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India seeks easier norms in trade pact with developed nations

Amiti Sen, Business Line (The Hindu)

New Delhi, 14 January 2013: India has said the trade facilitation agreement proposed by developed members of the World Trade Organisation for infrastructure upgrade at customs and ports cannot be binding and has to be softer on developing nations.

It also needs to be balanced with pacts in areas that favour poorer countries such as elimination of cotton subsidies and extension of compliance deadline for intellectual property agreement for Least Developed Countries (LDCs).

“It is important for developing countries to be given a longer time frame to implement an agreement on trade facilitation as it would require changes in laws and a complete over-haul of port and customs infrastructure,” a Government official told Business Line.

A trade facilitation agreement could cut down trade costs by 10 per cent, as per estimates made by the WTO.

Since extension of electronic clearance facilities and e-computing would also entail huge investments, poorer countries need to be given monetary and technical support, New Delhi argued.

With the decade old Doha round of trade talks at the World Trade Organisation not reaping results, some members are looking at carving out pacts in select areas such as trade facilitation and services during the ministerial meet in Bali in December.

In a recent meeting on the issue at the WTO, India’s representative spoke against making the pact mandatory.

“If the agreement becomes binding, developing countries will be taken to dispute if there is a lapse in implementation and be penalised. This is not acceptable,” the official said.

While the pact is acceptable to India in parts, a number of proposals like providing for advance ruling or a pre-determination of the import tax burden and allowing bank guarantees in lieu of cash duty payments were difficult to implement.

“We have said that there should be a tiered formula which allows developing countries to implement the agreement in parts,” the official said.

As the pact will essentially benefit developed countries as the volumes of their traded goods is much more than the rest of the world, it needs to be balanced off by agreements in areas of interest to developing countries and LDCs.

“We have proposed that a number of other agreements should be signed at the Bali ministerial including one on cotton subsidies, LDC waiver in services and IP extension,” the official said.

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Chanakya's message

Business Standard

New Delhi, 30 January 2013: The concept of trade facilitation is in the Arthashastra. Or so says Pascal Lamy, the World Trade Organisation's colourful director-general. Speaking at a session on global emerging nations at the Confederation of Indian Industry summit on Monday, Lamy was making the point that India and other emerging countries needed to play a greater role in promoting trade facilitation.

Taking a sidelong look at his fellow panelist, Commerce and Industries Minister Anand Sharma, he said, "I recently found out that India is the father of trade facilitation," referring to the Arthashastra. India and other countries should learn from this treatise that was written more than 2,000 years ago, he added. He appeared to have surprised Sharma as much as the rest of the audience.

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Punke Signals Hurdles For WTO Package, Slams Food Security Proposal

Inside U.S. Trade, Vol. 31, No. 10

8 March 2013: Deputy U.S. Trade Representative Michael Punke yesterday (March 7) left little doubt that pulling together even a small package of trade concessions for the next World Trade Organization ministerial will be difficult, partly because negotiations on trade facilitation face many hurdles and partly because developing countries like India and China are advancing a controversial proposal on food security that, in the U.S. view, could undermine existing subsidy rules.

On trade facilitation, Punke said the increased engagement between negotiators in recent months "is resulting in more clarity, but it is also revealing more gaps than it is bridges." Some of the differences that are emerging are over "very frustrating issues that ought to be very easy," he said. For instance, he noted that he spent hours in a meeting last week over "whether countries should post copies of their existing customs forms on their existing web pages."

In response to a question, Punke said that despite these challenges, it is not time to break off that issue and try to conclude a deal with only a select group of WTO members, as the United States has done for services. "I think that is jumping ahead a very significant number of steps, and I still retain a significant amount of hope that we can achieve a trade facilitation agreement multilaterally," he said.

On food security, Punke blasted the proposal advanced by India and supported by China and other developing countries, arguing that it would weaken agricultural subsidy rules.

The Indian proposal would create a "brand-new loophole that would allow developing countries to subsidize agriculture to an unlimited degree if they say that the purpose of that subsidization is to create a stockpile in order to promote some broad goals, like poverty alleviation and rural development," he said at an event organized by the Washington International Trade Association.

The Indian proposal "potentially would create a massive new subsidization of global agricultural markets, and the notion that that would be a good idea at all is highly suspect," he added. The proposal would allow governments to stockpile food purchases from poor farmers at above market prices, and would then classify these purchases as "green box," minimally trade-distorting subsidies, which face no limits under WTO rules.

India has insisted that a version of this proposal be included in a final package, but the U.S. and European Union have essentially rejected that idea, Geneva sources say (Inside U.S. Trade, March 1).

Punke said that the U.S. has been "very open" to talking with India about how it may address its food security needs. At the same time, it has also been "very honest in saying that the version of the solution that they have put on the table is very unlikely to be something that gains consensus in Geneva," he said.

The deputy USTR made clear that it is especially difficult to find a mutually agreeable accommodation on this issue if India, China and other members supporting it do not provide more information and guidance.

"The difficulty with the India proposal right now ... is we do not yet even have a clear articulation from the Indians of what the problem is that they are trying to solve," he said. Members of the so-called G-33 group that supports the proposal have not adequately clarified "how they are using existing WTO rules in this area, and why those existing rules are not sufficient to address the problem," he said. Greater transparency is necessary to have a meaningful conversation, he said.

"Unfortunately, the situation right now ... is that we still don't even have some very basic information that we've asked for to inform the conversation at that very basic level," he said. "So we remain open to problem solving, but it is going to take a lot of work on the part of the Indians and the Chinese and other members of the G-33 that put this proposal forward to do something that they haven't always been very good at, and that is to provide information."

More fundamentally, however, Punke argued that there is simply not enough time to work out this difficult issue in time for the December ministerial, which will take place in Bali, Indonesia. "[T]he notion that we would be capable of grappling with an issue that big, that goes in such a central way to the core of balances in the world today on agricultural issues, by Bali, which is only a few months away, to us is highly unlikely," Punke emphasized.

Trade facilitation is widely viewed in Geneva as the centerpiece for any Bali package and Punke described it as the "big ticket item" that has the greatest chance of being finalized by that summit.

At the same time, Punke acknowledged that trade facilitation cannot move as a standalone item in Bali, and said the "most promising" additional item is a Brazilian proposal on tariff-rate quota (TRQ) administration. "We are hopeful that that may be the type of carefully calibrated, technically not-too-difficult issue that we could pull together in the context of the Bali ministerial," he said.

In essence, the proposal would place disciplines on the administration of TRQs to ensure they are managed in a way that does not hinder trade (Inside U.S. Trade, Jan. 25).

Punke said he has "urged a significant degree of careful calibration in putting ideas forward, because a starting point of a small package is the concept that it is small." For instance, he noted that major U.S. priorities, including cuts on industrial goods, agricultural market access, and multilateral services liberalization, will simply not be achieved at the upcoming ministerial, or anytime soon in a multilateral WTO setting.

WTO members must recognize that there are going to be areas "where they are disappointed" that more does not come together in Indonesia, he said.

If countries want to table new proposals, Punke stressed that they need to do so quickly. "It is vital that anybody who has a proposal in the Bali context gets it out quickly, and I think the further into the calendar we go, the more inherent prejudice there will be against proposals because all of these things, even the ones that on their face appear relatively straightforward, take a lot of time to deal with," he said.

Punke also seemed to downplay the likelihood of a potential G-20 proposal on export subsidies, which has been discussed as a possible element for a Bali package, could make it into a final deal. This issue is of particular interest to developing countries like Argentina and Brazil, and Geneva sources have said those two countries are both developing ideas that could be tabled as a formal proposal for the ministerial package (Inside U.S. Trade, March 1).

Discussion of export subsidy disciplines "has always been conceptualized as part of a very broad discussion and a very broad array of tradeoffs, and I think agriculture ... is one of those issues where it is very difficult to pluck out of that original context and simply plop down in a new context," he said.

There are other proposals that are still in play for the ministerial, including a "monitoring mechanism" favored by developing countries that would examine the effectiveness of existing "special and differential treatment" mechanisms put in place by developed countries, he said. There are also a range of issues discussed at the 2003 WTO ministerial in Cancun that are being examined to see if agreements could be

reached, Punke said.

In response to another question, Punke said there is an "awful lot of sentiment" in Geneva that there is no reason the talks to expand the 1996 Information Technology Agreement cannot conclude this year, although he shied away from setting precise deadlines. "The question will come down to the political will of all those participating to bring that result about. There is good momentum in that regard," he said.

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India ready for trade facilitation deal at WTO: Govt

Siddharth, The Times of India

New Delhi, 26 March 2013: India is willing to negotiate an agreement over trade facilitation at the World Trade Organization (WTO), provided the developed countries agree to its demand for talks on food security, a critical issue for poorer and even emerging economies.

"We will agree to trade facilitation as much as we can but accommodation of food security is essential. We are prepared to discuss the details on food security," said a government official.

In fact, the government is trying to get other BRICS members on the same platform with commerce & industry minister Anand Sharma expected to raise the issue during the trade ministers' meeting in Durban on Tuesday.

India is keen that the interests of the developing countries are not sidestepped by the US and the European Union since talks on the main Doha Round issues — agriculture, non-agricultural market access and services — are on the backburner, while the WTO leadership is pursuing a consensus on an Early Harvest Scheme at the Bali ministerial meeting scheduled for December.

Apart from trade facilitation and food security, the developing countries are in favour of having monitoring mechanisms and tariff rate quotas (TRQs) for farm products in the Early Harvest Scheme. In fact, the proposal on administration of TRQs, which means imports above a specified threshold face a higher import duty, was moved by Brazil.

Brazil, India, China and South Africa seem to be on the same page regarding some of the other issues being pushed by the US and EU. For instance, they are not part of the negotiations on an International Services Agreement as it does not cover easier access for professionals. Similarly, with the proposed Information Technology Agreement, India has opted out of talks.

New Delhi has concerns over inclusion of 21st century issues that are being pushed by the developed countries, which include trade and its relationship with currency, climate change, energy security and food security.

Even other BRICS members would have concerns over some of the topics. For instance, China may not be party to any talks on currency, while Russia could have reservations on energy security.

"The developed countries are trying to push the core issues such as agriculture and industrial goods out of the agenda and shift the focus on new issues. They have started demanding greater concessions from emerging economies, which essentially leave developing countries with a disproportionate burden of poverty," said a senior Indian government official.

Conditional approach

India unwilling to negotiate services, IT agreement in its present form. It fears that US and EU will push to link trade talks with currency, energy and food security, climate change and avoid core Doha Round issues such as farm and industry Bali ministerial agenda may include trade facilitation, food security, tariff rate quotas and 28 issues from Doha Round. Anand Sharma to pitch for common strategy for Bali during BRICS meet.

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RBI to relax contract booking norms for exporters

Business Standard

Mumbai, 25 May 2013: The Reserve Bank of India (RBI) has decided to relax norms for exporters. The facility of rebooking of cancelled contracts is being increased from the present limit of 25 per cent to 50 per cent and made symmetrical for both exporters and importers, said RBI executive director G Padmanabhan at the 8th Annual Conference of the Foreign Exchange Dealers Association of India held in Singapore. The documentation for booking forward contracts up to \$200,000 is also being simplified. "Let me hasten to add that these facilitations have nothing whatsoever to do with RBI's perception about the exchange rate as some of practitioners had reportedly believed or stated when we relaxed the restriction on net open position limits of banks," said Padmanabhan. RBI had imposed a host of restrictions on both banks as well as corporates in December 2011 and subsequently in 2012 that were considered necessary for curbing their speculative behaviour. As the situation improved, many of these restrictions have been either relaxed partially or removed, said Padmanabhan. However, according to Padmanabhan the restriction about positions undertaken by the banks in the exchanges cannot be netted/offset by undertaking positions in the over-the-counter (OTC) market and vice-versa. And the restriction about positions initiated in the exchanges have to be liquidated/closed in the exchanges only remains. RBI has been constantly monitoring the developments in both the OTC and exchange-traded markets closely and we continue to believe that there has to be a level-playing field between both these markets, he said. Amid the rupee touching nearly nine-month low against the dollar, Padmanabhan said RBI will continue to manage the exchange rates as hitherto, targeting on curbing excessive volatility rather than any specific levels.

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