources to shift to clean energy technologies because, "the excess of [a] few cannot become the burden of many."

Modi also wants to align African countries to India's concerns with the global trading regime. This becomes important given the forthcoming World Trade Organisation (WTO) ministerial in Nairobi in December, where developing countries are likely to make a last-ditch effort to save the Doha Development Round.

The threat comes from developed nations, specifically the US, which in October has signed the Trans Pacific Partnership with 11 other nations and is lobbying to bury the development round.

Modi said as much in his inaugural speech: "India and Africa seek also a global trading regime that serves our development goals and improves our trade prospects. We must ensure that the Doha Development Agenda of 2001 is not closed without achieving these fundamental objectives. We should also achieve a permanent solution on public stockholding for food security and special safeguard mechanism in agriculture for the developing countries."

India's desire to construct a common bargaining platform is probably driven by the embarrassment of July 2014, when it was isolated while blocking the Trade Facilitation Agreement at WTO's General Council meeting. India's other attempts to get developing countries on board — to provide Duty Free Tariff Preference (DTFP) to least developed countries on 98 per cent of its tariff lines, including in services — have also produced mixed results, prompting the government to now fast-track the entire scheme.

The third outcome is a public acknowledgement of the partial success in implementing India's marquee development cooperation programmes — concessional lines of credit (LoCs), grants, and capacity building through the Indian Technical and Economic Cooperation Programme as well as the Pan Africa E-Network —and the need to improve the current processes.

Wider engagement

Modi announced enhanced allocations for the programme — $10 billion under concessional LOCs (double the $5 billion announced at the 2011 summit), $600 million of grants, and 50,000 scholarships in India — but also admitted that, "There are times when we have not done as well as you have wanted us to. There have been occasions when we have not been as attentive as we should be. There are commitments we have not fulfilled as quickly as we should have."

The problem with LOCs is well documented including a widening gap between sanctions and disbursements. In a pre-summit media briefing in New Delhi on October 17, Secretary (West) in the Ministry of External Affairs, Navtej Singh Sarna, gave an update on LOCs: of the $7.4 billion on offer so far, $6.8 billion has been approved and $3.5 billion disbursed. In effect, disbursals are only 51.47 per cent of sanctions.

Both India and recipient African countries are responsible for the low disbursal rate. In India, a multi-tiered and multi-agency framework for sanctioning and disbursing these loans creates delays. Additionally, a non-transparent process causes distortions.

Exim Bank, which finally disburses the loans, has complained to the Prime Minister's Office about malpractices. On the African side, capacity gaps in drawing up detailed project reports, essential for the Indian side to conduct a proper appraisal, cause delays.

The India-Africa Framework for Strategic Cooperation has promised to introduce a "regular formal monitoring mechanism" to review implementation of projects.

Addressing gaps

The fourth change was the absence of an announcement of trade targets. This was probably necessitated because India-Africa two-way trade has fallen short of the $90 billion 2015 target. But such ambitious targets tend to overshadow otherwise admirable progress in trade relations. In fact, trade between India and Africa has been remarkable.

According to government data, two-way trade touched $72 billion during 2014-15, which is a vast improvement over the $4.5 billion of 1996-97. But interlocutors still need to address some persistent gaps.

One, there is little data in the public domain about the development and progress of projects, especially those under the LOC umbrella or under other initiatives. For instance, there is no report card on the promise to help build 100 institutions that India made during the second India-Africa Forum Summit in Addis Ababa in 2011.

Two, with similar and competing summits being hosted by China, Japan, Turkey, and the US, India should work on upgrading the status of its India-Africa Summit by including sub-fora on labour representatives, think tanks, civil society, academia, and women's rights groups, in addition to the existing India-Africa Business Forum.

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'Trade must touch $200 bn. by 2025'

Prashanth Chintala, The Hindu

November 22, 2015: The Prime Minister Narendra Modi has said the trade between India and the Association of Southeast Asia Nations (Asean) should increase to $100 billion by 2020 and to $200 billion by 2025. During 2014-15, after a temporary decline, the trade stood at $76.5 billion.

In his hour-long address at the Asean-India Summit here on Saturday, Mr. Modi pointed out that much of the potential for economic partnership remained untapped and expressed the confidence that trade and investment would expand. He said India would soon extend electronic visa facility to all 10 Asean members.

Briefing the media after the summit, Anil Wadhwa, Secretary (East), Ministry of External Affairs, said the Prime Minister emphasised the physical, digital and institutional connect between India and Asean.

The Prime Minister also intends to set up an Asean-India innovation platform to facilitate commercialisation of low-cost technologies, technology transfer and collaborative research and development projects. Laying special emphasis on India's partnership with Cambodia, Laos, Myanmar and Vietnam, he said India would create a project development fund to create manufacturing hubs in the four countries.

As for climate change, Mr. Modi proposed an international solar alliance of 122 solar-rich countries, which he and French President Francois Hollande would launch at the Paris convention on November 30. The proposals made by Mr. Modi included the opening of an Asean studies centre at the Northeastern Hill University in Shillong and establishment of 100 slots for training in renewable energy in Asean institutions.

To counter terrorism, he suggested that India and Asean countries enhance their cooperation at the regional and international levels, including through support for the adoption of a comprehensive convention on international terrorism.

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Exports fall for 11th straight month, down 17.53% in October

Business Standard,

New Delhi, November 17, 2015: India's merchandise exports fell for the eleventh consecutive month in October. Exports contracted 17.53 per cent to $21.35 billion in October, against $25.89 billion in October 2014, according to data released by the commerce ministry on Monday. As against this, during the 2008-09 global financial meltdown the decline was for nine months in a row.

This has prompted the government to announce export-incentive measures for the second time in a fortnight. After coming out with a revamped Merchandise Exports from India Scheme last

month, the finance ministry on Monday raised the duty drawback rates — reimbursement of duties paid on imports used for exports — particularly for engineering products.

While exports of high-value petroleum products declined 55 per cent in October, engineering products by 6.3 per cent, and gems & jewellery by 7.56 per cent, only 21 items posted contraction in outbound shipments against 24 in September. Also, the decline in exports decelerated from the 20 per cent fall in August and September each.

As dollar receipts dwindled, what was a bit comfortable for India was that imports, too, dropped by 21.15 per cent to $31.12 billion in October against the year-ago period, when it was $39.46 billion.

Exports fall for 11th straight month, down 17.53% in October This meant that trade deficit narrowed to $9.77 billion in October against $10.48 billion in September. This was the first time the deficit came down to a single digit in the current financial year till October.

Imports of oil, a fifth of total inbound shipments, were down 42 per cent at $76.8 billion in October against $44.5 billion in the year-ago period. Non-oil imports fell 9.9 per cent at $24.3 billion against $26.9 billion. This is often taken as a proxy to domestic demand in the economy.

Non-oil non-gold imports are now considered a true indicator of such demand. In line with overarching trends, gold imports, too, fell 59.55 per cent in October to $1.70 billion, down from $4.20 billion in October 2014. This was despite the festival of Diwali falling in November this year against October last year. As such, non-oil non-gold imports declined 8.5 per cent at $22.6 billion in October against 5.2 per cent contraction at $23.7 billion in September. This also showed economic recovery will take time.

For the first eight months of the current financial year, exports declined 17.6 per cent at $154.29 billion. With only four months to go for this financial year to be over, touching the $300-mark would a remote possibility, feared the Federation of Indian Export Organisations president S C Ralhan. Even at $300 billion, exports would contract three per cent in 2015-16 compared to $310 billion in 2014-15.

For the April-October period, India's cumulative imports were at $23.20 billion. This was a 15.17 per cent drop from $27.35 billion, which was the cumulative figure for the same period last year.

As a result, trade deficit narrowed to $77.76 billion, cumulatively, for months leading up to October. The corresponding figure for the previous year was $86.26 billion.

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FinMin raises duty drawback rates to arrest export slump

Business Standard,

New Delhi, November 17, 2015: As exports fell for the 11th month in a row in October 2015, the government on Monday increased the refunds to exporters on duties on imports, particularly those relating to engineering products. This would also neutralise the impact of import duty hike in steel, used in engineering products.

Besides engineering goods, the government raised the duty drawback rates on composite products such as leather handbags, ready-made garments made of cotton wool and those made of cotton with lycra.

The Central Board of Excise and Customs raised the duty drawback rate by two percentage points for the engineering sector, which would allow higher tax refund to exporters of machinery and appliances, electrical machinery, tools and implements, among others.

"These revised rates are based on average incidence of customs and central excise duties and service tax related with the manufacture of export goods and involve substantial total drawback for exporters," the government said in a release.

After the additional hike in the duty drawback, the rate for certain engineering products could go up to close to eight per cent, sources said.

However, the government did not take into the account the 20 per cent safeguard duty imposed on hot-rolled steel. "It is a positive that the government has made up for the hike in duty on steel. But the smaller firms will have to bear the impact of safeguard duty, as it is not factored in new

duty drawback announced " said Ajay Sahai, director-general and CEO, Federation of Indian Export Organisations.

Duty drawback is a refund of certain types of customs and Central excise duties as well as service tax on imports of inputs or raw materials that are used to manufacture goods for exports.

The revised rates of duty drawback notified by the finance ministry will be effective from November 23.

In a first, the government extended the brand rate of duty drawback to wheat. It also provided a mechanism to pay provisional drawback to exporters soon after export, for certain exports made under the claim for brand rate of duty drawback.

"This was pending for a long time. In a positive development, the government also allowed exporters claiming brand rate of drawback rate to avail provisional drawback rate until the brand rate is decided," said Sahai.

The government added the expert committee would look into exporters' concerns arising from new schedule of rates and make further recommendations to the government in January 2016. The government will also take into account feedback from export promotion councils to this effect.

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Export target set to be missed again

Ishan Bakshi & Indivjal Dhasmana, Business Standard

New Delhi, November 25, 2015: Sluggish global demand and falling commodity prices are set to derail India’s export target of $325 billion in 2015-16 and lead to a second year of contraction in exports.

Ravi Kapoor, joint secretary, department of commerce, had on Wednesday said India would miss the target and might end below $300 billion by the end of 2015-16. This admission underscores the challenges the Narendra Modi government faces in boosting export growth amid sluggish global demand and falling commodity prices.

In fact, even matching last year's exports of $310 billion seems difficult.

In large part, the decline is driven by falling commodity prices, oil in particular. What is worrying is that the declines are being observed across major export segments. Even after excluding petroleum and crude oil products, exports of non-petroleum products have declined roughly nine per cent from April to September, first six months of the current financial year, against the year-ago period.

According to a study by CARE, "The impact of the global slowdown on Indian exports can be gauged from the fact that there has been a slowdown in growth of most of these countries." Of the top 10 countries, only the US and Bangladesh have witnessed an increase in growth in gross domestic product (GDP) this year from the previous one. The rest are projected to grow at slower rates, suggesting demand for India's exports would be muted. The ripple effects of sluggish growth in China, being felt across major commodity exports and East Asian economies, would also pull down demand for our exports. Competition from countries such as Bangladesh was also likely to eat into India's export share in certain categories.

The slowdown in China has pulled down commodity prices, hurting India's exports of oil, agriculture, ores and minerals. Exports of engineering goods, textiles and leather products have also declined.

India's engineering exports, roughly 22 per cent of the basket, fell 12.4 per cent from $345 billion last year to $30.2 billion this financial year (April-September).

"Despite exports in July being marginally positive, the fall in the remaining two months (August, September) has been so heavy that the second quarter of the current financial year ended with a decline of 18 per cent, as opposed to a fall of five per cent in the first quarter," said Engineering Export Promotion Council of India Chairman T S Bhasin.

Iron and steel and products have been one of the worst. The segment had declined 23.8 per cent between April and October. This has had a huge impact on engineering exports, as the segment contributes roughly a third of shipments here.

Declines were also observed in value-added products such as aircraft and spacecraft parts among engineering goods. This segment had declined 17 per cent during this period to $2.47 billion.

Similar trends were observed in ships and boats, as well as automobile and automobile parts. The two segments declined 34 per cent and two per cent, respectively.

Bhasin said: “The most important reason for the decline has been a sharp drop in prices of key metals and commodity-based items, as much as 50 per cent in some sectors. Further, the slowdown in China has had a spin-off effect in several key economies that are also important markets for India in Europe, Japan and the US.”

Textiles, another key export sector, also contracted in the first six months of the financial year. But Atul K Mishra, economist at the Confederation of Indian Textile Industry, said one must differentiate between exports of intermediate

Petroleum & crude products

Non-petroleum

Agricultural & allied products

Ores & minerals

Manufactured goods

Leather & leather manufactures

Chemicals & related products

Engineering goods

Electronic goods

Textiles (exc readymade garments)9.0

Readymade garments

Other manufactured goods

Gems & jewellery products — textiles, fabric and yarn — and of high-value-added items such as home furnishing and clothing. “While intermediate products have done badly, high-value items

have done better in comparison. This is because demand for these products come from different countries."

Demand for high-value items usually is from Western Europe and North America. "There are some signs of demand for these items picking up," said Mishra.

CARE estimated export of readymade garments grew 2.3 per cent in April to September against the year-ago period.

Textiles, excluding readymade products, contracted four per cent. Mishra said this was due to a decline in intermediate products. These products were largely exported to China and South East Asian economies. "As the latter are closely linked to the Chinese economy, a slowdown in China is bound to impact their demand for our products such as fabrics, textiles and yarn. Further, China is also promoting its own domestic industry in intermediate products. This is also lowering demand for our exports."

Leather was another segment to see a sharp decline. Exports of leather and leather manufactured products declined 9.8 per cent this year (AprilSeptember). "This is largely driven by a decline in finished leather, treated as a raw material by European countries,"

33.6

19.3

3.3

16.4

16.4

15.4

2.9

16.4

8.6 said M Rafeeque Ahmed, Chairman, Council of Leather Exports.

The segment was hit because of weakening demand in the euro zone and currency fluctuations. "With the euro weakening, the prices of our products have gone up, which is being resisted by European Union countries. They are getting more competitive quotes from Portugal and Romania," said Ahmed.

The decline in commodity prices has also hit agricultural exports. Former head of the Commission for Agricultural Costs and Prices, Ashok Gulati, said: "The fall is due to a decline in international prices, by 25-30 per cent, in this period. Commodities from cotton to sugar to basmati have all seen a crash in prices."

Agricultural exports declined from $19.3 billion in 2014 to $15.4 billion in 2015, about 20 per cent. The contraction can be attributed to a decline in kharif crops, which resulted in curbs on rice exports, said Madan Sabnavis, chief economist at CARE. Further, with an 'oil for rice' trade agreement with Iran ending, rice exports would be impacted. Sharper devaluation of currencies of competitive nations such as Brazil, too, disadvantaged India.

While experts said various government initiatives would help, greater thought has to be given to trade agreements. Pacts such as the Trans Pacific Partnership could potentially restrict India's export growth even further.

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What's holding up India's farm exports?

Prerna Sharma, The Hindu Business Line

26 November 2015: India's export of agriculture and processed food products — which accounts for 12- 14 per cent of the country's total merchandise exports — had been enjoying strong growth for the last five fiscals. However, it declined by 9.8 per cent to $ 38.6 billion in FY 2015 from $ 42.8 billion in FY 2014, with export to the US declining to $ 2 billion.

Is India being denied market access in the name of health and safety regulations? The latest example is mandatory inspection and audit of imported agricultural products. Are prohibitive import duties and high subsidies — a key feature of first world's farm policy — constraining India's farm exports? What are the other factors behind the poor performance of farm exports?

Tariff barriers

Over the last few quarters, export price of basmati rice has declined from $ 1,295/ tonne to as low as $ 1,050/ tonne, leading to low realisation from its exports. Export data compiled by Agricultural Products Exports Development Authority shows that export of basmati rice declined in both volume (1.6 per cent) and value terms (7.15 per cent) in FY 2015 mainly because of reduced demand from Iran and the US.

Relative appreciation of the rupee against the dollar vis- à- vis Brazilian real has eroded India's price competitiveness in soyabean, sugar and buffalo meat exports.

Increased shale gas production in the US has led to lower demand for crude oil. Low priced crude in turn has reduced the demand for bio- fuel, especially ethanol, thereby reducing the demand for soya, corn, mustard, sunflower, palm, sugarcane and sugar beet.

China has cut its cotton import quota to 894,000 tonnes, just enough to meet WTO obligations. It is reported to have imported 30 per cent less cotton in the first half of 2015. China also imposes an import duty of 40 per cent, and deprives India access to a large cotton consuming market.

Recent de- stocking and curbs on imports of agricultural commodities in China will keep international prices depressed. That will translate into lower demand for cotton exporters like India.

India's farm exports also face prohibitive import duties in overseas markets. For example, dairy products attract peak import duties of 511 per cent in the EU, 93 per cent in the US, and 692 per cent in Japan. Fruit and vegetables, and oilseeds attract equally high import duties in the EU, Japan and the US, with Japan being the most protective. Though there is a free trade agreement between India and Japan, most farm products have escaped any duty reduction commitments.

India's farm exports also have to compete with highly subsidised farm products supplied by other countries. Although India has been accused of being overly protectionist about agricultural and food products, it is China, Japan and the US which are the top farm subsidisers. According to the OECD, China spent over $ 165 billion in direct and indirect farm subsidies, followed by Japan at $ 65 billion (50 per cent of its agriculture GDP compared to less than 10 per cent in

India) and the US at $ 30 billion. Besides, nearly 70 per cent of Chinese subsidies are trade distorting.

India's farm exports also have to face a series of non- tariff barriers in top consuming markets – for example, a ban on import of mangoes by EU that was lifted in January 2015. Other examples of market denials are ban on rice imports by Iran and green pepper by Saudi Arabia. Besides, Vietnam refuses to allow Indian peanuts.

The cultivation of genetically modified (GM) crops is quite common in the US and Latin American countries like Brazil. India's hesitation on whether to allow cultivation of GM crops or not affects its ability to capture global market share.

China annually imports over 70 million tonnes of GM soybeans, but India can't supply any of it. Strangely, India does allow import of GM soyaoil and cottonseed oil.

The way forward

Given the numerous tariff and nontariff barriers that its farm exports face in overseas markets, India needs to devise an effective strategy to counter them. India will have to take up the issues of farm subsidies, market denials and high import duties at all bilateral (FTAs), regional (e. g. RCEP) and multilateral (WTO) trade forums if it is serious about pushing its farm exports.

Among internal actions needed are long term measures to tackle the issues of low productivity, over dependency on monsoon, and lack of post harvest infrastructure that lower the net supply of agriculture commodities and leads to knee jerk reactions in the form of export bans. It's time India stopped over promotion of cereals, and let demand and supply forces guide production and trade decisions.

Imposing export bans deprives farmers of getting the best prices for their produce. India needs to remove quantitative restrictions on exports for improving its image as a supplier. To deal with temporary shortage of specific agriculture commodities, export duties (that are less trade distortive than export quotas) should be used. It's time to consider cultivation of GM crops for capturing a bigger share in global farm trade.

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Tyre industry urges govt to check cheap Chinese imports

Swaraj Baggonkar, Business Standard

Mumbai, November 16, 2015: The tyre industry has urged the ministry of commerce to curb what it termed 'indiscriminate' import of radial tyres, particularly from China. The industry claims prices of such imported tyres are 25 per cent lower than locally-produced brands.

According to Automotive Tyre Manufacturers Association, the apex tyre manufacturers association, the import of truck and bus radial tyres was up 91 per cent in the first half of 2015-16, against the year-ago period. Truck and bus radial tyres are the mainstay of the industry accounting for 55 per cent in volume and value terms.

From an average per month import of less than 40,000 units in 2013-14, import of truck and bus radials went up to 57,000 units a month in the past year. In the first six months of 2015-16 (April-September), however, shot up to 110,000 units per month, which accounted for a significant 30 per cent of replacement sales. In the first half of this financial year, more than 650,000 truck and bus radials landed in India.

China's share in truck and bus radials import, which stood at 40 per cent in 2013-14 went up to 70 per cent in 2014-15 and has further increased to 90 per cent in the first six months of 2015-16. India Ratings and Research says an increase in tyre imports could result in a revenue decline for the Indian tyre companies with downward pressure on both volume and pricing in the key segment of truck and bus.

Anant Goenka, managing director, CEAT, said, "Chinese products have flooded the market impacting the industry and our top-line to a certain extent." A drop in the prices of crude and natural rubber has helped companies to tide over the Chinese dumping. Onkar S Kanwar,

chairman, Apollo Tyres, said, “The problem of low-cost imports is putting at risk the entire Make in India call by the Indian government.” Lower prices are attracting price-sensitive customers, the India Ratings report said.

Raghupati Singhania, chairman and managing director, JK Tyres, said, “Lower price tag makes Chinese tyres lucrative particularly for truckers and fleet owners who need to replace them frequently. Certain vested interests are also pushing these tyres to truckers to make quick gains by evading taxes. Such practices need to be curbed.”

Further import of passenger car radials (PCR) has seen an increase of 7% in the July-September quarter in comparison to year-ago period. Average per month import figure stood slightly higher at 428,429 units in the first half of this year than 425,718 recorded in the year-ago period.

China has bolstered its position as the largest exporting country to India. As against 43% share in the PCR import pie last year, China's share went up to 48% in the first half of this year. Thailand has maintained its second largest share in the import pie and accounts for about a quarter of all PCR imported in India.

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Veg oil imports up 24% on low domestic supply

Business Standard,

Mumbai, November 17, 2015: India’s vegetable oil imports jumped 24 per cent in oil year 2014-15 (October to November), following a sharp decline in availability from domestic sources on lower seed availability and negative crushing parity.

Data compiled by the apex industry body, Solvent Extractors’ Association (SEA) showed India’s import at 14.61 million tonnes in the year ended October compared to 11.82 million tonnes in the past year.

Oil year 2014-15, has set a new record for highest import of palm products and soft oils like soyabean, sunflower and rapeseed (canola) oils. In fact, import of vegetable oils during October 2015 is reported at 16.71 million tonnes compared to 12.46 million tonnes for October 2014, up by 34 per cent. Import of edible oil in October, 2015, is the highest import in any single month since allowed in open general licence (OGL) in 1994.

Similarly import of palm products during October 2015 is the highest in any single month.

Import of edible oil has sharply increased in last few years due to stagnant oilseed production and rising oil demand in the country. India's dependence on imported oil has increased to 70 per cent of its requirements.

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Black pepper prices to soften soon on Sri Lankan import

George Joseph, Business Standard,

Mumbai, November 16, 2015: The sharp rise in black pepper prices is likely to moderate soon, in light of the increase in supply. This is not because of a rise in local production, but thanks to import, especially from Sri Lanka. Dealers from Delhi, Mumbai, Bengaluru, Chennai and Kochi are importing around 750 tonnes from Sri Lanka at eight per cent duty. This is over and above the duty-free quota of import. The shipment is likely to reach various ports soon, said market sources.

The importing price is $9,500-9,750 a tonne against the Indian offer of $11,400.

According to the trade pact with Sri Lanka, 2,500 tonnes can be imported duty-free and 22 suppliers had got the licences for duty-free import. Roughly 350 tonnes of these had already reached the Indian market, especially in Delhi, Mumbai, Chennai and Bengaluru. Apart from this, more parcels of pepper, which was seized earlier on alleged mineral oil content, will be released in the next few weeks. Six-hundred tonnes were already released. This is for the first time that a major chunk of the 6,400 tonnes of stock, sealed in December 2012, is being released.

This was made possible after a Kolkata-based food testing laboratory okayed 1,500 tonnes.

The commodity's local supply will be ensured through import and this is likely to moderate the prices, said Kishore Shyamji, a leading trader. He said the market would not collapse, but the incessant increase for the past month might be arrested. It is the local festival demand in north India that helped the market rise. Stock-holding for the winter season is active now. There is also robust demand is from the grinding industry.

The pepper market will be on a tight mode mainly because of local demand. Local growers are not immediately selling the produce as they expect further increase in prices.

Since a sharp fall in production is expected in the next season, buying interests were active during past couple of months, said Shyamji.

The Indian stuff has lost its sheen in global markets as India offers the highest price across all origins.

Vietnam now offers $9,800 a tonne, Indonesia $9,700-9,800 and Brazil offers $9,500. Overseas buyers were not considering India, except the ones who have special preference for Malabar grade pepper. Currently, the Indian market is driven by local demand only.

Meanwhile, the latest projections indicate a total output in the range of 50,000 tonnes this season.

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Gold falls to 3-mth low on heavy selling, silver tanks

Business Standard,

Mumbai, November 16, 2015: Gold prices took a fresh knock, collapsing all the way to hit over a three-month low at the domestic bullion market here following heavy selling by retail investors and jewellery traders on the back waning demand.

Mirroring the general trend, silver also tumbled to close below the psychological significant Rs 35,000 mark owing to massive speculative unwinding.

The downfall in gold price is likely to continue in the midst of subdued domestic demand and weakening global trend amid uncertainty over the US Federal Reserve's impending interest rate hike, a bullion trader said.

Meanwhile, country's gold imports fell sharply by 59.5 per cent in the month of October at USD 1.70 billion.

Standard gold (99.5 purity) tumbled by Rs 265 to end at Rs 25,325 per 10 grams from Monday's close of Rs 25,590.

Pure gold (99.9 purity) also dropped by a similar margin to finish at Rs 25,475 per 10 grams compared with Rs 25,740 earlier.

Silver (.999 fineness) tanked by Rs 340 per kg to conclude at Rs 34,765 from overnight level of Rs 35,105

On the global front, the shiny-metal plummeted to hover near its lowest level in five years ahead of the much awaited release of the US CPI data amid fading geopolitical worries amidst looming Fed rate hike fears in their last meeting this year.

Spot was trading lower at USD 1,078.50 an ounce in early European trade, while silver quoted marginally weak at USD 14.20 an ounce.

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Duty Incentives to boost exports

TN C Rajagopalan, Business Standard

November 23, 2015: Towards the end of October, the Director General of Foreign Trade (DGFT) Anup Wadhawan added 110 entries in the list eligible for duty credits under the Merchandise Exports from India Scheme (MEIS) and, extended the benefits for exports to more countries for about 2,000 items.

A little earlier, he'd issued a useful public notice to alleviate the problems in claiming MEIS benefits due to non-transmission of shipping bills from Customs to the DGFT website, for

exports made during April and May. Also, the DGFT extended the rates and conditions for rewards under the Services Exports from India Scheme till March 31, 2016.

The MEIS scheme was introduced this April. Initially, 4,914 items were notified for benefits. In July, 42 items were removed and 30 added. With the latest addition of 110, a total of 5,012 items now earn duty credits under MEIS. The new items eligible include 21 chemicals, seven plastic products, 51 optical, medical and measuring instruments, and 19 sporting goods. Over a 100 items covering parts and accessories of vehicles, hand tools, machinery and their parts now earn higher duty credits. For many entries where the benefit was restricted for export to a certain group of countries, the amendments have extended the benefit for export to more groups of countries or to all countries.

The benefit of MEIS is available where the exporter presents proof of landing the goods at the destination country. However, proof of landing is not necessary where MEIS is available for export to all countries. Getting the documents to show proof of landing entails cost and delay. Exporters whose items now earn MEIS duty credit for export to all countries will now save on the cost and delay associated with getting the landing documents.

While filing the shipping bill, exporters are required to declare they are claiming rewards under MEIS and to mark ‘Y’ in the reward item box. Many Customs house agents of exporters inadvertently tick ‘N’ in the reward item box while filing the shipping bills with Customs. Thus, even though the item in many cases was eligible, once an ‘N’ had been ticked, such shipping bills were not transmitted to the DGFT system. To help exporters claim the MEIS benefits in such cases, DGFT has allowed them to give physical copies of the shipping bills after filing an MEIS application to its regional authorities.

Those authorities shall grant MEIS rewards after examination of such bills, as in the Foreign Trade Policy and Handbook of Procedures.

However, this relaxation is restricted to exports made in April and May of this year. Many exporters have a similar problem in respect of shipping bills filed after May, too. It would help if DGFT extends the relaxation till September.

The commerce ministry deserves kudos for this help, at a time when exports are falling. The new DGFT has got off to a good start and, hopefully, exporters will see a more responsive administration during his tenure.

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Iron ore import becomes viable

Dilip Kumar Jha, Business Standard

Mumbai, 26 November 2015: Import of iron ore has again become viable, due to a sharp decline in global prices and a steep fall in freight rates over the past three months.

Since their recent peak in August, the price of ore for Chinese delivery has declined 18 per cent, to $43.89 a tonne. The benchmark Baltic Dry Index has fallen 53.3 per cent to 528.

However, domestic iron ore miners, led by government-owned NMDC, have not cut prices proportionately. Those of ore lumps are down only 16 per cent since September, to now trade at ~2,400 a tonne. Ore fines have seen a negligible decline of six per cent or ~100 over three months to ~1,560 a tonne.

“Futures prices are currently at $40 (a tonne) and below for 2016. Also, freight rates have slumped. So, we find domestic ore prices still lagging. The intensity of the fall in global markets is yet to reflect here. In today’s global world, competitiveness is the buzzword and steel mills are getting ore at a more competitive rate. Therefore, it is viable to import until prices here fall in line with global markets,” said Jayant Acharya, director (commercial and marketing), JSW Steel.

Steel mills in India have been importing ore for the past few years since a supply deficit erupted due to the ban on mining imposed by the Supreme Court. In 2014-15, they brought in a record level of 15 million tonnes, after global ore prices hit a historic low of $45 a tonne for the 62 per cent grade. The import slowed after a marginal improvement in global ore prices in August. Also, lower capacity utilisation at steel mills resulted in a substantial fall in ore demand.

As a consequence, the Federation of Indian Mineral Industries (Fimi) forecasts total iron ore import to decline 60 per cent this year to six million tonnes. It says a sharp rise in local production is also a major factor.

“At the current price, import has become viable in Karnataka and other neighbouring states, as transportation from the eastern coast of Odisha becomes costlier than import,” said R K Sharma, secretary-general, Fimi.

A price differential between high and low grades of ore is also a factor for local steel mills. As against the $5-6 a tonne differential between ore lumps and fines in global markets, it works out to $20 a tonne here. Therefore, there is more room for ore price cuts in home markets, to reduce import.

“Indian steel prices are depressed due to onslaught of cheap imports. If the situation on the pricing of ore continues, steel makers will be forced to look for alternatives,” said H Shivramkrishnan, chief commercial officer, Essar Steel.

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