

ECONOMIC UPDATE

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India has until Oct 21 to back global customs deal - EU minister

India has until next Tuesday to support a global trade deal struck last year or risk being left out of the agreement to ease worldwide customs rules, the chairman of EU trade ministers said on 15th October. India in July blocked what would have been the first global trade reform in two decades, which according to some estimates would add \$1 trillion and 21 million jobs to the world economy. "India is not following up what we have all decided in Bali. So we still want to give more time to change its mind," Italy's deputy industry minister Carlo Calenda, who is responsible for trade, told Reuters in an interview. Calenda was speaking at the end of a meeting of EU trade ministers in Rome, which he was chairing as Italy currently holds the six-month rotating presidency of the European Union.

Azevêdo says Bali impasse paralyzing WTO work, chairs report no progress in consultations

Director-General Roberto Azevêdo, as chair, reported to the Trade Negotiations Committee on 16 October that despite intensive consultations "we have not found a solution to the impasse" more than two months after the deadline on the Trade Facilitation Agreement had passed, adding that agreement on a precise and detailed work programme for the Doha Round "is now very unlikely by the end of the year". "This could be the most serious situation that this organization has ever faced," he said, and while members should keep working for a solution to the current impasse, "we should also think about our next steps".

Canada files dispute against China over anti-dumping measures on cellulose pulp

Canada notified the WTO Secretariat on 15 October of a request for consultations with China with respect to Chinese anti-dumping duties levied on imports of cellulose pulp from Canada.

According to Canada, the preliminary and final duty measures announced in November 2013 and April 2014 respectively appear to be inconsistent with China's obligations under various provisions of the Anti-Dumping Agreement and the GATT 1994.

Seychelles' membership terms agreed — next stop: General Council

WTO members negotiating Seychelles' accession agreed on the terms of the country's WTO membership on 17 October 2014, concluding 18 years of negotiation. This decision still requires the formal approval of all 160 WTO members in the General Council in December. Being a WTO member means a balance of rights and obligations:

The right to enjoy liberalized trade based on multilateral rules with other WTO members and to use the WTO's dispute settlement system; and

The obligation to apply WTO rules and to open its markets according to the membership deal.

WTO helps developing countries adjust to major shifts in trading environment

The WTO has played a key role in helping countries adjust to four recent trends that have considerably altered the relationship between trade and development, according to the latest edition of the WTO's flagship publication released on 20 October 2014 in Geneva. Director-General Roberto Azevêdo, in marking the launch of the report, said that "the emerging trends highlighted in this report suggest that trade will be a major force for development in the 21st century".

India launches safeguard investigation on cold rolled flat products of stainless steel

On 20 October 2014, India notified the WTO's Committee on Safeguards that it initiated on 19 September 2014 a safeguard investigation on Cold Rolled Flat Products of Stainless Steel of Chromium type, 400 series.

In the notification, India indicated as follows:

"All interested parties may make their views known within a period of 30 days from the date of the notice issued (i.e. 19 September 2014) by the Director General (Safeguards) to:

Any other party to the investigation who wishes to be considered as an interested party may submit its request so as to reach the Director General (Safeguards) on the aforementioned address within 15 days from the date of the aforesaid date of notice of the Director General.

What is a safeguard investigation?

A safeguard investigation seeks to determine whether increased imports of a product are causing, or is threatening to cause, serious injury to a domestic industry.

During a safeguard investigation, importers, exporters and other interested parties may present evidence and views and respond to the presentations of other parties.

A WTO member may take a safeguard action (i.e. restrict imports of a product temporarily) only if the increased imports of the product are found to be causing, or threatening to cause, serious injury.

WTO ruling likely to increase US chicken exports to India

India broke World Trade Organization rules by blocking imports of poultry and other farm products from the United States because of unsubstantiated bird flu fears, a WTO dispute panel ruled on Tuesday, potentially opening up an estimated US \$300 million a year export market for America.

The government had claimed its import restrictions, imposed in 2007, were justified by international rules on animal health, but the panel agreed with the US and found that the country's measures were discriminatory and not based on international standards.

"This is a major victory for American farmers," said US Trade Representative Michael Froman, who termed the poultry decision "the fourth major WTO victory" for the United States this year. "Our farmers produce the finest, and safest, agricultural products in the world."

The US government brought the case in March 2012. The most recent outbreak of high pathogenic avian flu in the US was in 2004. Since then India has had over 90 such outbreaks, according to the USTR.

"India's ban was thinly veiled protectionism," James Sumner, president of the USA Poultry and Egg Council, and Michael Brown, president of the National Chicken Council, said in a joint statement. "Free and fair trade, particularly with food, should never be used as a political bargaining chip."

In India, which under WTO rules has 60 days to appeal the ruling, the Trade Ministry declined to comment.

A senior official at the ministry said the government would study the ruling and a decision on appeal against the decision could be taken after getting the view of Animal Husbandry department. If an appeal is filed, the WTO's appellate body must issue a new report within 90 days.

The ruling could increase imports of poultry and eggs from the US, although the government could still try to restrict them using other measures such as anti-dumping duties if US exporters tried to sell their products at unfairly cheap prices.

Otherwise, the government is bound to provide fair market access to other countries under the WTO rules, which could happen some time in 2015.

"US producers are ready and have been ready to provide high quality poultry and poultry products to the Indian market," said US Agriculture Secretary Tom Vilsack.

The ruling was hailed by lawmakers from states such as Georgia, Virginia and Delaware, which employ hundreds of thousands of workers in the poultry industry.

"Agriculture is still the number one industry in Delaware, and poultry is king," said US Representative John Carney of Delaware.

The US vies with Brazil as the world's largest exporter of broiler (chicken) meat.

The country's broiler consumption is rising rapidly as its residents increase their protein intake. USDA forecasts consumption in 2014 at 3.7 million tons, up 40 per cent from as recently as 2010

China's underlying growth trend slows into Q4

readings on China's industrial activity add to a sense that the underlying economic vibrancy of the world's second largest economy may have continued its ebbing trend into October. This may surprise those who bought into the notion that industrial output rebounded strongly in September, rising to 8 per cent year on year, up from 6.9 per cent in August. In fact, though, that September "rebound" was largely the result of a big statistical base effect. A research note by Capital Economics shows that the headline PMI reading was boosted by a recovery in the index component that measures employment, while the output and new order components of the index both fell

Year on year growth in industrial output in August collapsed 2 percentage points from the previous month to its lowest reading since 2008. The fall, however, can be largely explained by an exceptionally high base-year. In August 2013, many parts of China were in the middle of a heat-wave. Increased use of air-cooling systems pushed up electricity consumption to a record level, and helped drive industrial output growth to its highest in 17 months. Consequently, the sharp fall in industrial production growth in August this year was driven by the energy sector, where output fell 0.6 per cent. Industrial output in the manufacturing sector, in contrast, expanded 8.0 per cent in

August. Similarly, the year on year fall in electricity consumption in August was driven by the regions most affected by 2013's heat-wave. Electricity consumption in Shanghai and Jiangsu province fell 18 per cent and 14 per cent. Industrial output in Jiangsu province fell to its lowest on record. The distorting effect of this high base weakened in September. Consequently, industrial output growth rebounded 3 percentage points in the energy sector, with Jiangsu province also recording a 3 percentage point rise from August. That drove a deceptively strong recovery in the headline number. With September's rebound in exports also appearing to be somewhat illusory, cause for concern over China's economy should perhaps be intensifying not diminishing.

Another Reason Not to Trust China's Economic Data

The numbers don't match. In September, China exported \$37.6 billion to Hong Kong, according to government data compiled by Bloomberg. For the same month, Hong Kong's government says imports from the mainland amounted to only \$24.1 billion. That's this year's biggest gap between Chinese and Hong Kong figures.

Where did all those billions of dollars go? Julian Evans-Pritchard, Capital Economics' China economist, called the results "very suspicious," especially since the discrepancies are largely related to the trade of precious metals and stones. "It seems the Chinese customs are basically overvaluing these gems [and] these precious metals," he told Bloomberg Television on Tuesday. Meanwhile, "Hong Kong customs are valuing them more accurately."

The China-Hong Kong discrepancy is just one example. Evans-Pritchard points to similar discrepancies regarding Chinese imports from South Korea. "What appears to be happening [is] we have some round-tripping," he said. Companies may be claiming to import the stones from Korea at a certain price and then export them to Hong Kong at a higher price, pocketing the difference. That helps companies evade Chinese government currency controls at a time when there's renewed pressure to strengthen the yuan. With such conditions, "it makes a lot of sense" for Chinese companies to borrow money cheaply abroad and find ways to get that money into the country.

STORY: China Embraces a Russia Cut off From Western Capital

The Chinese government is not blind to the problem. China has found almost \$10 billion in fraudulent trades nationwide since April of last year, and companies have "faked, forged, and illegally re-used" documents for exports and imports, Wu Ruilin, a deputy head of the State Administration of Foreign Exchange's inspection department, told reporters in Beijing in September.

The faked invoices are additional reasons not to take at face value the economic statistics coming from China. "This is definitely another important piece of evidence of over-invoicing exports to Hong Kong to facilitate money inflow into China," Shen Jianguan, chief economist at Mizuho Securities Asia, told Bloomberg News. "So we shouldn't be too optimistic about recent export data from China."

Taxes on Information Technologies Threatening Economic Growth, Report Says

Governments around the world, particularly in emerging markets, are raising taxes on information technologies, threatening to impede economic growth and slow consumers' adoption of smart phones and broadband Internet access, a report to be released on Monday warns. At least 31 countries, most of which are in the developing world, are imposing the damaging high taxes on top of other sales or value-added taxes, according to the report by the Information Technology and Innovation Foundation, a nonpartisan research group in Washington. Underscoring the report's timeliness, thousands of Hungarians in Budapest on Sunday protested a new tax on Internet usage proposed by the government. Robert D. Atkinson, the foundation's president and a co-author of the report, said that levies around the world were on the rise "as nations seek to grow their own domestic I.C.T. industries and see tariffs as silver bullet." (I.C.T. is the shorthand for information and communication technologies.) Bangladesh tops the global ranking, adding nearly 60 percent to the basic price of information and communication technologies through taxes and tariffs, followed by Turkey (26 percent) and the Republic of Congo (24 percent). Richer countries generally impose lower taxes — the United States adds 2.4 percent, and European nations have even lower tax levels. The only European Union member ranked in the top 20 countries is Greece, with 9.6 percent added levies. But Hungary's number, now below 1 percent according to the report, could soon be higher if the government proceeds with a new tax on Internet data transfers it proposed last week. The measure prompted backlash within and outside Hungary.

US Trade deficit

Total September exports of \$195.6 billion and imports of \$238.6 billion resulted in a goods and services deficit of \$43.0 billion, up from \$40.0 billion in August, revised. September exports were \$3.0 billion less than August exports of \$198.6 billion. September imports were \$0.1 billion more than August imports of \$238.6 billion.