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India Confronts US, EU at WTO Over Solar Plan

Amiti Sen, The Economic Times - Kolkata Edition 26 October NEW DELHI: India has stoutly defended its national solar power generation programme at the World Trade Organisation (WTO), where the US and the EU raised objections to its requirement of mandatory use of locally-made equipment. India refuted allegations at a recent meeting of the WTO's committee on trade related investment measures, or Trims, that the Jawaharlal Nehru National Solar Mission violated global trade rules, a government official told ET."The mandatory use of solar modules manufactured in India, in the project, and the 30% local sourcing requirement is to give a boost to the nascent domestic industry and make non-renewable energy more affordable in the long run," the official said. Along with the EU, the US, which has also taken up the issue bilaterally with India, raised the issue at the WTO meeting on Trims saying the mission requirements prevent them from exporting their technology and equipment. India has, however, maintained that it is within its rights to lay down such guidelines for its energy security, especially since other countries like Canada and Italy also encourage local procurement for solar projects. Yet, India is firming up its defence in case the US or the EU decides to lodge a formal complaint against the solar mission. Japan has recently lodged a formal complaint against Ontario, Canada, at the WTO for establishing a feed-in tariff program, in which electricity generated by using renewable energy is subsidised. The programme favours equipment made in Ontario."Although, in Canada's case local purchase is linked to tariff concessions, the basic regulatory requirement is similar in both countries," a Delhi-based trade lawyer who did not wish to be named said."One could also argue that since NTPC, which is a public sector body, will purchase solar power generated by the projects, it could amount to government procurement which is not bound by WTO rules," the lawyer said. He added that the Trims rules prohibiting local sourcing can be interpreted variously. The national solar mission was launched last year to promote use of solar energy as part of the government's initiative under the national action plan on climate change. While investors in the solar projects will get incentives, such as relief on import duty for capital goods and exemption from excise on inputs, the government has put in place clauses of compulsory domestic sourcing of inputs, which will differ in the three phases of the mission.

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India plans duties on import of Chinese power equipment

Asit Ranjan Mishra & Utpal Bhaskar, Livemint

Oct 31,New Delhi: In a move that may spell trouble for private sector utilities and Chinese makers of power generation equipment, heavy industries minister Praful Patel has called a meeting on Thursday to discuss and push for the imposition of customs duties on imports of such equipment.

The meeting will be attended by officials from the ministries of heavy industries, commerce and power, and follows demands by local manufacturers to restrict Chinese power equipment imports.

“This is because domestic companies have been long complaining that they are becoming increasingly uncompetitive due to the cheaper power equipment imported from China,” said a top government official aware of the meeting, who requested anonymity. “If customs duty along with excise duty is imposed on Chinese power equipment, then the effective tax on such imports will be around 17-18%.”

Bharat Heavy Electricals Ltd (Bhel) and Larsen and Toubro Ltd (L&T) have been lobbying with the government to limit Chinese competition. According to the contours of an earlier proposal, the imported equipment will be subjected to 5% customs duty, 10% countervailing duty and a special additional duty of 4%.

State-owned Bhel has been facing competition from Chinese power generation equipment firms such as Shandong Electric Power Construction Corp., Shanghai Electric Group Co. Ltd, Dongfang Electric Corp. Ltd and Harbin Power Equipment Co. Ltd, both in domestic and overseas markets.

Power utilities have placed orders for overseas equipment largely because of the inability of local manufacturers to meet growing demand. Chinese imports are relatively cheaper because equipment makers from that country benefit from low interest rates and an undervalued currency. Undervaluing the currency makes exports cheaper and increases demand of products.

“We’re aware about the proposal about levying duties on imported equipment. This is a very sensitive issue and we’ll take some action. It’s an unfair policy,” said an Indian representative of Shanghai Electric.

Patel didn’t respond to phone calls or to a message left on his cellphone on Friday. A Bhel executive, requesting anonymity, confirmed the development.

“There is a forward movement on the proposal,” the official said.

The proposal being pushed by the heavy industries ministry has been in the works for some time and is aimed at creating a level-playing field for domestic companies.

The power ministry was not in favour of such a move until after the start of the 12th Five-year Plan (2012-17). A panel of senior government officials had earlier agreed to impose the taxes.

Planning Commission member Arun Maira has also recommended 14% import duty on power generation equipment to strike a balance between protecting local manufacturers and the need to import equipment to boost power production, Mint reported on 10 February 2010.

“There is an intent on the part of the government to limit Chinese imports,” said another official, who did not want to be named.

Mint reported on 29 September about the government reviving a plan to scrap its so-called mega power plant policy, imposing a 5% customs duty on the import of equipment that goes into thermal projects that will generate at least 1,000 megawatts. However, the move needs to be cleared by the cabinet and the rule will apply only to new projects; firms that have already placed orders with Chinese companies will be exempt.

Power generation equipment makers having a manufacturing base in India—Bhel, Doosan Heavy Industries and Construction Co. Ltd, and the joint ventures between L&T and Mitsubishi Heavy Industries Ltd; Toshiba Corp. and JSW Group; Ansaldo Caldaie SpA of Italy and Gammon India Ltd; Alstom SA of France and Bharat Forge Ltd; BGR Energy Systems Ltd and Hitachi Power Europe GmbH, and Thermax Ltd and Babcock and Wilcox Co.—stand to benefit from such a move.

India's move to curb Chinese power equipment imports comes at a time when the two countries have been discussing ways to double bilateral trade to $100 billion by 2015 and to plug a yawning trade gap in China's favour.

Aggression against a significant trade partner like China will not pay in the long run, said Abhijit Das, head of the Centre for WTO Studies."While imposing any such import duty, we have to first of all keep in mind that it is compliant without commitments under the World Trade Organization and within the bound tariff rates," he said. "Secondly, it has to be applicable to all countries on a non-discriminatory basis and no country can be singled out."

India has been complaining about the increasing trade imbalance with China and lack of access for Indian firms to the Chinese market. China is the second-largest trade partner of India, behind only the United Arab Emirates. Indian exports to China were valued at $19.6 billion in 2010-11 and imports from that country $43.5 billion.

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US raises concerns about India’s solar tech policies

Elizabeth Roche , Livemint

7 November, New Delhi: The US expressed concern over certain Indian policies that it says inhibit investments by foreign firms, keen on collaboration with local companies, in renewable energy and clean technologies.

Such measures, aimed at protecting specialized domestic industries, would be harmful in the long term, said Francisco Sanchez, US undersecretary for international trade in the department of commerce.

“There is clearly a lot of opportunity for collaboration. We encourage India to address concerns that many have about its business environment,” Sanchez told a business meeting organized by the Confederation of Indian Industry in New Delhi on Monday. “In particular, there is increasing concern about some recent action that seems to tilt the playing field here in India away from US businesses and other foreign firms.”

Sanchez is in India on a three-day visit with a delegation of US firms specializing in clean technologies. Specifically naming India’s national solar mission, which requires local power producers to source photovoltaic cells and modules from Indian manufacturers, Sanchez said, “My concern is that many of the policies designed to protect Indian industries will only hurt them in the end.”

“For example, in clean technology, local content requirement explicitly discriminates against the imports,” he said. “Local content requirements deny Indian entities from accessing quality solar products from outside the country.

India has an ambitious target of generating 20,000 megawatts of solar power by 2022. The US is especially keen on taking a slice of this market against the backdrop of US President Barack Obama’s aim of doubling US exports by 2015. Collaboration in renewable energy was one of the themes discussed between India and the US during Obama’s visit to India last November.

Sanchez said he understood that India was trying to protect its fledgling solar power equipment manufacturers. “That is a good approach, but the path India appears to be following will force India to miss out on innovative products. This in turn could end up hindering growth and result in missed opportunities,” Sanchez said.

This isn’t the first time US trade officials have raised the issue. Last month, at a meeting of the Committee on Trade-Related Investment Measures (TRIMs) at the World Trade Organization (WTO), the US expressed concern about what it said were mandatory local content requirements of India’s solar mission. “It said the guidelines require that all projects use modules manufactured in India. The EU (European Union) shared the concern. India maintained that the guidelines in question did not violate the TRIMs agreement,” the WTO website said.

Sanchez is expected to meet Indian commerce secretary Rahul Khullar in New Delhi before heading to Hyderabad for more meetings with representatives of Indian industry. The US business delegation includes representatives of Azure Power, Serious Energy, A123 Systems Inc., Amonix Inc., Picarro Inc. and Sopogy Inc., PTI reported.

A senior official in the ministry of new and renewable energy, however, said India has allowed all technology options for solar power producers. “It is only those companies that are supplying to the government on whom there is this demand, and they are very few in number. So I don’t think the objections are quite valid,” he said.

Ronen Sen, a former Indian ambassador to the US, noted that the US had raised issues relating to a particular sector while India-US relations spanned an entire spectrum of subjects. “There is an ongoing dialogue between India and the US on relations, so it can be sorted out.”

The India Semiconductor Association (ISA) said it supports the government’s policies. “We feel that this would be a shot in the arm for local products,” said P.V.G. Menon, president, ISA.

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Anand Sharma welcomes Australian Decision to Reverse Ban on Uranium to India

Ministry of Commerce Press Release

17 Nov 2011, New Delhi: The Union Minister of Commerce, Industry and Textiles Shri Anand Sharma has welcomed the Australian decision of reversing its ban on selling uranium to India. In a meeting with Mr. Barry O'Farrell the Premier of New South Wales, Australia, Shri Sharma said this decision will be welcomed all around and is in line with the strategic nature of the relationship between the two countries.

Shri Sharma further mentioned that India is going through a decade of innovation and for this purpose, India has institutional linkages with Germany, Switzerland and U.K. in the sectors of agriculture, pharmaceuticals and precision engineering. India and Australia have huge potential in collaborating in this area . Shri Sharma recalled his meeting with Senator Kim Carr, Australia's Minister for Technology where both sides expressed willingness to collaborate in the fields of bio technology, Automobile sector ICT and mines.

Minister Sharma raised the concerns regarding pharmaceutical exports from India to Australia require approvals from Therapeutic Goods Administration (TGA). The TGA approval process is a long drawn out and expensive process. There is no recognition or concession to Indian companies who have FDA approval or GMP certificate, which allows a faster process. Minister suggested that using the services of Australian professionals to draw out a standard which when followed by the Indian companies would result in obtaining permission to export their medicines to Australia. This would only help in improving the standards of our industry as well as make it easier for Indian companies to enter the Australian market which is very lucrative for the pharmaceutical sector of India.

Bilateral Trade between India and Australia in 2010 has been US $ 13.708 billion. Total trade between January to August 2011 has been US $ 9.351 billion. India is engaged with Australia in negotiations Comprehensive Economic Cooperation Agreement. Shri Sharma emphasized that both sides must aim for concluding the agreement latest by middle of 2012.

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Government: Okay with Chinese solar cells if they meet quality standards

Shreya Jai & Viraj Desai, ET Bureau

Jan 19, 2012, New Delhi: The government says it has no objections to imports of low-priced Chinese solar cells as long as they meet prescribed quality standards.

This comes as a setback to domestic manufacturers battling cheaper Chinese imports. Last week, the government rejected a plea of domestic players seeking imposition of import duty on finished solar equipment.

The market will always bend towards the products which are low-priced. But, yes the quality matters," said Tarun Kapoor, joint secretary, ministry of new and renewable energy.

The Indian government's stand is in contrast with the US policy, which has taken China to the World Trade Organisation over dumping of solar cells and panels.

Kapoor, however, said, "We support what is legal, this is a case and we support WTO-accepted norms. It is not country specific, it's rule specific."

India's National Solar Mission gives preference to domestic manufacturers. However, this is only at the central level and states are not obliged to follow this policy. "There's only one scheme that offers this provision and it's not a law," Kapoor said. "We give the projects to developers who in turn are free to choose the products. If the prices are low and quality is good, then obviously, anyone would go for it."

Low-priced Chinese solar cells and other solar equipments are flooding markets globally, riling local players. China, which exported solar panels worth $214 million last year, accounts for half the world market for solar cells.

"Why should we as a nation help strengthen other international manufacturers when our own domestic players are fledgling?" asked Vivek Chaturvedi, chief marketing officer, Moser Baer Solar Ltd, a leading manufacturer of solar equipment.

At present, India's solar cell and module capacity is around 700mw and 1,000mw, respectively. Industry expects the demand to grow to 3-5 gigawatts annually in six years.

Ministry officials though inform that it's the thin-film technology in the solar cell market that is facing more threat, which often come with vendor-tied foreign financing.

"Given that over 90% of the installed global solar cell capacity is based on the more reliable crystalline silicon technology, the government may well consider further extending the domestic content requirement to sustain the momentum of solar manufacturing in the country," said Rupesh Agarwal, Advisory Lead - Cleantech at Ernst & Young.

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India to Defend Local-Buy Policy in Solar Mission as US, EU Protest

Amiti Sen, The Economic Times

NEW DELHI, 3 February 2012: India is readying to defend its policy requiring companies to source local content for the national solar mission project, a rule that has triggered protests from the US and the EU.

The commerce department is talking to the ministry of new and renewable energy on how to argue its case should the dispute reach the World Trade Organisation.

The ministry is responsible for executing the Jawaharlal Nehru National Solar Mission, which was launched in 2010 to promote use of solar energy.

All solar mission project investors have to compulsorily use India-made solar modules and buy 30% of their inputs from within the country.

But the US and the EU have argued that the agreement on Trade Related Investment Measures (TRIMs) and certain provisions of the General Agreement Of Tariffs And Trade (GATT), the agreement that preceded the WTO, do not permit mandatory local sourcing."We are in talks with the ministry of new and renewable energy to strengthen our arguments in defence of the domestic sourcing clause.

We have to be prepared in case a formal dispute is launched against our country," a government official told ET.

Japan and the EU have already sought dispute settlement panels against Canada for a similar provision in its legislation to promote green energy, prompting India to take pre-emptive steps.

India has already argued the JNNSM programme does not violate WTO rules because GATT allows government agencies to source locally for specified purposes."Since public sector NTPC will buy solar power generated by the projects, India could argue that it actually amounts to government procurement.

As India is not a part of the limited government procurement agreement of the WTO, it is not bound by any rules governing purchases made by government agencies," a Delhi-based trade lawyer said. Another line of argument being explored is that JNNSM's domestic content requirement is not aimed at seeking an advantage over other countries and, therefore, it is not covered by the illustrative list of the agreement on TRIMs.

Although the US has not yet made any moves to drag India to the WTO, it has been lobbying hard to pressure the country into dropping the local content clause."There is increasing concern about one recent action that has tilted the playing field (the solar mission) here in India away from the US businesses and other foreign firms," US undersecretary for international trade Francisco J Sanchez had said at a meeting in New Delhi last November."In clean technology, local content requirement explicitly discriminates against the imports."

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Import restrictions to boost local solar power equipment makers

Shreya Jai, ET Bureau

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

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

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

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

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

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

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

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'Domestic sourcing for solar mission no violation of WTO rules'

Amiti Sen, ET Bureau

April 9, 2012,New Delhi: India has told the US that it does not intend to alter the domestic content requirement in its ambitious national solar power generation programme as it is essentially procurement by the government, which is outside the purview of the World Trade Organisation.

"India is not a signatory to the Government Procurement Agreement under the WTO and hence is not under any obligation to follow rules prescribed by it," a government official told ET.

US commerce secretary John Bryson had in a recent meeting with commerce and industry minister Anand Sharma in Delhi raised concerns about the 30% local sourcing requirement in projects under the Jawaharlal Nehru National Solar Mission, saying it might be in violation of WTO norms. "We have categorically told the US that we do not view the domestic sourcing clause as violative of WTO rules," the official said, adding, "We have no plan of amending the clause."

He said the US was now trying to influence the policy for the second phase of the solar mission.
The second phase, due for launch next year, will aim to consolidate the achievements of the first phase. As per the solar mission, indigenous manufacturing capacity for solar power equipment is vital if the goal of 20,000 MW of solar power is to be met by 2022 in three phases.
A criteria for ensuring domestic content for first phase projects was thus introduced, making it mandatory for projects based on crystalline silicon technology to use the modules manufactured in India. Additionally, 30% domestic content is mandatory for all new solar thermal power projects sanctioned under the first phase.

Stressing that there is no flouting of WTO rules, the commerce department has clarified that domestic content requirement is applicable to grid solar power projects where procurement of solar power will essentially be done by the government through NTPC Vidyut Vyapar Nigam, the designated entity.

The commerce department further explained that grid solar power projects are supported under the Jawaharlal Nehru National Solar Mission only through tariff and not through capital subsidy. Capital subsidy is available for off-grid projects and there is no domestic content requirement on modules in such projects.

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Anti-dumping duty likely on grinding media balls imports

PTI

June 7, 2012, New Delhi: India is likely to impose anti- dumping duty of up to USD 387 per tonne on imports of Grinding Media Balls, mainly used in thermal power plants, from China and Thailand to protect domestic players from cheaper shipments.

In final findings, the Directorate General of Anti- dumping and Allied Duties (DGAD) has concluded that the domestic industry has "suffered material injury" due to the "dumped imports" of the product from these two countries.

The restrictive duty recommended by the DGAD will vary from USD 387.36 per tonne to USD 158.8 per tonne, the Commerce Ministry has said in a notification.

The DGAD has also concluded that 'Grinding Media Balls' (excluding Forged Grinding Media Balls) has been exported to India below its normal value, thus, resulting in dumping of the product, it said.

It said the imports from these nations have increased significantly during the period of investigation (January- December, 2010).

Imports of the product from China and Thailand have increased to 133 tonne and 2,236 tonne during January - December 2010 from 34 tonne and 435 tonne respectively in 2007-08, it said.

The product is also extensively used in cement build materials, metal mine, coal slurry, chemical engineering, ceramic industry, light industry such as paper making.

The DGAD is a nodal investigation agency under the Commerce Ministry. However, a final call on imposition of the duty will be taken by the Finance Ministry.

The DGAD had initiated the probe on the complaint of AIA Engineering Ltd and Welcast Steels Ltd alleging dumping of the product from China and Thailand.

Unlike safeguard duties, which are levied in a uniform manner, anti-dumping duty varies from product to product and country to country.

Countries initiate anti-dumping probes to check if their domestic industries have been hurt because of a surge in cheap, or below-normal-cost, imports.

As a counter-measure, they impose duties, as provided for under the multilateral regime of the WTO.

Anti-dumping measures are taken to ensure fair trade and provide a level-playing field to domestic players. It is not a measure to restrict imports or cause an unjustified increase in the cost of products.

India has initiated 275 anti-dumping investigations between 1992 and March 2012, involving 42 countries. As on December 2011, measures in respect of 112 cases are in force.

The countries prominently figuring in anti-dumping investigations are China, Korea and Singapore and the major product categories on which anti-dumping duty has been levied are chemicals and petrochemicals, pharmaceutical, steel and consumer goods.

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Govt to impose 5% customs duty on power equipment

Mint

June 21, New Delhi: India will shortly impose a 5% import duty on power generation equipment in a move that will benefit domestic firms including Bharat Heavy Electricals Ltd (Bhel) and Larsen and Toubro Ltd (L&T) that have been lobbying with the government to limit imports.

In addition, the government will also impose a 10% countervailing duty (CVD), a sort of equalization levy to make up for the excise on local products, and 4% special additional duty (SAD), taking the total to 19%, according to two government officials aware of the development who requested anonymity.

That duty structure will apply only to the so-called mega projects, or those generating at least 1,000 megawatts (MW).

For non-mega projects, the overall duty will increase to 21%—5% import duty, 10% CVD, 2% excise duty and 4% SAD.

The contentious move, which has been in the works since 2010, will affect Chinese power-generation equipment firms such as Shandong Electric Power Construction Corp., Shanghai Electric Group Co. Ltd, Dongfang Electric Corp. Ltd and Harbin Power Equipment Co. Ltd, and their Indian customers—power companies such as Reliance Power Ltd, Lanco Infratech Ltd and Adani Power Ltd. Any rise in the cost of the equipment may also lead to higher power tariffs.

"The decision has been taken. We will be floating a cabinet note shortly," said a power ministry official who did not want to be identified.

The consensus was reached after a meeting chaired by Pulok Chatterjee, principal secretary in the Prime Minister's Office (PMO), and was attended by representatives of the ministries of finance, power and heavy industries. The power ministry has been asked to float a fresh cabinet note within a week's time and a tentative date of 28 June has been finalized for the cabinet meeting to be chaired by Prime Minister Manmohan Singh depending upon his availability.

"The government seemed to have arrived on a consensus to adopt the committee of secretaries (CoS) recommendation, which suggested an increase of 19%. Any proposed rise will not impact orders placed in the 12th Plan (2012-17) and the impact will only be visible on the orders made for the next Five-Year Plan (2017-22)," said a second government official who spoke on condition of anonymity.

While the power ministry had earlier floated a cabinet note ahead of the budget recommending a 5% import duty on power equipment, apart from a 10% CVD and a 4% SAD, this was not considered in the budget. A panel of secretaries had earlier decided to impose the same quantum of duties. The ministry of heavy industries and Arun Maira, member of the Planning Commission and former chairman of the Boston Consultancy Group, had recommended a combination of 10% import duty and 4% SAD.

"PMO has asked for accelerating the process and said this is an opportune time to implement the duty. With the kind of discussion we had today, it seems all the stakeholders will have to agree to the CoS proposal," said a top official of the ministry of heavy industries who also didn't want to be identified.

The official's statement is significant; heavy industries ministry was the only ministry opposed to the proposal by the secretaries. It wanted the Maira committee's recommendations to be implemented.

While an Adani Power spokesperson said he couldn't comment because he is travelling, both Lanco Infratech and Reliance Power spokespersons declined comment.

Bhel, which comes under the ministry of heavy industries, has been facing competition from Chinese power-generation equipment makers both in the domestic and overseas markets. Equipment makers, much like other exporters from China, benefit from low interest rates and an undervalued currency. Power utilities have placed orders for overseas equipment largely because of the inability of local manufacturers to meet growing demand. Chinese equipment is also relatively cheaper.

A Delhi-based power sector analyst, who spoke on condition of anonymity, said, “There will be some pain in store for the power developers using Chinese equipment.”

Power generation equipment makers having a manufacturing base in India—Bhel; Doosan Heavy Industries and Construction Co. Ltd; the joint ventures between L&T and Mitsubishi Heavy Industries Ltd; Toshiba Corp. of Japan and the JSW Group; Ansaldo Caldaie SpA of Italy and Gammon India Ltd; Alstom SA of France and Bharat Forge Ltd; BGR Energy Systems Ltd and Hitachi Power Europe GmbH, and Thermax Ltd and Babcock and Wilcox Co.—will benefit from such a move.

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US asks Govt not to raise duties on power gear imports

Arun S., Hindu Business Line

New Delhi, July 12: The US Government has expressed concern over the proposed duty hike on power equipment imports.

The US Trade Representative, Mr Ron Kirk, has written to the Prime Minister, Dr Manmohan Singh, asking the Centre not to increase duties on import of such equipment, official sources told *Business Line*.

The 21 per cent duty hike proposed by the Power Ministry — meant mainly to protect local equipment firms such as L&T and BHEL from 'cheap and low quality' Chinese imports as well as create a level-playing field — will also hurt American equipment majors such as GE, it is said.

It is learnt that Mr Kirk has written that the duty hike will make power equipment imports more costly and, in turn, result in higher electricity costs for consumers.

Recently, the Association of Power Producers had written to the Power Ministry saying that increasing customs duty on equipment imports would further increase electricity tariffs and also lead to delays in capacity addition. About half of the coal-based capacities are dependent on power equipment imports, it pointed out.

The private power producers' body also said that financial problems, fuel availability concerns and the distribution utilities being in bad shape had already resulted in higher generation costs. It added that if import duties were hiked at this point, it would adversely affect not only the sector but also the economy.

The Prime Minister's Office had directed the Power Ministry to circulate a Cabinet note on the proposed duty hike. Currently, the Ministries of Commerce, Finance, Heavy Industries and Power are holding discussions on the issue, the sources said.

As of now, there is a 5 per cent customs duty on equipment imports for below-1,000 MW projects. The proposal to hike duties would also affect ultra mega power projects that are exempted as of now, the sources added.

Differences

Mr Kirk's letter assumes significance in the backdrop of the recent differences between India and the US on a host of trade and investment issues. The US had already taken India to the World Trade Organisation (WTO) on the ban on poultry imports from the US, while India moved the WTO on US' 'high' visa fee for skilled workers as well as duties on some steel products.

The US Secretary of Commerce, Mr John Bryson, during his visit to India in March, had also raised the issue of India's "high tariffs" on capital goods such as power-generating equipment, some medical products, grapes, citrus, and other fruits. He had termed these as 'barriers' to building US-India economic ties and also said local sourcing requirements in sectors such as solar energy and IT/electronics (telecom) "makes it harder to invest in India."

The US Ambassador to India, Ms Nancy J. Powell, in April expressed concerned over 'challenges' to trade and investment in India, including "high tariff and non-tariff barriers, restrictions on foreign investment, lack of transparency, and defence offset requirements".

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US, EU, Japan pile pressure to remove local content clause

Amiti Sen, Economic Times

July 20, 2012, New Delhi: India's major trade partners-the US, the EU and Japan-have stepped up pressure to remove local content requirement clause in the ambitious national solar mission project and manufacture of certain electronic products.

However, New Delhi is preparing to defend its policies strongly at the World Trade Organization right till the dispute panel level.

"There is a possibility that US may launch a formal dispute against India, especially for the domestic content clause in the National Solar Mission, but we will fight it," a commerce department official told ET.

The US, the EU and Japan recently asked for a special meeting of the Trade Related Investment Measures or Trims committee of the WTO to address concerns on domestic content requirement or compulsory local-sourcing clause in some policy measures in India, Brazil, Indonesia and Russia.

India's decision to grant preference to domestically manufactured electronic products on security grounds, taken earlier this year, and the 30% mandatory domestic sourcing requirement in the JNSSM were strongly criticised by the three members.

The US expressed concern about telecom licensees in India having to purchase telecom equipment locally and wanted to know if the domestic sourcing requirement covered all private agencies.

"The US wanted to know which clause of security exceptions was being invoked and how security concerns are addressed by domestic content and value addition requirement," the official said.

India maintained that security issues are sacrosanct for all WTO members, and a detailed discussion was not possible since these issues are sensitive and confidential and are dealt on the basis of advice from security agencies.

The EU asked for a timeline on when detailed guidelines of the IT policy was expected, but India refused to give any date.

"We do not expect much trouble on electronic goods sourcing as we are well within our rights to take such measures for security reasons," the official said.

The ground, however, may be a bit wobbly when it comes to defending the requirements under the JNSSM that asks all investors to compulsorily use solar modules manufactured in India and source at least 30% of input locally.

The Trims does not allow any member to impose sourcing restrictions without ample justification. New Delhi is now waiting for the next Trims committee meeting to see what the US, the EU and Japan plan to do on the matter. "We are prepared to fight it till the end, and we will do so," the official said.

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