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Centre for WTO Studies, 7th Floor, IIFT Bhawan, B-21, Qutab Institutional Area, New Delhi - 110016

Tel: 91-11-26965124, 26965300, 26966360 Ext-725,710 Fax: 91-11-26853956 Email: cws@iift.ac.in

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WTO rules against India in solar panels dispute with the US

D. Ravi Kanth, Asit Ranjan Mishra, Utpal Bhaskar

Geneva/New Delhi, August 27, 2015: A World Trade Organization (WTO) panel has ruled against India in a dispute raised by the US over the country's solar power programme, requiring the government to offer a level playing field to both foreign and domestic manufacturers of solar panels.

India is likely to appeal against the dispute settlement panel's ruling, which could give it a two-year breather to implement the programme.

The commerce ministry received the ruling last week, a ministry official said on condition of anonymity.

"We will appeal against the judgement at WTO's highest court, the appellate body, which could give us two years' reprieve. There can also be a bilateral arrangement with the US since it is an important trading partner," the official said.

The US raised the dispute over the Indian government's imposition of local content requirements for solar cells and solar modules. The government has offered financial support of up to Rs.1 crore per megawatt (MW) to the implementing agency for setting up large solar capacities by placing orders with domestic manufacturers.

WTO members are not supposed to insist on national content requirements that discriminate against foreign products. Governments are also required to provide "national" treatment, under which imports must be treated on a par with domestically manufactured products.

On Wednesday, Indian government officials maintained that the WTO reverse would not have an impact on the ambitious solar power programme, which is aimed at adding 100,000MW of solar power by 2022. Only a small portion of the orders are to be channelled through the subsidy route, they said.

"Of the total 100,000MW planned, 40,000MW is rooftop with the balance being land-based projects," an official said on condition of anonymity. "Local content requirement is only for those projects wherein the government provides a subsidy. This is 5,000MW each for rooftop and land-based projects."

This is the second case that India has lost to the US at the WTO. In June, the WTO's appellate body upheld an earlier ruling against an Indian ban on poultry meat and eggs supplied by American producers. The ban had been imposed to prevent an outbreak of avian influenza.

In a confidential report issued to the US and India last week, a three-member dispute settlement panel headed by the former New Zealand envoy, ambassador David Walker, pronounced that New Delhi violated global trade rules by imposing local content requirements for solar cells and solar modules under the Jawaharlal Nehru National Solar Mission (JNNSM).

The panel also struck down the Indian government's incentive policies, especially subsidies provided for domestic solar companies for manufacturing solar cells and solar modules.

Make in India

The WTO panel's ruling comes in the backdrop of Prime Minister Narendra Modi's Make in India programme, aimed at attracting foreign investment and turning India into a manufacturing hub. India needs as much as $200 billion to meet its green energy target to install 100 gigawatts (GW) of solar power and 60,000MW of wind power by 2022.

The Make In India programme will not be affected by the ruling, said Sambitosh Mohapatra, who oversees the power and utilities practice at consulting firm PricewaterhouseCoopers.

"As our economy gets back on the rails, existing demography and our sectoral plans get developed and integrated, the opportunities India provides in the short, medium and long term across every sector are too huge to be missed by manufacturers," Mohapatra said.

He noted that the government has extended the modified special incentive package scheme (MSIPS) by five years, offering additional benefits for investment-heavy projects in the country and opened up more electronic manufacturing verticals to investors.

"The incentives are available for 10 years from the date of application. All big solar manufacturing companies are keen to evaluate this and are developing plans to enter India," Mohapatra added.

To boost its Make In India and Digital India programmes, the government in July extended capital subsidy to 15 new electronic products, including consumer electronics items. MSIPS, which was first approved in July 2012, provides capital subsidy of 20% to units engaged in electronics manufacturing within special economic zones (SEZs) and 25% outside SEZs.

WTO dispute

In May last year, the WTO set up a dispute settlement panel to examine a complaint by the US against India's domestic content requirements under the country's solar power programme.

The US is especially keen on taking a slice of this market, given US President Barack Obama's aim of doubling US exports by 2015.

India blocked the first request by the US to set up a dispute settlement panel after negotiations failed between the two countries. But under WTO rules, the trade body was obliged to set up the panel after the US made a request for the second time.

The panel's preliminary confidential report has to be vetted by the two parties for finalizing the final report in about two months. But preliminary reports are unlikely to undergo any changes, said legal analysts familiar with WTO reports.

The US charged India with violating provisions in what are called the trade-related investment measures (TRIMS) by imposing local content requirements that discriminate against foreign products. The US claimed that the Indian government's measures to impose national content provisions and deny "national" treatment have impaired benefits accruing to American companies.

The panel apparently upheld Washington's core complaints against the Indian measures on the ground that they are inconsistent with provisions in WTO's rulebook.

Washington, too, has resorted to similar measures, specifying local content requirements and offering a range of subsidies for promoting its renewable energy sector at the federal, state, regional and local levels.

India spoke repeatedly against the US at WTO's committee on subsidies and countervailing measures, stating that American subsidy schemes relating to local or domestic content requirements for its solar companies are inconsistent with its global trade obligations.

New Delhi has provided a five-page questionnaire listing US programmes such as solar energy credits that are contingent upon compliance with domestic content requirements.

But the Indian government, for some inexplicable reason, refrained from raising a trade dispute against the US on its WTO-inconsistent programmes in the renewable energy sector despite collecting evidence about the US' subsidy regime and the country's local content provisions.

On Monday, President Obama announced new measures to promote solar energy including bolstering a federal programme to help people switch to using rooftop solar panels to generate their electricity.

The ruling in the solar dispute between the US and India goes against the spirit of an agreement signed early this year. In the agreement, the two sides agreed to promote clean energy and expand solar energy initiatives.

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Opening up of legal sector only after consultations with all: India to WTO

Amiti Sen, Business Line

New Delhi, August 16, 2015: Adopting a cautious approach, India has informed World Trade Organisation (WTO) members that it is looking at opening up its legal services sector to foreign lawyers and law firms, but would do so only after consultations with all stakeholders, including the Bar Council of India (BCI).

Moreover, the benefits of an open legal sector would only be provided to those countries that offer similar treatment to Indian lawyers and firms, India said in response to questions posed by WTO members based on its trade policy review report.

A Committee of Secretaries (CoS) headed by the Cabinet Secretary is considering a Commerce Ministry proposal to open up the legal sector in a phased manner, beginning with non-litigious services.

Taking its time

However, it is taking its time in finalising the proposal as it was initially not supported by the Law Ministry and the BCI — the statutory body regulating legal services in India — is yet to decide on the position it would take on the matter.

“We have made it clear to all WTO members that while we may open up our legal services sector in some time, it would not be open for all services and for all countries.

“We will negotiate separate agreements with individual countries and only offer access to our market if we get the same in return,” a government official told *BusinessLine*.

The proposal being considered by the CoS recommends that international arbitration and mediation services and only advisory or non-litigious services in home country law of the foreign lawyer, third country law and international law may be allowed.

It proposes that foreign lawyers could be permitted to practise in India in conjunction with Indian lawyers, as a joint venture, with a cap on foreign participation.

The Commerce Ministry is holding meetings with members of the BCI and the Society for Indian Law Firms, a representative body of corporate law firms, trying to convince them that the business of local lawyers will not get affected by the proposed opening up.

Periodic reviews

The WTO reviews the trade policy of all members after a gap of two years, four or six years, depending on how much each member trades, to analyse their economic performance and trade policy and performances.

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India, EU working to end trade row sparked by ban on generic drugs

Business Standard

New Delhi, August 17, 2015: India and the European Union are taking steps to end a trade row sparked by EU ban on Indian pharmaceutical products.

Prime Minister Narendra Modi's office wrote to the EU Trade Commissioner to intervene when the ban on around 700 pharmaceutical products was formalised in May, two government sources in New Delhi said. There was no response, so the government cancelled an Aug 28 meeting to discuss restarting talks on the free trade accord that stalled in 2012, the sources said.

The EU Trade Commission says it did not get the letter from Modi's office on the ban, which is linked to flaws in clinical tests done by India's GVK Biosciences for other companies to make sure generic drugs are as good as the patented originals they emulate.

Coming after a trip to Germany where Modi personally argued that the long-stalled talks on a free trade accord should be revived, India's about-turn was a shock for the 28-nation grouping, which insisted the ban was a minor, technical issue unconnected to trade.

India though, sees the move as veiled protectionism and support for major European drug manufacturers.

"We are disappointed and concerned over the EU action in imposing a ban on the sale of drugs," said Rajinder Chaudhary, spokesman of India's Ministry of Commerce and Industry.

But both sides are working to end the row, officials said. The European Union said in its May ruling against the India-made pharmaceuticals that drug makers can avoid the ban by submitting fresh test results.

"The Commission hopes that a solution will be found to the current deferral," said Daniel Rosario, a spokesman at the European Commission, adding that Europe was committed to reaching a trade deal.

Privately, New Delhi expressed the same sentiment.

"It is not a permanent deferral," said a top government official with knowledge of the developments, asking not to be named because of the sensitivity of the matter.

Tough tactics

India-made generic drugs have brought down the cost of medicines globally, but they attract the ire of big US and European pharmaceutical firms who lobby their governments to stop what they see as innovation-stifling attacks on their patents.

Indian officials have described the EU move as a part of an offensive against its $15 billion generic drugs industry, as well as bad faith by its top trading partner just when Modi had staked his name to a revival of the long-stalled free trade deal.

India has used tough tactics before in trade talks - soon after Modi took office last year New Delhi came close to scuppering the first ever global trade deal in order to win a concession from the WTO on farm subsidies.

Some Indian officials, buoyed by the success at WTO, believe the tactics can be repeated.

But the delays risk leaving India isolated. While Modi is trying to double India's global exports to $900 billion in five years, Europe's top negotiator now spends more time on the Transatlantic Trade and Investment Partnership (TTIP) with Washington. Another with Japan is in the works.

"It is better to try to raise these issues within talks than try to resolve them outside," said Shyam Saran, an expert on global trade and India's top diplomat when Modi's party was last in power.

"The European Union is very important, it is our largest trade partner, given that negotiations are going on with TTIP, it is better to have a FTA (free trade agreement) deal before that."

India's goods trade with Europe declined by about 4% in the fiscal year 2014/15 to $98 billion, while trade in services slipped 2.5% to $26 billion in 2013.

But while the EU is India's largest trade partner, it ranks only ninth among the bloc's partners, accounting for about two% of its total merchandise trade in 2014.

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India, Eurasian customs union FTA to boost trade

The Economic Times

New Delhi, August 21, 2015: A free trade agreement between India and Eurasian customs union - Russia, Belarus and Kazakhstan- would help boost trade and economic ties between the two regions, a study says.

India and the three-member Eurasian customs union have recently set up a joint study group to explore the feasibility of a free trade agreement.

A free trade agreement "will benefit the people of both regions in short and long-term. It will strengthen and enhance economic, trade and investment cooperation and promote trade in goods and services," the study by think tank Consumer Unity and Trust Society (CUTS) said.

While India has the opportunity to gain from trade in strategic products, such as uranium, gas, oil, and fertiliser inputs, Russia can gain a new partner in trade, it said.

Belarus, Kazakhstan and Russia are enormously endowed with natural resources such as hydrocarbon, potassium, and uranium, which India imports substantially.

The pact would open doors for greater collaboration in regional and multilateral institutions as well as in areas such as trade and economic cooperation, defence, education, space science, technology transfer, and other areas of strategic interest for India, it added.

Due to sanctions from the US, Russia is keen to find alternatives in trade and investment and India can strongly provide that alternative, it added.

The agreement would help facilitate investments by Indian entrepreneurs in these three countries, it added.

"India is losing its market share in this customs union. The share of India's exports to these countries as compared to India's total exports in 2001 was 2.04 per cent which has declined to 0.82 per cent in 2013," it added.

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Sharp decline in India’s exports to China

TCA Sharad Raghavan, The Hindu

August 20, 2015: While India’s exports to China contracted by -10 per cent in June 2015, analysis by the Engineering Export Promotion Council of India (EEPC) shows a -36 per cent contraction in the export of non-ferrous metals to China in that period. India’s exports to China have been contracting since September 2014.

Exports of non-ferrous metals dropped to $85.09 million in June 2015 from $132.67 million a year ago. “China is the top-most importer for non-ferrous metals, importing around 19 per cent of India’s total exports of these metals,” said Anupam Shah, Chairman of EEPC India.

Analysis by *The Hindu*, however, shows that where non-ferrous metals have lost out, the ores and minerals segment has gained tremendously. While India’s exports of ores and minerals to China stood at $33.7 million in June 2014, they jumped to $75.7 million in June 2015, a 125 per cent increase. Ores and minerals now make up 10 per cent of India’s total exports to China.

Another area that has seen strong growth is the exports of manufactured goods, which made up 65 per cent of India’s exports to China in June last year, and now make up 74 per cent. This has largely been driven by growth in the exports of textiles (excluding readymade garments), which grew 75 per cent in June 2015, from $96 million in June 2014.

Exports of engineering goods to China, which make up close to 20 per cent of India’s exports to China, contracted -25 per cent in June 2015, from $202 million in June 2014 to $150 million.

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Export pessimism: Strip out oil, and manufacturing exports doing better

The Financial Express

August 21, 2015: Given that India's exports have fallen for the 8th consecutive month, it is easy to believe the bottom has fallen out of the market, either because the rupee has become too strong—in even trade-weighted nominal terms, the rupee has appreciated over the last one year—or because the global economy continues to be weak, or because India is quickly losing its competitiveness.

While exports first contracted 3.8% in December last year, this deceleration picked up and exports fell a mammoth 21.7% in May before stabilising a bit, to a contraction of 10.3% in July 2015.

This, however, is missing the wood for the trees since it does not take into account the collapse in commodity prices. Petroleum products, for instance, comprise 13% of India's exports and, over the last one year—July 2015 versus July 2014—the global prices of crude oil have fallen 47%. Given that India's exports of petroleum products fell 43%, this suggests there was some volume growth, albeit a marginal one.

Strip out just oil exports, and India's exports contraction in the July 2015 versus July 2014 period were a much lower 1.7%. Once you take into account other commodities, including agriculture ones, exports growth is probably positive.

On a seasonally-adjusted basis, according to Nomura, exports grew 4.8% month-on-month in July, up from 1% in June. In the case of gems and jewellery, despite the 16% fall in value of gold, exports managed to rise 4.9% in July 2015. Engineering exports rose 0.83%, pharmaceuticals a smart 10.9% and readymade garments 6.5%.

While it is not clear if the latest fall in the value of the rupee against the dollar will help, it remains true that India's exports are more responsive to an increase in global income than they are to a depreciation of the rupee. To that extent, the news is not good.

The minutes of the last Fed meeting say 'almost all members (of the Federal Open Market Committee) indicating that they would need to see more evidence that economic growth was sufficiently strong and labor markets conditions had firmed enough for them to feel reasonably confident that inflation would return to the Committee's longer-run objective over the medium term'.

With Chinese PMI in August falling to 47.1, a six-and-a-half-year low, it is obvious growth in China is not recovering in a hurry; both Europe and Japan continue to be sluggish.

The good news in all of this is that, while exports continue to remain poor, imports are also low—estimates are that the CAD will be within 1.5% of GDP for the year, a number that is easily financed from the likely capital flows. Any export benefits the government may give will help, but there is no reason for unbridled pessimism given the sluggish global situation.

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Improving India's export competitiveness

Business Standard

August 25, 2015: Indian exports have fallen for the eighth consecutive month - 10.3 percent from the July 2014 level of $25.793 billion to $23.137 billion in July 2015. The fall, if taken out of context, would call for a worrying picture. However, given that imports have also fallen 10.28 percent from $40.068 billion in July 2014 to $35.950 billion in July 2015 calls for an interesting read.

Also interesting is the fact the crude oil imports in July 2015 were almost 35 percent lower than in July 2014, when they were valued at $14.574 billion to $9.487 billion. That's a whopping decline of more than $5 billion.

India's export basket similarly saw interesting developments. Exports dipped sharply for petroleum products by 43 percent to $3.03 billion, chemicals six percent to $1.21 billion, leather products 10 percent to $0.52 billion, rice 12 percent to $0.5 billion and the like. However, the exports of gems & jewellery in July 2015 increased five percent to $3.04 billion, engineering goods one percent to $5.82 billion, readymade garments seven percent to $1.55 billion and drugs and pharmaceuticals 11 percent. These developments show that there are forces like sluggish international demand, commodity price crash, currency devaluations and the like at play in this complex environment.

These are some of the steps that India could take to make its exports competitive in getting over the present predicament and also tide over long-run concerns:

First, it is imperative that India's diversification of exports in products, services and destinations continues. A recent IMF working paper, 'Make in India: Which Exports Can Drive the Next Wave of Growth' also lends credence to this view. According to this view, India is a relatively diversified export economy and going ahead, should further diversify its product and service basket, as also the countries to which it exports.

This has been happening consistently since the time of liberalization when exports constituted less than 10 percent of the GDP. Today, exports stand close to 25 percent of the GDP. Manufacturing and natural resource exports constitute two-third of the export basket while the remaining one-third comprises exports of services. India does well on the services front with some four of the global exports being from India.

In the manufacturing segment, the country has low-value exports compared to other emerging market economies and, therefore, should look to improve both their quality and complexity. Along the destination dimension, the focus should be diversifying exports as this would help India tide over downturns. The fact that India's percentage of exports to emerging markets have increased in comparison to the US and Europe points to the fact that policymakers have taken cognizance of the changing external demand. The Look and Act East policy should be augmented with a Look and Act West policy taking into account the possibilities in the Middle East and African regions. Going ahead, trade agreements and greater export diversification will prove to be helpful.

Second, in line with the improving the complexity of manufacturing sector is bettering the country's MSME ecosystem. The MSME's contribute an estimated more than 40 percent to the export segment. At present, the segment remains informal and cluster-driven approaches are mostly absent. Timely statistics, as well as information pertaining to export statistics, remains at best hidden from the common people. Also, operating an MSME enterprise is a cumbersome task due to labour regulations, while access to finance also remains a challenge. Technology adoption and labour productivity are both low, leading to inefficient outcomes. Going ahead, all these factors should be addressed for getting better value additions and bettering export competitiveness.

Third, India should look to embrace international competition. The infant industry argument for trade protectionism is outdated and needs to be replaced with an open economic paradigm for economic development. While there needs to be a calibrated approach to trade liberalization, the movement towards this should continue for greater economic good. It means land, labour and capital markets should be further reformed(with adequate regulation) for greater domestic and foreign participation. Hopefully, these would lead to a greater ease of doing business and make operating businesses easier. It could also lead to entrepreneurship - so critical for job generation. Even farmers doing value addition constitute businesses and the whole debate of farmer versus business seems to be anachronistic.

Over the coming decades, India will have to look at these aspects for export competitiveness. The need is provide adequate facilities in terms of land, basic infrastructure like roads, and basic services like access to finance, education and healthcare facilities et al to the people to set up enterprises and create value. Once these enterprises achieve scale, they should be mentored and allowed to export to markets where they face international competition but also get adequate value for their exports. This is the only lasting way to achieve and sustain export competitiveness.

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Exports fall 10.3% in July, trade deficit widens

The Financial Express

August 15, 2015: India's exports fell by 10.3% to $23.1 billion in July, their eighth consecutive month of contraction, reflecting the sluggish global commodity prices, especially of petroleum products, rice, iron ore, oil meal and leather products. Imports too declined for the eighth straight month in July, hurt by weak demand. The contraction in exports as well as in imports was starker in dollar terms than in rupee terms, considering the recent appreciation of the greenback against the rupee.

The country's import bill declined by 10.3% in July to $35.9 billion due to lower prices of items like crude oil and partly due to poor consumption of ores, minerals, coal, chemicals, precious stones and project goods. Due to sober global oil prices, India's oil import bill shrank 34.9% to $9.4 billion compared to the same month a year ago. Gold imports increased by 62.2% to $2.96 billion in July.

The trade deficit for July was reported at $12.8 billion, lower than the $14.2 billion reported in the same time a year ago.

In the April-July period, exports contracted by 15.% to $89.8 billion, while imports softened by 12% to $134.8 billion. Trade deficit for the period stood at $45 billion compared with $47.5 billion in the comparable year-ago period.

"It is matter of concern as the decline is continuing. But we are expecting a little turnaround in August," said S C Ralhan, president of Federation of Indian Export Organisations.

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Centre mulling Rs 5,000-crore boost to push exports

Arun S, The Financial Express

New Delhi, August 22, 2015: With merchandise exports shrinking for the eighth consecutive month in July, the government is looking to provide an additional Rs 5,000 crore towards covering more sectors and markets under the reward programme, the Merchandise Exports From India Scheme (MEIS), reports Arun S in New Delhi.

Also, the government could expand the scope of this 3% interest subsidy scheme for exporters by extending it to more sectors. According to commerce ministry sources, sectors such as chemicals, pharma and electronics, which are excluded from the scheme, would be brought under the purview of the scheme, for which R1,650 crore was allocated in the FY16 Budget. They added that items which

are now excluded in sectors such as engineering and textiles as well as merchant exporters could be given the benefit of interest subvention.Though the rates of duty credit scrips issued under MEIS (currently ranging from 2% to 5%) may not be tinkered with, the ministry is considering including more items under different sectors and matching them to new markets in Latin America, Africa and Asia. This is also with an aim to further boost the 'Make In India' initiative.

The sources said the finance ministry has agreed in principle to provide additional funds to support the exports sector through a package. The benefits under the foreign trade policy (FTP) given this fiscal, if fully utilised by exporters, is expected to result in a revenue outgo of around Rs 15,000 crore, although the incremental exports to be achieved as a result could offset this.

Though the government had committed only to a mid-term review of the FTP 2015-20 — which would have been in September-October 2017 as the new FTP came into effect this April — the prevailing exceptional circumstances has warranted a re-look.

"Cost of credit has assumed greater significance as the cycle of exports from the shipment till realisation of exports proceeds has enlarged with liquidity problems globally. In many cases, buyers are placing orders with clear understanding that payment will be made only after selling the goods. Exporters have to therefore take credit for longer periods and interest differential (which India has with other competing countries) blunts your competitive edge", said Ajay Sahai, DG & CEO of the Federation of Indian Export Organisations. Rate of export credit in India is 11-12% compared with 5.5% in China, 6.2% in Malaysia, 4.6% in Thailand, 2.6% in Taiwan and 2-3% in the euro area (except Greece).

Some sectors (poultry meat, sesame oil and soya protein) have demanded that they be included in the MEIS. Others (tobacco, cashew nuts, chemicals such as PVC, polyester chips, jute, carpets, silk, footwear, coffee, black pepper, chilli powder and lac products) whose duty scrip rates were reduced/withdrawn in this FTP have sought restoration of the duty benefit. Some other sectors (engineering goods, some machinery, bulk drugs/APIs, siddha medicines, leather items, ready made garments, sports goods, rayons, spirits, groundnut and forest produce) want to be included in MEIS and/or the coverage of the duty benefits expanded for exports to more countries.

The fall in India's exports have been attributed to slowdown in overseas markets, lower crude oil prices (with petroleum products being a major export item for India, the fall in oil prices have resulted in lower value realisation), and the depreciation of the euro. Besides, the fall in prices of commodities such as farm products and metals (gold, copper, etc) have also adversely impacted India's exports.

Adding to these factors is the recent move by China to devalue the yuan by around 3.5%. Exporters had said the yuan devaluation will affect the realisation of Indian companies' exports to China, besides enhancing the competitiveness of Chinese items when compared to Indian products such as gems and jewellery, man-made fibres, garments, steel and organic chemicals in overseas markets.

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Govt tries to curb onion export as retail rates hit Rs 60 per kg

The Indian Express

Aug 23, 2015: The last hike in the MEP— below which no exports are permitted — had very little impact on prices. Between June 26 and now, wholesale prices at Lasalgaon (Maharashtra) — India's biggest market for onions — rose from Rs 1,500 to Rs 5,700 per quintal. Retail prices in Delhi, too, climbed from Rs 34 to Rs 66 per kg during this period, according to department of consumer affairs data. India exported 12.38 lakh tonnes (lt) of onions in 2014-15 and 14.03 lt in the preceding fiscal, with these valued at Rs 2,300.54 crore and Rs 3,177.29 crore respectively. In the first two months (April-May) of this fiscal, 2.36 lt of the bulb worth Rs 444.80 crore were exported. While barely 6-7 per cent of India's onion production — 194.02 lt in 2013-14 and 189.24.

lt — gets exported, the quantities that get shipped out are still considered significant enough to influence sentiment. This is because the bulk of exports happen from Maharashtra, the country's largest producer and also price setter. Trade sources, however, believe that the latest MEP increase will not make much of a difference. "About 80,000-100,000 tonnes went out during June-July. But since then, there have been no exports. Once wholesale prices crossed Rs 2,500-2,700 per quintal towards July-end, our onions became uncompetitive vis-à-vis the crops of China and Egypt now selling at $ 400-450 per tonne," said a source. The current spiral — prices at Lasalgaon have surged by Rs 2,500 per quintal in the past two weeks — is seen to have little to do with exports as much as drought in the main onion growing belt of Maharashtra, Karnataka, Rayalaseema and Telangana.

Poor monsoon in these parts has raised concerns over delay in the harvesting of the kharif onion crop, which arrives from mid-September. Currently, the market is predominantly being fed by the stored onions from the last rabi crop (harvested in April-May), which also suffered some damage from the untimely rainfall and hailstorms in March. Apart from virtually banning exports, the Centre has decided to import onions on government account. The state-owned MMTC Ltd has already floated a tender for import of 10,000 tonnes, which is scheduled to open on August 27 for arrivals.

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Taiwan machine tools exports to India jump 11.6% in Jan-June

Rajesh Kurup

Mumbai, August 21,2015:

Taiwan's machine tools exports to India have grown by 11.6 per cent in the first two quarters of 2015 (January-June), while the overall bilateral trade between the countries touched $2.108 billion in the first five months.

Taiwanese exports to India contributed $1.28 billion, while imports from India touched $828 million.

"There is a clear cut synergy between the needs of the Indian manufacturing sector and the special characteristics of the Taiwanese machine tool industry. As the world's fourth-largest exporter of machine tools and component, machine tools in Taiwan can offer products to a broad range of industries, including aerospace, automobiles, computers, energy, medical equipment as well as precision mold," said Lee, Guann-Jyh, Director of the Taipei Economic and Cultural Center in India, Economic Division.

Taiwan now has become increasingly keen on investing in India. At present, there are more than 80 Taiwanese companies in India. Many Taiwanese companies have successfully expanded their business in the field of electronics, machinery, food and textiles.

"Establishing good economic and trade relationships with India has always been the goal of Taiwan. We are optimistic that India's future economic growth will be stronger given its 1.2 billion population and the demand driven by its young and aspirational middle class. The huge, upcoming public-private sector infrastructure projects is expected to drive growth further. No doubt, the Indian market holds enormous potential for Taiwanese companies," Lee added.

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Govt looking into import duty, FTA issues: Steel minister

Live Mint

New Delhi, August 27, 2015: Expressing concern over problems being faced by domestic steelmakers due to large-scale dumping from abroad, union minister of steel and mines Narendra Singh Tomar on Thursday said the government is looking into the issues related to import duties and free trade agreements (FTAs). The minister also said the government is seized of the issues impacting the steel sector and will take a decision in appropriate time, including on import duties. The industry has been demanding further hike in import duty on steel products.

"We are closely monitoring the situation and are in consultation with the ministries of finance and commerce and the Prime Minister to decide and reconsider on these FTAs and further increase in anti dumping duties very soon to safeguard the suffering rubber and steel industry domestically," a CII statement quoted Tomar as saying. Indian steel industry has been hit hard due to cheap imports of the metal from China as well as from South Korea, which has a FTA with India that the industry says is leading to the country exporting cheaper products to India.

While addressing at an event organised by CII, Tomar assured the rubber industry that the government is seized of the matter and is concerned about the situation. “We are concerned about the situation your industry is facing related to power and dumping by China. We are working on it to sort this out. The government is looking at the issue of FTAs and their impact on the industry,” he added.

India, the world’s third largest steel producer, saw a surge in stainless steel imports by 49% to 5.5 lakh tonnes (LT) in 2014-15 against 3.7 LT in 2013-14. In value terms, imports of the metal rose by 23% to Rs.5,918.9 crore in 2014-15, as against Rs.4,801.9 crore in 2013-14. Earlier this month, revenue secretary Shaktikanta Das had said that a decision regarding imposition of safeguard duty on import of steel will not be delayed if the Directorate General of Safeguards recommends restrictive duty.

According to experts, free trade agreements with Japan and South Korea have already resulted in cheaper imports of steel and has impacted the domestic production.

Under FTA, duties on most of the products traded between the countries are either eliminated or reduced sharply. The industry has already demanded that steel products should be excluded from the FTAs with Japan and Korea as these countries are flooding the Indian market, taking advantage of concessional duty rates at the cost of domestic firms.

In a much needed relief for domestic producers, in June the government increased the basic customs duty (BCD) on certain long and flat steel products by 2.5%. Import duty on flat steel products have been increased to 10% from 7.5%, whereas that on long steel products have been raised to 7.5% from 5%. In the same month, India had slapped an anti-dumping duty of up to $316 per tonne on imports of certain steel products from three countries, including China, to protect domestic producers from below-cost inbound shipments. A duty of $309 per tonne has been imposed on imports from China, while $316 per tonne duty has been fixed for Malaysia and USD 180 per tonne for Korea.

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Global crude oil price crash increases India's import dependence

Sanjeev Choudhary, The Economic Times

New Delhi, August 24, 2015: The crash in crude oil prices is making it harder for India to cut its dependence on imports. Cheaper imports not only boost local consumption but also dissuade oil companies from investing in raising domestic production. In March, Prime Minister Narendra Modi had laid a road map for the local industry to cut the country's import dependence by 10% in seven years from 78% at the time. In the four months since then, the import dependence has risen to nearly 80%.

During April-July, India's crude oil production marginally dipped to 12.4 million metric tonnes (MMT) from 12.5 MMT in the corresponding period a year ago. In the same period, crude oil import jumped 6% to 66.3 MMT and petroleum products import climbed 40% to 9.2 MMT. India's self-sufficiency in petroleum products fell to 20.1% from 21.3%.

Lower prices have encouraged higher consumption of petroleum products, with increased sales seen in petrol, diesel and cooking gas. Consumption of petroleum products rose 6% in April-July.

But a simultaneous decline in local oil and gas output is raising risk for India's energy security ambition. State-run firms — Oil and Natural Gas Corporation (ONGC) and Oil India — are facing ageing fields and are unable to ex explore and put to production new fields, resulting in sluggish output year after year.

For private explorers, a lower crude oil price can be a big deterrent, an oil industry executive said. "Who would want to invest when the realisation is so low?"
Billionaire Anil Agarwal's Cairn India, which controls nearly a quarter of India's crude oil output, has slashed its capital expenditure for 2015-16 by 60%. A senior Cairn executive said in April that the company would produce only from wells that were economically viable at $55 a barrel. The crude oil prices have since fallen to about $45 a barrel.

Shelving projects is a phenomenon sweeping the globe, with big oil firms hesitant in allocating capital to projects economically viable only at higher crude prices.
In India, however, ONGC has been going ahead with many of its projects under pressure from the government. "This is a good time for ONGC to invest in projects as the oilfield services have become cheaper," said Gaurav Moda, head (oil and gas practice) at financial services firm KPMG India. The rates for oilfield services have fallen by about half and the sophisticated technologies needed for difficult fields are easily available today.

Despite efforts from staterun companies, everyone recognises that achieving a 10% reduction in import dependence is difficult. In the short to medium term, production can be boosted by untangling bureaucracy and expediting the regulatory processes, said Deepak Mahurkar, who leads the oil and gas industry practice at consultancy PwC India.

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'India's palm oil imports to hit record 10 mt as 'producers dump' at discount'

Business Line

Sydney, August 27, 2015: India's overseas purchases of palm oil in the year starting November are set to rise nearly 8 per cent to a record 10 million tonnes as producers dump the tropical oil at steep discounts, key importer Ruchi Soya said on Thursday.

Higher purchases by India, the world's top importer of cooking oils, could support benchmark Malaysian palm oil futures which are trading near their lowest level in 6-1/2 years due to soft prices and concerns over China.

"India has become the dumping ground for Indonesian and Malaysian palm oil," said Nitesh Shahra, president of the refinery division of Ruchi Soya, the country's biggest edible oil refiner.

"Due to lower prices and depreciating ringgit, in dollar terms palm oil prices have fallen sharply and it has become very attractive for buyers," Shahra told Reuters on Thursday.

A weak Malaysian ringgit makes palm cheaper for offshore buyers. In dollar terms, Malaysian palm prices have fallen around 30 percent since a year ago.

In the current marketing year ending October, India's palm oil imports are likely to jump 16 per cent to 9.3 million tonnes, or accounting for nearly half the output of the world's second biggest producer Malaysia.

"The spread between soyoil and palm oil has been consistently widening in the last few weeks," said Shahra, adding the discount had widened to $150 per tonne for spot delivery and September and October shipments were above $200.

"At this level other oils can not compete with palm oil."

India also buys soyaoil from Latin America and a tiny amount of sunflower oil from the Black Sea region.

India's soyaoil imports in the current year to October are likely to rise 45 per cent to a record 2.9 million tonnes due to attractive prices in the first half, said Shahra.

Total edible oil imports in the next marketing year are expected to rise 7.1 per cent to 15 million tonnes, after a likely rise of nearly 21 per cent in the current year, he said.

Sunflower oil imports would remain steady next year at around 1.5 million tonnes as the premium over other oils has risen in last few months, he added.

Malaysian palm oil futures have been declining since June and hit a 6-1/2 year low of 1,863 ringgit a tonne this week.

Shahra expects prices could drop another 6 per cent from the current level of 1,916 ringgit to 1,800 ringgit if inventories rise further due to poor demand from biodiesel industry.

"Due to a drop in crude oil prices, there are few takers for palm oil from biodiesel industry. China has been going through economic turbulence," he said.

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RCEP seals modalities for tariff liberalization

Asit Ranjan Mishra, Live mint

New Delhi, Aug 28 2015**:** In the first significant breakthrough, members of the Regional Comprehensive Economic Partnership (RCEP) trade grouping have sealed the modalities or the initial offers for tariff liberalization to each other after China agreed to accept India's initial offer of 42.5% market access in the recently concluded RCEP ministerial in Kuala Lumpur.

In the last round of talks at Nay Pyi Taw, Myanmar, earlier this month, China insisted India should significantly increase its initial tariff liberalization for it from 42.5% that India was offering. However, at the just concluded RCEP meeting, attended by trade minister Nirmala Sitharaman, China agreed to accept India's initial offer.

According to the agreement, India followed a three-tier approach for making tariff liberalization offers based on whether it has a free trade agreement (FTA) with the country or not. Among its free trade partners also, it made separate offers to Association of Southeast Asian Nations (Asean) on one hand and Japan and South Korea on the other hand.

In the first tier, which includes members of the Asean countries, India has offered 80% tariff liberalization. Out of it, 65% elimination of tariff will come into force immediately as the agreement comes into force and another 15% tariff elimination will happen over a period of 10 years.

In the second tier, India has offered 65% tariff elimination to South Korea and Japan with whom it has FTAs while these two countries will give 80% tariff elimination.

In tier three, India will offer 42.5% to China, Australia and New Zealand while each of these countries will offer India 42.5%, 80% and 65%, respectively. Even though it is tariff line liberalization pegged to the trade value for each country, New Zealand is asking that the 42.5% tariff liberalisation India will offer should include 55% of its trade value with India.

In the next round of negotiations to be held in Busan, South Korea, in October, countries will exchange actual tariff lines of commodities for tariff elimination. "After that each country will ask the other to make improvements over the initial tariff liberalisation offer by each individual country," a government official said on condition of anonymity.

However, India thinks the negotiations can not be completed this year. "Negotiations will spill over to next year," the official added.

Started in May 2013, RCEP comprises the 10 economies of the Asean region—Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Vietnam—and six of its free trade partners—Australia, China, India, Japan, New Zealand and South Korea.

The grouping envisages regional economic integration, leading to the creation of the largest regional trading bloc in the world, accounting for nearly 45% of the world's population with a combined gross domestic product of $21.3 trillion.

The regional economic pact aims to cover trade in goods and services, investment, economic and technical cooperation, competition and intellectual property. India's interests lie mostly in services, the removal of technical barriers to trade such as those taken under sanitary and phyto-sanitary measures, and trade in goods such as pharmaceuticals and textiles.

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