

## TERRITORIAL NEWS LETTER: NORTH AMERICA

Vol- 1: Issue: June 2015



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- Country wise bilateral relation between India and USA, Canada and Mexico respectively
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Dear Members

Economic ties between India and North America have strengthened over the years. India - North America bilateral trade and investment is expected to grow rapidly. The region is the third largest destination of India's exports highlighting significance of the region in India's export basket. Exports to the region account for nearly 15.3% of our global exports with a CAGR of 9.2% in the last three years.

It needs no reiteration, however, that the days ahead will be tough as the international trade situation remains unpredictable. With respect to the plethora of FTAs that are being signed by the US and the EU and India trying to counter these mega pacts by aligning itself with the RCEP countries, will be a critical challenge for us.

In this first edition of the 'Newsletter on North America', we present a note on which I hope our readers will be benefitted.

**Chairman's signature**



Dear Members:

In this first edition of the 'Newsletter on North America', we present a note on which I hope our readers will be benefitted.

Various issues like antidumping investigations, renewal of GSP programme, etc along with the country wise news bulletin are all highlighted in this note

We are hopeful that the note will give fruitful information to our readers.

**North America Territorial Committee Chairman's signature**

## **1. India-North America Bilateral relation**

The bilateral relations between India and North America have developed over the years in a significant way. India's dynamic abilities can power global growth and provide new opportunities for growth for North America. As regards our exports, the region is the third largest destination for Indian goods, behind only the European Union (EU) and West Asia (GCC) countries. Exports to the region account for nearly 15.3% of our global exports. Exports to North America represent a diversified phenomenon as it includes different trade patterns with the three countries (USA, Mexico and Canada) of the region. The following table depicts India's Merchandised trade pattern with North America.

**Table1: India-North America Overall Trade Figures**

US\$ billion			
Year	2012-2013	2013-2014	2014-2015
India's Export to North America	39.82	43.41	47.51
India's Total Export to World	300.40	314.41	310.57
<b>India's export share to North America w.r.t. World</b>	13.26	13.81	15.30
India's Import from North America	32.04	29.33	28.96
India's Total Import from World	490.74	450.20	448.04
India's Import Share from North America w.r.t. World	6.53	6.51	6.46
<b>Total Trade with North America</b>	71.86	72.73	76.47

Source: DGCI&S

Engineering exports to North America, which is our biggest market, registered a sluggish growth post 2012-13, but regained massively enjoying 29% growth in 2014-2015.

North America ranks second where countries like Canada and USA have registered significant growth rates especially for items like Industrial Machinery, IC Engines and Parts, Electric Machinery and equipments, and Auto Components/Part etc during the fiscal 2014-15. The engineering trade pattern and pictorial distribution to the North American countries are depicted in the figures below.

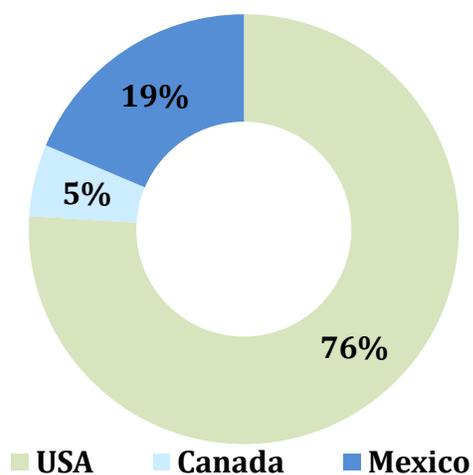
**Table2: India-North America engineering trade pattern**

US\$ billion			
Engineering Principal Commodities	2012-2013	2013-2014	2014-2015
Iron and steel and products	2582.67	2366.65	2879.88
Non ferrous Metal and products	499.43	690.89	1102.82
Industrial machinery	1634.19	1608.53	2163.75
Electrical Machinery and Equipment	587.37	526.69	579.11
Auto and Auto Components	1115.61	1504.16	1952.85
Aircraft and Spacecraft	339.8	434.01	556.52
Ship and Boats	51.62	0.6	0.49
Miscellaneous	911.39	850.22	1037.96
<b>Grand Total</b>	<b>7722.08</b>	<b>7981.75</b>	<b>10273.38</b>

Source: DGCI&S

The following pie chart demonstrates highest engineering export share to USA followed by Mexico and Canada during 2014-15.

**Fig1: India's engineering export share to North American Countries (%) in 2014-15**



Source: DGCI&S

## 2. Country-wise Synopsis

### ✓ India-Canada Bilateral relation

India maintains diplomatic relations with Canada. India and Canada have longstanding bilateral relationship based on shared democratic values, pluralistic societies and strong people-to-people contacts. In recent years, both countries have been working to enhance bilateral cooperation in a number of areas of mutual importance. Several high level visits have taken place during recent years. India and Canada have signed several agreements until recently both the countries have launched the Comprehensive Economic Partnership Agreement (CEPA) negotiations in November 2010. The CEPA deal would boost Indian gross domestic product as well as benefit the Canadian economy. The ninth round of negotiations toward a Canada-India CEPA was held on March 19-20, 2015, in New Delhi. The negotiations focused on goods and services and progress continues to be made. Canada remains committed to concluding an ambitious agreement with India.

India's engineering trade with Canada highlighting the top principal commodities are given below.

**Table3: India-Canada Engineering Trade**

Engineering Principal Commodities	2012-2013	2013-2014	2014-2015
Iron and steel and products	267.02	246.95	316.34
Non ferrous Metal and products	22.62	24.21	29.33
Industrial machinery	85.25	77.87	91.71

Electrical Machinery and Equipment	14.02	31.27	35.02
Auto and Auto Components	24.15	19.54	24.97
Aircraft and Spacecraft	30.11	14.08	11.2
Ship and Boats	0.01	0.02	0.03
Miscellaneous	39.51	39.1	47.52
<b>Grand Total</b>	<b>482.69</b>	<b>453.04</b>	<b>556.12</b>

Source: DGCI&S

### ✓ India-USA Bilateral relation

India-U.S. bilateral relations have developed into a global strategic partnership, based on increasing convergence of interests on bilateral, regional and global issues. The bilateral cooperation is now broad-based and multi-sectoral, covering trade and investment, defence and security, education and technology. There are, however, four specific bilateral relationships that have affected or will likely affect trade relations between India and the United States.

#### 1) Civil Nuclear Cooperation.

India's status as a non-signatory to the 1968 Nuclear Nonproliferation Treaty (NPT) has kept it from accessing most nuclear related materials and fuels on the international market for more than three decades. New Delhi's 1974 "peaceful nuclear explosion" spurred the U.S.-led creation of the Nuclear Suppliers Group (NSG) — an international export control regime for nuclear-related trade — and the U.S. government further tightened its own export laws with the Nuclear Nonproliferation Act of 1978.

#### 2) Verified End User Program

In March 2006, a verified end user (VEU) program was planned in India. Also known as the "Trusted Customer" program, the VEU program would facilitate the license-free sale of otherwise controlled U.S. exports to approved Indian end users. The VEU program would provide qualified Indian companies "access to U.S. technology products in a faster, more efficient, and more transparent manner." It was indicated that certain chemicals would likely to be excluded if India does not tighten its export controls as mentioned in the Wassenaar Arrangement.

#### 3) U.S. Generalized System of Preferences

The US Generalized System of Preferences (GSP) is a program designed to promote economic growth in the developing world by providing preferential duty free entry into the United States for upto 4800 products from 131 designated beneficiary countries and territories.

The products exported from India to USA get competitive advantage over the products of other countries because of import duty waiver granted to such products under the US GSP program. The eligibility of the product under the US GSP program is dynamic and is reviews annually by the USTR. One of the criteria under which a product is denied benefits under the GSP Program is the Competitive Needs Limitations (CNL) criteria. According to the USTR, a product is considered sufficiently competitive if the export value

of a product from a particular country to the USA exceeds 50% of US imports of the products or the export of the product crosses the CNL value threshold ( i.e.US\$ 155 million for the year 2012).

India is a beneficiary of the U.S. Generalized System of Preferences (GSP) Program, which “provides duty-free tariff treatment to certain products imported from designated developing countries.” In 2006, India received GSP preferential treatment for \$5.7 billion of its exports to the United States, of which \$2.4 billion, or 42%, was jewelry or jewelry-related products (HTS chapter 71).

#### 4) U.S.-India Economic Dialogue

The Economic Dialogue has four main fora — The U.S.- India Trade Policy Forum, the Financial and Economic Forum, the Environmental Dialogue, and the Commercial Dialogue. The objective of the Economic Dialogue is to seek ways to resolve outstanding economic and trade issues, develop administrative capacity, and provide technical assistance.

The trade patterns of principal engineering commodities are represented in the table below:

**Table4: India-USA Engineering Trade**

US\$ Million

<b>Engineering Principal Commodities</b>	<b>2012-2013</b>	<b>2013-2014</b>	<b>2014-2015</b>
Iron and steel and products	2206.46	1906.46	2405.12
Non ferrous Metal and products	340.34	382.62	528.86
Industrial machinery	1429.27	1401.04	1926.78
Electrical Machinery and Equipment	555.27	473.64	511.63
Auto and Auto Components	734.08	808.34	957.32
Aircraft and Spacecraft	296.17	419.94	538.3
Ship and Boats	51.61	0.59	0.44
Miscellaneous	830.68	766.52	935.09
<b>Grand Total</b>	<b>6443.88</b>	<b>6159.15</b>	<b>7803.54</b>

Source: DGCI&S

#### ✓ **India-USA trade related issues**

##### **1) U.S. Generalized System of Preferences (GSP) program**

The GSP includes most manufactured items and in 2012 India has been the top GSP beneficiary developing country (\$4.5 billion) and its expiration (31 July 2013) means that renewal of the program is likely to be a legislative issue and that the US President will have to sign the legislation to reauthorize the GSP program. In recent years, renewal of trade preference programs in general, and of the GSP program in particular, has been somewhat controversial. For example, some members of the legislature have reportedly asserted that more “advanced” BDCs, such as Brazil and India, should not receive benefits under US preference programs, and propose ending or limiting their benefits in favor of providing a greater share of benefits to eligible least developed countries (LDCs).

## 2) CVD/Anti Dumping investigations on export of engineering goods from India to USA

Recent petitions filed with USITC were highlighted viz.

Preliminary phase antidumping and countervailing duty investigations: Certain Steel Threaded Rod from India and Thailand, Inv. Nos. 701-TA-498 and 731-TA-1213-1214 (Preliminary)

Fed Register Notice: [http://www.usitc.gov/publications/701\\_731/pub4420.pdf](http://www.usitc.gov/publications/701_731/pub4420.pdf)

Preliminary phase antidumping and countervailing duty investigations: Oil Country Tubular Goods from India, Korea, Philippines, Saudi Arabia, Taiwan, Thailand, Turkey, Ukraine, and Vietnam, Inv. Nos. 701-TA-499-500 and 731-TA-1215-1223 (Preliminary)

Fed Register Notice: [http://www.usitc.gov/publications/701\\_731/pub4422.pdf](http://www.usitc.gov/publications/701_731/pub4422.pdf)

## 3) Problems faced by exporters

The following issues identified are mentioned below :

- 2.5% Import Duty on Scrap
- EDI interface between Customs & Port
- Shipping/Ocean Freight
- ECGC
- VAT refunds
- Refund of Duty Drawback
- Export Finance

### ✓ India-Mexico Bilateral relation

India-Mexico relations have consistently been friendly, warm and cordial, characterised by mutual understanding and growing bilateral trade and all-round cooperation. Antipodes as they are on the globe, they have striking similarities and commonalities - of geography, history, physiognomy, culture and civilisation, even of attitudes, mindsets and values of the people. Both countries are large emerging economies, with similar socio-economic development priorities and constraints, and have democratic, secular, and pluralistic systems, as well as convergent worldviews. Both are at somewhat comparable levels of economic and technological development, and are members of the important G-20.

Some of the bilateral trade agreements between India and Mexico includes: Bilateral Investment Promotion and Protection Agreement (2007), Double Taxation Avoidance Agreement (2007), MOU on Cooperation in the Field of New and Renewable Energy (2008), Memorandum of Understanding on Cooperation in SMEs (2006), etc.

The engineering figures are depicted below:

**Table5: India-Mexico Engineering Trade**

US\$ Million

Engineering Principal Commodities	2012-2013	2013-2014	2014-2015
Iron and steel and products	109.27	213.18	158.32
Non ferrous Metal and products	136.4	284.02	544.66
Industrial machinery	119.49	129.52	145.16
Electrical Machinery and Equipment	18.11	21.69	32.28
Auto and Auto Components	357.37	676.24	970.57
Aircraft and Spacecraft	13.53	0	7.02
Ship and Boats	0	0	0.02
Miscellaneous	41.16	44.46	55.15
<b>Grand Total</b>	<b>795.33</b>	<b>1369.11</b>	<b>1913.18</b>

Source: DGCI&amp;S

- **NAFTA Agreement:** The North American Free Trade Agreement (NAFTA) was implemented on January 1, 1994 signed by Canada, Mexico, and the United States, creating a trilateral rules-based trade bloc in North America. The agreement removed most barriers for investment among the United States, Canada, and Mexico.

The agreement superseded the Canada–United States Free Trade Agreement between the U.S. and Canada.

- **Multilateral FTAs and its impact on India:** Several multilateral FTAs are gathering up pace in the recent years. The proposed Trans-Pacific Partnership (TPP) regional free trade agreement (FTA) is being negotiated among 12 Pacific Rim member states (Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, the United States, and Vietnam), but is expected to expand to include more nations, including Communist China. The outline of the agreement was announced on November 2011. On the other hand, the Transatlantic Trade and Investment Partnership (TTIP) proposes to begin “deep and comprehensive” integration between the 28 member states of the European Union and the United States.

These twin, trans-oceanic agreements are massive schemes that propose a very radical transformation of the global politico-economic system, with revolutionary integration and convergence of the major Atlantic and Pacific nations. The agreement describes and envisions “comprehensive and high-standard” FTA that aims to liberalize trade in nearly all goods and services and include rules-based commitments beyond those currently established in the World Trade Organization (WTO).

However, with respect to the plethora of FTAs that are being signed by the US and the EU, it is likely getting inexpedient for India to counter these mega pacts by aligning itself with the RCEP countries and participate in the global value chain. Infact the twin agreements are formulating

new regulatory standards which will impact the emerging markets and will likely be competitive for India to maintain the new paradigm of standards.

### **3. North America News Section:**

#### **➤ USA News:**

#### **1) U.S. says would back India buying U.S. aircraft carrier technology:**

The U.S. government would support selling General Atomics' electromagnetic launching system for aircraft carriers, and other key technologies, to India, the Pentagon's chief weapons buyer told Reuters on Friday.

**More Information>>** Source: <http://in.reuters.com/article/2015/04/04/usa-india-navy-carrier-idINKBN0MU1GX20150404>

#### **2) Senate pushes Obama's Pacific Rim trade pact forward:**

President Barack Obama's call for "fast-track" trade negotiating authority to help him strike a Pacific Rim deal cleared a key hurdle in the U.S. Senate on Tuesday, paving the way for a final vote on the legislation on Wednesday.

The Senate was likely to vote to grant Obama the power to speed trade deals through Congress, including his Trans-Pacific Partnership (TPP).

That would be a major win for the Democratic president and a setback for one of his allies, U.S. labor unions that have campaigned against the TPP out of fear that it could destroy U.S. jobs. Still, another question remains.

**More Information>>** Source: <http://www.reuters.com/article/2015/06/23/us-usa-trade-vote-idUSKBN0P31TF20150623>

#### **➤ CANADA News**

#### **1) India declares liberalised visa policy for Canadians**

India recently announced a liberalised visa policy for Canadian nationals visiting the country, days after extending a similar scheme to French citizens.

**More Information>>** Source: [http://zeenews.india.com/news/india/india-declares-liberalised-visa-policy-for-canadians\\_1579394.html](http://zeenews.india.com/news/india/india-declares-liberalised-visa-policy-for-canadians_1579394.html)

#### **2) India, Canada to resume civil nuclear cooperation talks: Modi**

India and Canada will resume commercial cooperation in the civil nuclear energy sector after decades, Prime Minister Narendra Modi said on Wednesday while hoping his visit would act as a “springboard” for taking the bilateral relationship to a new level.

“During this visit, our two countries will resume commercial cooperation in civil nuclear energy after decades. This will be a defining symbol of our mutual trust and understanding, and of our willingness to look beyond the boundaries of the past to the opportunities of the future,” Mr. Modi wrote in an opinion piece in the Canadian paper “The Globe and Mail”.

Source: <http://www.thehindu.com/news/national/prime-minister-narendra-modi-visit-to-canada/article7105849.ece>

### 3) Roadmap for India-Canada free trade pact by September

India and Canada on Wednesday expressed commitment to have a free trade pact, with Prime Minister Narendra Modi saying a roadmap will be laid for the market opening agreement by September.

Modi said the Bilateral Investment Promotion and Protection Agreement (BIPPA) will also be concluded soon. The ninth round of CEPA negotiations was held on March 19-20 in New Delhi. The talks, started on the trade pact in November 2010, focused on goods and services.

Source: <http://www.ibnlive.com/news/world/roadmap-for-india-canada-free-trade-pact-by-september-pm-modi-982114.html>

#### ➤ Mexico News

### 1) India-Mexico trade can touch \$10 bn by 2015: Minister

Ahead of the India-Mexico joint commission meeting, visiting Mexican Foreign Minister Jose A. Meade Kuribrena said Monday that bilateral trade has the potential to increase to \$10 billion by 2015.

He said the bilateral trade volume was \$4.15 billion in 2011 "and this can be increased to \$10 billion by 2015. Our relationship with partners is extremely intense. This is why today, India and Mexico share a close relationship among the G20 nations. Mexico is now part of India's value-chain in the manufacturing sector," he said during a talk at the Ananta Aspen Centre here.

Source: [http://www.business-standard.com/article/news-ians/india-mexico-trade-can-touch-10-bn-by-2015-minister-114102001171\\_1.html](http://www.business-standard.com/article/news-ians/india-mexico-trade-can-touch-10-bn-by-2015-minister-114102001171_1.html)

### 2) India, Mexico sign MoU on space cooperation

India and Mexico today signed a MoU on space cooperation under which both sides will work together in remote sensing, satellite communication and areas relating to the peaceful use of outer space, besides taking the overall ties to a higher trajectory.

Source: [http://articles.economictimes.indiatimes.com/2014-10-22/news/55318663\\_1\\_mexico-city-space-cooperation-remote-sensing](http://articles.economictimes.indiatimes.com/2014-10-22/news/55318663_1_mexico-city-space-cooperation-remote-sensing)

