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G-20 extends commitment against protectionism until end 2016

PTI

St Petersburg, 8 September 2013: Recognising the risk of economic slowdown and weakening trade posed by protectionism, the G-20 has decided to extend until the end of 2016 its standstill commitment to further progress in removing barriers and impediments to global trade and investment.

In a 27-page declaration adopted at the end of the two-day Summit here last night, the group of 20 industrialised and major emerging economies also reaffirmed its commitment to roll back new protectionist measures.

"With these commitments, we stress the importance of further curbing protectionism through the World Trade Organization," the G-20 Leaders' Declaration said.

The G-20 called on all WTO members to show the necessary flexibilities to bridge existing gaps and deliver positive and balanced results at ninth WTO ministerial conference in Bali in December on trade facilitation and some elements of agriculture and development issues.

"This would be a stepping stone to further multilateral trade liberalisation and progress in Doha Development Agenda negotiations, providing new confidence in successful post-Bali negotiations," the declaration said.

The declaration committed itself to cooperate to ensure that policies implemented to support domestic growth also support global growth and financial stability and to manage their spillovers other countries. The Summit also shared Prime Minister Manmohan Singh's views on the need for orderly exit from the monetary stimulus undertaken in the context of 2008 economic crisis.

On problems arising out of the exit from stimulus package, the G-20 leaders said monetary policy will continue to be directed towards domestic price stability and supporting the economic recovery according to mandates of central banks.

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Commerce Secretary Inaugurates Course on WTO at IIFT

India Public Sector News

New Delhi, 9 September 2013: Commerce Secretary Shri S R Rao today inaugurated WTO's Regional Trade Policy Course (RTPC) being organized by the WTO and the Centre for WTO Studies, Indian Institute of Foreign Trade, New Delhi. IIFT is organizing this training programme for the third year for the Asia - Pacific region. Speaking on the occasion, Shri Rao said that due to multilateral arrangements like WTO, the world's trade has grown manifold. "With volume, the complexities of trade negotiations have also increased. The challenge before the countries of the region is to carve out a bigger share in the world trade," said Shri Rao.

Regional Trade Policy Courses (RTPCs) are two-month courses for government officials from developing countries/separate customs territories, LDCs, economies in transition, and countries in the process of accession to the WTO. The RTPC in 2013 for Asia - Pacific Region is being organized jointly by the WTO and the Centre for WTO Studies, IIFT. Twenty one participants from 17 countries of Asia - Pacific region will participate in RTPC 2013. Twenty academics/trade specialists from the region, together with WTO officials will deliver the course.

During the two-month programme, the participants will be given an in-depth exposure to WTO and international trade issues. The RTPC will seek to enhance the participants understanding of their regional environment and how it relates to trade-policy making; develop a good understanding of the WTO, including the agreements; improve their analytical and negotiating skills; learn how to use effectively the relevant information and documentation on trade-related issues; and establish and/or strengthen a network of contacts between participants and with the trainers/experts.

The countries represented in the forthcoming RTPC for Asia - Pacific Region include Bangladesh, Bhutan, Cambodia, India, Indonesia, Laos, Malaysia, Mongolia, Myanmar, Nepal, Pakistan, Papua New Guinea, Philippines, Solomon Islands, Sri Lanka, Thailand, and Vietnam.

The first RTPC for the Asia-Pacific region was held by the WTO in 2004 in partnership with the University of Hong Kong, a partnership which lasted until 2006. This was succeeded by a partnership with the National University of Singapore from 2007 to 2010. Centre for WTO Studies has been partnering the WTO Secretariat in organizing the RTPC for the Asia-Pacific region since 2011.

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G20 must find ways of cooperation on issues of emerging economies

ENS Economic Bureau

New Delhi, 19 September 2013: Finance minister P Chidambaram has made a strong case for encouraging growth in emerging economies at international forums such as the G20.

"Since growth in emerging markets is crucial to the strength of the global economy, it is critical that G20 find ways to develop strong links of coordination and cooperation and take up issues of importance to emerging economies," he said on Wednesday at a conference organised by ICRIER, warning that otherwise, G20 may evolve as a loose forum instead of a powerful steering wheel of global governance. The issue was also taken up at the recently concluded G20 Summit in St Petersburg where emerging economies raised concerns over the impact of withdrawal of quantitative easing measures by the US on their growth.

Pointing out that the agenda setting for the G-20 summit has been largely from the viewpoint of advanced economies, Chidambaram said that emerging markets have accepted this. But given the weak global recovery, he said, "We should be careful that the pro-cyclical bias should not be a stumbling block in developing countries."

Chidambaram was also critical of the unwillingness of developed economies to push IMF quota reforms and stressed that decisions taken at the G20 meeting should be implemented expeditiously to ensure credibility of the organisation. "Most advanced countries have now clearly indicated their unwillingness to move ahead on International Financial Institutions (IMF, World Bank) governance and capital reform. This has hampered the credibility of G20 and makes it difficult to progress on other issues as well," he said.

Prime Minister Manmohan Singh had emphasised the need for early completion of the International Monetary Fund (IMF) quota reforms to increase representation of the developing countries in the multi-lateral body at the G20 summit. Chidambaram also said that to be able to play a meaningful role in the global governance, the G20 agenda should be sharper and focused only on those issues on which it can make a distinctive contribution, particularly, on economic and financial matters. "Finally, it is important to ensure that the decisions taken in G20 meetings are carried forward expeditiously," he said.

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China to Sit Out Next Round of TISA Talks; BRICS Partners Critical of Participation

Daniel Pruzin, WTO Reporter

18 October 2013: China will not participate in the next round of talks in the Trade in Services Agreement (TISA) negotiations in early November but will be briefed by participants on developments in the talks, officials involved in the negotiations told Bloomberg BNA.

The officials said China and Uruguay, which is also seeking a seat in the talks, are expected to be briefed on the outcome of the week's discussions in a "transparency" session at the end of the round.

China submitted a formal request September 29 to take part in the TISA negotiations, a move which would mark a significant shift in the dynamic of the negotiations that have so far been dominated by the U.S. and other advanced economies. China promised to participate in the negotiations "positively, constructively and equally" and said it looked forward to participating in the next round of TISA talks.

The TISA talks were launched in early 2012 by the U.S. and other proponents of services liberalization frustrated with the continued stalemate in the World Trade Organization (WTO) Doha Round of global trade talks, now in their 12th year.

The U.S. will host the next round of TISA talks taking place in Geneva the week of November 4-8.

U.S. Seeks Assurances

"This is a great moment for the multilateralization of TISA," said a senior trade diplomat in regard to the Chinese request.

The U.S., however, has said that it first wants assurances that China is prepared to accept the same level of ambition for the negotiations as existing parties. Canada and Japan also have expressed some reservations about China's bid, while the majority of participants have voiced strong support for China's application.

"China's last services offer in the Doha Round was not particularly ambitious," U.S. Trade Representative Michael Froman said October 1. "And our experience in the Information Technology Agreement [ITA] negotiations has not been reassuring with regard to [China's] level of ambition having joined the negotiations."

China was blamed by the U.S. and others for sinking the ITA talks last July after it sought to exclude from duty-free treatment more than 100 of the 256 products under consideration. However, China recently submitted a revised offer that would shift around a third of the excluded products to a "staging" list where tariff elimination would be phased in over a transition period. That prompted ITA participants to end the suspension of the talks and reconvene negotiations for the week of October 21-25.

The U.S. and others will need to undertake domestic discussions before the group can decide on China's participation, a decision that will require consensus.

Froman said the U.S. would "consult closely with our Congress, with our stakeholders, with the other parties in the negotiations as part of a due diligence process to ensure that any new party to the TISA negotiations shares the same level of ambition for the negotiations as the existing parties."

Proposed Conditions for Newcomers

The Obama administration is expected to eventually submit a 90-day notice to Congress if it determines the conditions are in place for China's participation. The earliest China could take part in the talks as a full participant would be at a February 2014 round of talks to be hosted by the EU, although some cautioned that even that time frame appeared ambitious.

TISA negotiators met Oct. 17 to discuss three proposed conditions that newcomers would be expected to meet in order to be accepted as a participant. While there was no agreement on the need to accept these commitments in writing, officials said the newcomers would be expected to confirm their acceptance when applying to participate.

The three proposed conditions are:
• accepting the stabilized text setting out the legal framework for the negotiations;
• agreeing to submit "timely" offers indicating in which sectors they would extend market access to participants; and
• agreeing not to open any texts or issues already agreed to by the current participants.

Allies Question Bid

A senior trade diplomat said participants have received "positive indications" that China is ready to accept the agreed texts and it is important that those skeptical of China's intentions not delay too long on its request to participate.

"We certainly want to encourage China and avoid a situation where delay appears to them as refusal," the diplomat said.

China's TISA bid was questioned by a number of its closest allies in the WTO who remain on the sidelines of the talks.

In an October 14 meeting in Geneva convened by South Africa and involving WTO officials from the BRICS countries, India and South Africa rebuked China for failing to inform them in advance of its intentions to take part in TISA, with India in particular expressing the most discontent. Both warned the U.S. was unlikely to agree to China's participation in TISA, and said the group should step up coordination on reinforcing the multilateral trading system.

The BRICS countries include Brazil, Russia, India, China and South Africa. Russia does not take part in the BRICS discussions at the WTO.

Chinese officials did not speak on the country's TISA bid at the meeting, officials told Bloomberg BNA.

Until recently, China joined Brazil, India, South Africa and other major developing countries in refusing to take part in TISA, arguing it would diminish chances for a WTO Doha Round deal and undermine the multilateral trading system.

Ministers from China, India and South Africa issued a joint statement in January 2012 denouncing the initiative, declaring that it goes "against the fundamental principles of transparency, inclusiveness, and multilateralism” and “weaken(s) the resolve of WTO Members to overcome the substantive gaps that exist among them.”

However, China has made development of the services sector a key element in its national economic growth strategy. China's 2011-2015 Five-Year Plan sets out the goal of further liberalizing the services sector, promoting the development of international trade in services and attracting foreign investment in the sector.

In its September 29 request for a seat in the TISA talks, China said that the country already is the third-largest services market in the world. “China's participation in the TISA therefore will help to push the negotiation forward,” the country's request said.

Countries currently taking part in the TISA talks are Australia, Canada, Chile, Colombia, Costa Rica, the EU, Hong Kong, Iceland, Israel, Japan, Liechtenstein, Mexico, New Zealand, Norway, Pakistan, Panama, Paraguay, Peru, South Korea, Switzerland, Taiwan, Turkey, and the U.S.

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It’s quite uneasy doing business in India

K Vaidya Nathan, Financial Express

31 October 2013: The Doing Business 2014 report released by the World Bank this week ranks India a dismal 134 among the 189 countries surveyed. This report is an annual study by the World Bank on the regulations that enhance business activity and those that constrain it. India ranks behind even countries such as Rwanda (32), Tunisia (51), Ghana (67), Sri Lanka (85), Namibia (98), Nepal (105), Pakistan (110), Swaziland (123) and Bangladesh (130).

The study surveys regulations affecting areas of the life of a business in each of the 189 countries. The index is a noteworthy measure since regulation is a reality from the beginning of a firm’s life to the end. India’s miserable rank implies that navigating regulations for our new firms is complex and costly. On average in India, starting a business takes 12 procedures, 27 days and costs 47.3% of income per capita in fees. In contrast, it takes as little as just one procedure, half a day and almost nothing in fees in New Zealand.

And this is just the tip of the iceberg. Consider what a new firm in India must go through to complete other transactions at the average level of time and effort required. Preparing, filing and paying the firm’s annual income tax could take up another 243 hours—more than one-man month of staff time. Exporting just one shipment of a new firm’s final product would take 9 documents, 16 days and would cost more than Rs70,000. If the firm needs a simple warehouse, getting the facility ready to start operating could take 47 procedures and 279 days more—to get construction permit would take 35 procedures and 168 days, to buy the land and register its ownership would take 5 procedures and 44 days, getting electricity would take 7 procedures and 67 days, not to mention other utility connections such as water supply which the survey does not measure.

Having sorted out these initial formalities, if the firm becomes embroiled in a legal dispute with one of its suppliers or customers, resolving the dispute could mean being stuck in various levels of Indian courts for more than three years and ten months, on average. On top of that, the cost of being stuck in these courts would amount to nearly 40 paisa for every rupee of claim.

To operate and expand, the firm will need financing—from shareholders or from creditors. Raising money in the capital market is easier and less costly where minority shareholders feel protected from self-interested transactions by large shareholders. Good corporate governance rules can provide this kind of protection. India still has very limited requirements for disclosing majority shareholders’ conflicts of interest. This undermines trust in the system, making it less likely that investors will take a minority stake in a firm.

Similarly, creditors need guarantees that their loans will be repaid. Information about potential borrowers and solid legal rights for creditors play an important part in providing those guarantees. Yet institutions providing these are not adequately developed in India. Though we have credit bureaus that distribute information about borrowers, we still lack a modern collateral registry where a creditor can check whether a movable asset being pledged as collateral has any other liens on it.

If despite all efforts the firm ends up insolvent, having institutions in place that enable creditors to recover their assets is imperative. In India, creditors recover no more than a quarter of their initial loan in case of bankruptcy. Even this paltry recovery takes them quite a while as the average time required to resolve insolvency in India is more than four years. On the positive side, World Bank data shows that there has been remarkable progress in removing some of the biggest bureaucratic obstacles to private sector activity. Yet, data indicates that small and medium-size enterprises still are subject to burdensome regulations and vague rules that are unevenly applied and that impose inefficiencies on the enterprise sector. This curtails the overall competitiveness of our economy and its potential for creating jobs. Regulations that protect consumers, shareholders and the public without overburdening firms help create an environment where new firms, which are engines of innovation and growth, can thrive. Sound business regulation requires both efficient procedures and strong institutions that establish transparent and enforceable rules. A thriving private sector—with new firms entering the market, creating jobs and developing innovative products—contributes to a more prosperous society. Our states and central government have got to play a more proactive role in supporting a dynamic ecosystem for firms. They need to set the rules that establish and clarify property rights, reduce the cost of resolving disputes and increase the predictability of economic transactions. Without good rules that are evenly enforced, domestic entrepreneurs are having a hard time starting and growing the small and medium-size firms that are the engines of growth and job creation, especially in a country like ours with the largest youth demography in the world.

If taken with the seriousness it deserves, the survey results could mobilise our policy-makers to reduce the cost and complexity of government procedures and to improve the quality of institutions. Such change would serve our underprivileged the most—where more firms enter the formal sector. Helping new businesses, be it in the formal or informal sector would boost shared prosperity for our country.

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Develop more courses on WTO, free trade pacts: PM to IIFT

Economic Times

New Delhi, 21 December 2013: Amid the country's increasing engagement with global economy, Prime Minister Manmohan Singh today asked Indian Institute of Foreign Trade (IIFT) to develop more courses on WTO and free trade pacts.

"India is increasingly getting integrated with the world economy. Over the years, our industry and services sectors have modernized and diversified in an unprecedented manner," he said at the golden jubilee of the premier institute.

Singh said India is emerging as a global centre for information technology, R&D and innovation. And the financial sector and capital markets have also modernised.

In this scenario, the Prime Minister said the demand for professionals in international trade and business is also expected to grow and institutes like IIFT have a vital role to perform in meeting this demand.
"As a major economy, whose future is inextricable linked with the global economy we must ensure that our academic institutions analyse the contours of the new trading systems that are emerging in the world.
"The ever expanding role of WTO, Regional Trade Agreements and the new Free Trade Agreements that lie over the horizon should be areas of priority for IIFT," he said.

Set up for research and training on foreign trade, the IIFT has evolved over the years to broaden its scope, which now encompasses the full spectrum of international business.

Over 28 batches, IIFT has produced more than 4,000 professionals through its flagship MBA in International Business programme.

Singh expressed happiness that IIFT has performed the role expected of it with "great distinction".

The institute has been conducting research both as part of in-house research programmes and also at the instance of client institutions, which include central and state governments, various PSUs and international organisations like the World Bank, the FAO and the WTO.

It has also contributed to trade policy formulation in India, advising the government on negotiations in bilateral and multilateral preferential trade agreements.

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Red tape obstacle in trade among neighbours in subcontinent: Study

Dipak Kumar Dash, Times of India

New Delhi, 29 January 2014: Commerce ministers from Saarc countries who met recently spoke of increasing trade within the region but a study shows how the subregion in South Asia comprising India, Nepal, Bangladesh and Bhutan remains one of the toughest places to move goods due to archaic procedures.

Sample this: it may take up to a month for pulses, juices and carpets to move within three countries, when the actual driving time is much less.

The study done by Delhi-based thinktank Research and Information System for Developing Countries (RIS) for Asian Development Bank and UN Economic and Social Commission for Asia and the Pacific has detailed how trade through three key corridors in the four countries faces major delay because of tardy procedural clearances. For example, procedural approvals for both importers and exporters to transport pulses from Nepal to Bhutan via India takes at least 23 days.

It's no different for the import or export of carpet between India and Nepal. The study shows that 21 clearances for importers take as many as 21 days. For importing exporting orange between India and Bhutan traders need to spend 18 days to get 32 clearances.

The report shows how the traders of lentils need as many as 36 documents and 115 copies while orange traders need to carry 32 documents as proof and 95 copies of these documents.

"Our study has found that procedural approvals in India come fast and it's smooth as we have gone for automation of trade documentation. There had been allegation from some quarters that transit through India delays cargo movement in the region. But it's not so," said Prabir De, a senior fellow at RIS, who authored the study.

The report says that on an average submission of documents over 80% is handled manually causing all the more delay to faster clearances in Nepal, Bhutan and Bangladesh. De said that there are issues relating to both the physical and procedural infrastructure, which are hurting trade across the four countries.

"Physical infrastructure augmentation will take more time and need greater investment, which should be taken up simultaneously. But there is a need to prioritize process reengineering to reduce huge time lost in getting clearances for import and export of items in the region," De said.

The report suggests interventions how each country can expedite clearances to boost trade. For example, by making submission of documents electronically, Bhutan can save over a week and harmonization of documentations would reduce average transaction time from 22 days to less than 10 days in the region.

But, analysts also feel that improvement of road infrastructure remains the key as most of the roads in Bangladesh cannot carry 20 tonnage trucks and it's no good in Bhutan and Nepal.

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'Economic openness is best reflected in a country's trade'

Hamid Ansari, Business Standard

26 April 2014: Throughout our long history, we have been a trading people. Evidence of this is to be found in archaeological remains and recorded history pertaining to west, central and east Asia.

In the last 30 years, world trade in merchandise and commercial services has increased by about seven per cent per year on average, reaching a peak of $18 trillion and $4 trillion, respectively. In the same period, developing economies raised their share in world exports from 34 per cent to 47 per cent and their share in world imports from 29 per cent to 42 per cent.

Despite the recent global economic slowdown, this trend is likely to get strengthened in the future. We will, therefore, find ourselves living in a more interconnected and interdependent global market place with higher levels of trade and capital flows.

Experience shows that development depends largely on a fast pace of economic growth and measured pace of economic openness. While economic growth has its own determinants, economic openness is best reflected in a country's trade and investment flows with the rest of the world.

Trade remains the most reliable and productive way of integrating into the global economy. It does so in six ways. It:

- Helps boost development and reduce poverty by generating growth through increased commercial opportunities and investment, and broadening the productive base.
- Creates employment opportunities, generates stable jobs and usually higher incomes, thus improving livelihoods.
- Allows developing countries to access new markets and new materials, which open up new production possibilities.
- Enhances competitiveness by helping reduce the cost of inputs, acquire finance through investments, increase the value added of their products and move up the global value chain.
- Encourages innovation by facilitating exchange of know-how, technology and investment in research and development. It expands choice and lowers prices for consumers by broadening supply sources.
- Strengthens relations between nations by bringing people together in peaceful and mutually beneficial exchanges and as such contributes to peace and stability. This aspect could be most relevant in our own south Asian region.

Since the beginning of economic reforms and liberalisation of our trade policies in the early 1990s, India's integration with the rest of the world has grown steadily, compared to the first four decades after independence.

In the last decade, India's share in global exports and imports increased from 0.7 per cent and 0.8 per cent respectively in 2000 to 1.7 per cent and 2.5 per cent in 2011. Our ranking among leading exporters and importers improved from 31 to 19 and 26 to 12 between 2000 and 2011. Despite this, our share of global trade is disproportionately small, given the size of our economy and population and in comparison to other large emerging economies such as Brazil and China.

The global economic slowdown in 2008 has thrown up new challenges for us with export growth being continuously negative since May 2012 primarily due to reduced demand from the developed world. With the Doha Round of multilateral trade negotiations stalled, regional trade arrangements are on the rise in most parts of the world. This has led to some trade diversion in favour of intra-regional trade.

Some other challenges, with longer-term implications, are mentioned in the World Trade Report 2013. These relate to:

- The emergence of international value chains, the rise of new forms of regionalism, the growth of trade in services, the greater incidence of non-tariff measures, higher and more volatile commodity prices, the rise of emerging economies, and evolving perceptions about the link between trade, jobs and the environment.

- Apprehension that globalisation brings about rising inequality in incomes. This could result in social pressures and demand for political changes thereby nullifying the gains.

- There would thus be a need for long-term policies for education and training and short-term policies for managing these transitions to ensure future growth, stability and social harmony.

Some other factors relating to availability and pricing of energy, natural resources and primary commodities would be critical, as would be the challenge of availability of water resources for agricultural products so essential for international trade. Equally relevant would be a stable financial and monetary system and policy decisions with regard to trade facilitation, competition and the environment.

Fiscal consolidation, managing inflation, and calibrated liberalisation of capital inflows would help create an environment conducive to greater trade and investment flows. So would diversification of exports along the product space, especially technology-intensive products, and across markets.

Expediting ongoing negotiations for our own FTAs/RTAs/PTAs in Asia, Europe, Africa and Latin America will be essential to counter protectionist tendencies in other parts of the world. Tapping the potential of the service sector, such as tourism, including health tourism, would help mitigate fall in other service exports. On the import side, reducing our dependence on oil imports will remain a perennial challenge.

With limited fiscal space available for the government and with protectionist measures of trading partners showing signs of rising, the policy options left with us are more at the micro level. These relate to improvement in the poor state of our physical infrastructure, especially ports, airports and highways. Our fiscal regime, including taxes and customs duties, needs to be more efficient.

Today, India is ranked 132nd in the "ease of doing business" and 127th on "trading across borders". Addressing these issues could exponentially promote India's export growth and make our external sector an engine for rapid growth.

Edited excerpts from a convocation address by M Hamid Ansari, Vice-President of India at the Golden Jubilee and 48th Convocation of the Indian Institute of Foreign Trade, 17 April, 2014 at New Delhi

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Sharma thanks USTR, WTO and IMF chiefs for supporting India

PTI

New Delhi, 14 May 2014: Commerce and Industry Minister Anand Sharma has written farewell letters to United States Trade Representative and chiefs of WTO and IMF thanking them for extending support to India at multi-lateral forums.

"As I approach the end of my tenure and prepare to demit office by the end of this week, I am writing to convey my deep appreciation for your support and understanding in pursuing our shared vision of a strong economic engagement in a spirit of true partnership," Sharma's letter to United States Trade Representative (USTR) Mike Froman said.

He has written similar letters to International Monetary Fund (IMF) managing director Christine Lagarde, World Trade Organisation (WTO) director general Roberto Azevedo and US Commerce Secretary Penny Pritzker.

"It is a matter of great satisfaction that over the last 5 years, our bilateral trade in goods and services crossed $100 billion even in the backdrop of a weak global economic climate. Indian companies have invested more than $33 billion in FDI in US which has contributed immensely to job creation," he said in letter to Froman.

Sharma said that India has liberalised its FDI policy which is of interest to American companies also.

"I must state that we also need to develop a better perspective of India's Intellectual Property regime both in terms of prevailing policy and its enforcement," the letter said.

The Obama administration has been strongly criticising India's investment climate and IPR laws, especially in the pharmaceutical and solar sectors.

To Pritzker, Sharma said that the coming years will see an intensification of commercial engagements in a spirit of mutual understanding and partnership.

In his letter to Azevedo, Sharma said, "the Bali Conference is indeed a landmark in the short history of the WTO and, I hope, a turning point in the Doha Round...I am sure that while pursuing the post-Bali agenda ... Issues of the Doha Round will remain central in the spirit of the development dimension of the Round to deliver tangible outcomes."

Sharma, in his letter to Lagarde, said, "In the coming years, there will be a greater demand for democratisation of decision making structures of international financial institutions including the IMF.

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