Product Specific

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India eyeing access to Russian pharmaceuticals market

Nayanima Basu, Business Standard

New Delhi, July 4, 2012: India has urged Russia to open its booming $19-billion pharmaceuticals market and expedite the list of 500 drugs that it currently imports from India. During his recent visit to St Petersburg, Commerce, Industry and Textiles Minister Anand Sharma urged Russian authorities to let Indian pharmaceutical companies form joint partnerships with Russian companies.

India has asked the Russian side to establish a nodal agency to create a joint committee for implementation of memorandum of understanding between Indian and Russian pharma companies, especially in the field of quality control and standard requirements on conformity assessment of pharmaceuticals and bio-pharmaceuticals.

Russia's pharmaceuticals market grew to $19 billion in 2011 from $6.6 in 2005, growing at a compound annual growth rate of 23 per cent. However, there are a number of non-tariff barriers Russia imposes which makes it difficult for foreign companies to enter this market, in terms of drugs registration and research and development of new drugs.

India has already nominated its own nodal agency— The National Institute of Pharmaceutical Education and Research (NIPER) — under the Department of Pharmaceuticals. However, the Russian side is yet to nominate an appropriate nodal agency.

“There is considerable scope for enhancement of trade as well as investments, in the pharmaceutical sector. As the list of 57 strategically identified medicines is now available, we may expect further cooperation in the pharmaceutical sector,” a senior commerce department official told Business Standard.

India is also planning to actively participate in Russia’s ‘Pharma 2020 Programme’ that would facilitate setting up of production units in Russia, besides, streamlining the registration process and sharing of information on drugs imported by Russia and on production volumes of strategically identified medicines.

Indian pharmaceutical products are of international standards and 30-40 per cent cheaper than other markets on an average. Indian pharmaceutical market is the third largest in the world, in terms of production volume and fourteenth in terms of value. Pharmaceutical exports constituted about 4-5 per cent of India’s total exports in the last five years. India’s pharmaceutical exports constitute 58 per cent of generics drugs, 40 per cent of active pharmaceutical ingredients and two per cent of ayurvedic or herbal products.

India produces about 8 per cent of the world’s generic drugs. Some of the major export destinations are the US, the UK and Germany. Bilateral trade between India and Russia in 2011 stood at $5.965 billion. Both sides have set a target of achieving $20 billion trade by 2015.

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India, Brazil & China defend generic drugs at WTO

Amiti Sen, Economic Times

New Delhi, June 25, 2012: India, Brazil and China have defended the right of poor countries to access cheap generic medicines at the World Trade Organisation, resisting attempts by the US, Japan and some other developed countries to club counterfeits or copies of patented drugs with fake or spurious ones.

"The cases of seizure of high quality generic or off-patent drugs by third countries that hold patents for these could gain legitimacy if counterfeits are confused with fakes," an Indian official told ET. "We cannot allow this as it could seriously hinder access to cheap drugs by the poor."

In a recent meeting of the WTO's Trips Council, developed countries such as Canada, Switzerland and the EU said they considered counterfeiting to be one of the most serious problems to be discussed by the council. These countries said counterfeit medicines not only cause economy loss but also put the lives of patients at risk as they could be "dangerously sub-standard".

India, Brazil and China, however, argued that infringing intellectual property rights should not be confused with sub-standard products.

Intellectual property violation in medicines should not be mixed with sub-standard products and the issue of fake drugs should be discussed at other forums and not the World Trade Organisation, the three countries said at the meeting in Geneva.

"It is an attempt by developed countries to paint all generic medicines produced by developing countries with a dark brush and create doubts on the quality of such drugs," said Abhijit Das, head of the Centre for WTO Studies at Delhi-based Indian Institute of Foreign Trade.

India should resist such attempts as developed nations are trying to make the intellectual property regime more stringent through WTO as their attempts to do it through the ACTA, the proposed anti-counterfeit agreement between some countries, failed because of opposition by the European people, Das added.

Interestingly, many developed countries, led by the US and the EU, had earlier tried to convince WHO to include fake drugs in the definition of counterfeits.

India, with the support of countries like Thailand and Indonesia, managed to convince the WHO that merging of definitions was not only unwarranted but could also be counterproductive in terms of supply of cheap medicines to the poor.

Counterfeits are copies of patented drugs that may have infringed intellectual property rights of patent holding companies. However, a product that is considered a counterfeit in one country may not necessarily be so in another as it may be off-patent there. Therefore, if counterfeits are considered as fake, countries that hold patents to particular drugs could destroy consignment of copycat version of those drugs that pass through their ports on health grounds without fear of retribution.

"In most cases the generic or off-patent drugs that are produced in developing countries are of very high quality," another Delhi-based WTO expert said. "Just because they would be considered counterfeits in countries where patents to these still exist does not automatically mean that they are also spurious drugs. These are two entirely different issues and should be dealt separately."

Last year there were several cases of seizures of Indian generic medicines on way to South America and Africa at European airports following complaints from patent holders of those medicines in Europe.

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US ups the ante on Nexavar Generic, threatens to take India to WTO

Divya Rajagopal, Economic Times

Mumbai, 5 July,2012: The US House of Representatives and the US Patent and Trademark Office (USPTO) have threatened to drag India to the World Trade Organisation's dispute panel for issuing the first ever compulsory licence to a domestic company to manufacture generic version of Bayer's cancer drug Nexavar, saying the move violates international trade laws.

"As opposed to criminal activity, these international patent trade problems in the civil laws space seem to be driven directly by the foreign government to benefit their domestic industry," said Bob Goodlatte, a Republican Party member and member of the House sub-committee on intellectual property.

"It seems that they are getting a free pass as they devalue the patented innovation of the American companies. A WTO case can be brought on this dispute if the appeal doesn't work," he added.

Compulsory licence (CL) is a provision under Trade Related Intellectual Property law (TRIPS), which empowers the government to allow someone else to produce the patented product or process without the patent owner's consent.

In March this year, the Indian patent office issued compulsory licence to Hyderabad-based Natco Pharma on grounds that the patented version of Nexavar was too expensive for Indian patients, and by merely importing the drug to India, Bayer doesn't necessarily get a working patent in the country.

The compulsory licence order reduced the price of Nexavar from Rs 2 lakh to Rs 8,800. Bayer has appealed against the order, but the hearing is yet to begin. USPTO, in a testimony to the House of Representatives, has said by granting licence, India has not compiled with the international standards of patent laws.

"I was quite dismayed and surprised when India decided to grant CL... I think it didn't meet international standards and it was also not due to national crisis," said Teresa Stanek Rea, deputy director of the US Patent and Trademark Office.

"We have someone on the ground in the embassy in Delhi who constantly engages with all the respective officers in India to discuss with them the importance of not granting CL in a situation where it is not wanted," she explained.

However, legal experts back home have completely rubbished the claim that India's compulsory licence violates any international law, arguing Indian laws have such provisions which are permissible under TRIPS.

"Whoever is saying that CL issued by India should be a subject matter of dispute in the TRIPS dispute panel needs to read the law properly," said Anand Grover, senior advocate, Lawyers' Collective.

"The criticism of the US Representative is completely misplaced and ignorance can no longer be an excuse for making such remarks," he added.

Grover says since the patent order is quasi-judicial in nature, and not a government order, the issue cannot be termed as a bilateral dispute. However, the US patent office has gone on record saying they are lobbying with Indian drug regulators and the patent office to revoke the licence decision.

"We are trying to continue our discussion with India's equivalent of USFDA and with regulatory authorities , engaging in discussions with them. Outside the US patent office context, we are doing everything we can to respect the rights of US innovators," said Stanek Rea.

But DG Shah of the Indian Pharmaceutical Alliance says these 'threats' are mere pressure tactics by the US. "China, Thailand and Argentina have issued CLs taking a cue from India, and such public statements are the only option left with the US to impose its protectionist measures," he says.

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US to take on India at WTO over import restrictions on poultry products

Amiti Sen, Economic Times

New Delhi, June 26, 2012: The US will formally fight India at the World Trade Organisation over import restrictions imposed by New Delhi on poultry products from countries reporting outbreak of low-intensity bird flu, hoping to grab the country's growing market for chicken legs.

The dispute settlement body of the WTO on Monday accepted Washington's request for a dispute settlement panel on India's restriction on poultry which the US says is "unscientific".

"A number of countries including China, Ecuador, Colombia, EU, Japan, Canada, Guatemala, & Vietnam have reserved their third-party rights to follow the dispute," a WTO official told ET.

India had rejected US' attempt to establish a dispute panel last month on the ground that its restrictions were based on science and there was scope for more discussions between the two countries on the issue.

According to the US, the ban imposed by India on import of poultry products from countries' reporting outbreaks of low pathogenic notifiable avian influenza have no basis in science and was also not supported by World Organisation for Animal Health.

The US is keen to ensure predictable market conditions in India for its poultry exporters so that they can encash the big demand for chicken legs where they are hugely competitive, a government official told ET.

Although India lifted its ban on import of poultry products from the US after the country declared that it was free of avian influenza in September, but no exports have yet taken place as there is always a danger of outbreak of the low-intensity pathogens in some part of the country.

"Although the US will be able to sell chicken legs at almost a fourth of the prevailing market prices in India, no supplier would place orders till they are sure of the future," the official said.
The National Chicken Council, National Turkey Federation and USA Poultry & Egg Export Council have said that if India's 'trade barriers' were eliminated, the value of US poultry exports to the country each year would surpass $ 300 million. India is also getting more studies done to strengthen its case that the ban is backed by scientific evidence of risk.

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US plays spoilsport, to nix India's wheat export plan

Amiti Sen, Economic times

New Delhi, July 2, 2012: The United States has put a spoke in India's attempts to export wheat even before the government can get its act together on the proposal to ship two million metric tonne of wheat.
Washington has indicated that it will oppose the grain exports by India if they are sold below cost, as export subsidies are not permitted by the World Trade Organisation.

In a recent meeting of the agriculture committee of the WTO, the US asked India about the exports. "The US asked us detailed questions on the minimum support price paid to procure food grain and the price at which it could be sold in the overseas market," a government official told ET.

The government has over 50 million tonne of wheat in the central pool as on June 1 against the buffer norm of 32 million tonne on July 1. Much of the grain is stored in the open, exposed to elements and is at high risk of loss.

It is keen to export some of the stock at $228 a tonne(Rs.12,500) against the overall cost of about $300 a tonne (Rs. 16,500) to clear the way for the new crop as without the subsidy it will not find takers in the world market.

However, commerce department officials are apprehensive that once India starts exports at a subsidised rate, the US may create a greater noise at the multilateral forum against the move.

India may be able to defend the exports claiming that subsidies would be given only for a short period, but the US concern reflects a growing global glare on India's food export policy that the government needs to be weary of, a commerce department official told ET.

"India's flip-flop on cotton exports has already been criticised by a number of nations and discussed at length at the WTO. Now the focus is shifting to export subsidies. We need to be careful," the official said. Even in forums such as the G-20, there has been criticism of domestic policies that affect international prices of food grain.

"Although India need not fear action against it at the WTO for its proposed subsidised wheat exports as these would be withdrawn by the time a dispute is launched, we need to ensure that it does not get projected as a country that distorts world food prices," a Delhi-based trade expert told ET.

Interestingly, even the finance ministry in India is reportedly against the food ministry's proposal of selling wheat at $228 per tonne as it will add to the subsidy burden that the government is desperately trying to reduce.

However, since the export price was arrived at after a bidding process and the global prices of wheat are also ruling low, the food ministry is of the view that exports cannot happen if it is not heavily subsidised. The issue is likely to discussed at a meeting of the Union Cabinet scheduled on July 2.

The country could have got a much better price if it had exported some months earlier when global prices were higher, but the decision to export wheat is always a sensitive one because of food security issues and the government often takes long to decide.

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Wheat recovers as govt allows 2mn tonne exports

Press Trust of India

New Delhi, July 4, 2012: Wheat futures prices today rose by 0.49% to Rs 1,225 per quintal as speculators created fresh positions after the government approved export of two million tonnes of its exports.

Traders said record procurement of wheat by the government that rose by 36% to 37.85 million tonnes (mt) in the current marketing season so far, buoyed by record production of wheat in the country restricted the gains.

At National Commodity and Derivatives Exchange, wheat for delivery in August traded Rs 6, or 0.49%, higher at Rs 1,225 per quintal, with an open interest of 13,450 lots.

The wheat for delivery in current month also rose by Rs 5, or 0.42%, to Rs 1,198 per quintal, with an open interest of 21,670 lots.

The government yesterday approved export of two million tonnes of wheat from its buffer stock in order to clear storage space for new crops.

The decision was taken by the Cabinet Committee on Economic Affairs (CCEA).
"CCEA has approved export of two million tonnes of wheat from government stock with floor price of USD 228 (about Rs 12,400) per tonne," Food Minister K V Thomas had said yesterday after the meeting.

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Government okay with Punjab exporting wheat to Pakistan

Rituraj Tiwari, Economic Times

New Delhi, July 2, 2012: The Union government, in principle, has agreed to export wheat to Pakistan. The empowered group of ministers on food has asked the Punjab government to work out a proposal for exporting wheat to Pakistan through the Integrated Check Post (ICP) on the Attari border.
The decision came after the Punjab government sought the commerce ministry's permission to export wheat from its choked warehouses to Pakistan.

"We are facing a wheat glut here with no more space to store grains. We have asked the Union government to allow us to export wheat directly. We are waiting for the Union government's decision," said Punjab food and civil supplies secretary DS Grewal.

Wheat procurement in Punjab has touched an all-time high of 128 lakh tonne forcing the state government to press for exports from Punjab-based central warehouses. "We have a stock of around 165 lakh tonne of wheat. We need to move the grain fast to create storage space," he said.

Punjab deputy chief minister Sukhbir Singh Badal has been demanding that shipments be allowed to Pakistan and other CIS countries through Attari. "If we can allow exports of sugar and cotton, why the Union government can't take a bold step of allowing wheat exports through the land route," he had said in a public meeting.

But Pakistan has more wheat than it needs this year. It has produced 23.5 million tonne wheat this year as against the domestic demand of around 21 million tonne. It has exported 1.8 million tonne to Saudi Arabia, Egypt and the Gulf countries.

Pakistan's wheat imports were valued at $10.725 million last year but this year there were no imports. "There is no demand from Pakistan. We are surprised why the state government is pressing for wheat exports across the border?" said Sanjay, a grain exporter based in Amritsar.

Meanwhile, the food ministry is likely to present its proposal to the Cabinet on Tuesday seeking approval for incentivised export of 2 million tonne from the central stock. The food ministry envisages an export subsidy of Rs 750 per quintal for moving wheat from its choked warehouses as international prices are significantly lower than the government's cost of buying and storing the grain.

"Global prices are around $228-230 a tonne while the government's cost is $328 a tonne. If export happens, the government will have to shell out the differential," said a food ministry official.

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India hopes to revive mango export to Australia this year

Jayashree Bhosale, Economic Times

Pune, June 22, 2012: India is preparing to export irradiated mangoes to Australia, four years after being granted market access, in a move that traders believe could revive faltering overseas sales that have declined 30% in the last three years.

Ranked first in the world in mango production, Indian exports are not significant. The Agricultural and Processed Food Products Export Development Authority (APEDA) has been trying to develop overseas market for Indian mangoes. The United States opened its market for Indian mangoes five years ago. The US has one of the strictest hygiene norms and the mangoes have to be treated at the irradiation facility.

Australia approved the policy of importing Indian mangoes in 2008. However, the trial shipments of mangoes treated with vapour heat treatment (VHT) reportedly faced quality issues. The Australian authorities recently visited the irradiation facility at Lasalgaon near Nashik, Maharashtra.

Both the Indian and Australian governments are currently working on preparing the standard operation procedures (SOP) for mango export. If the SOP is prepared this season, then there is a possibility of sending trial shipments of the Chausa and Langda varieties in July after irradiation.

Mangoes are irradiated at the Lasalgaon facility where the US officials remain physically present. Mango export has declined 30% from 83,703 tonne in 2008-09 to 59,220 tonne in 2010-11. Export for the juicy fruit to the US has also declined during the same period.

The Middle East still remains the main market for Indian mangoes. "Middle East is an easy market for Indian mangoes. The US market needs many compliance. The mangoes have to be transported from the growing area to the irradiation facility and then to Mumbai for shipping. This results in deterioration of quality," said an official of a big agri-business company on condition of anonymity. However, Indian exporters face tough competition from Pakistan, which is cheaper than the Indian mangoes.

Mango exports to Japan, which needs VHP treatment, have declined 88% during 2008-09 to 2010-11. "Indian mangoes become very expensive by the time it reaches US or Japan. After the tsunami, the demand for Indian mangoes has declined in Japan. Major customers of Indian mangoes in the US are the people of Indian origin who prefer to eat Alphonso mango. But Alphonso has quality issue as it develops spongy tissue by the time it reaches US," said KZ Toshnival, managing director, Maharashtra State Agricultural Marketing Board.

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Onion prices up 25% as govt allows export without MEP

Dilip Kumar Jha , Business Standard

Mumbai, July 3, 2012: Onion prices rose 25 per cent in the spot market here on Monday due to lower output estimates on deficient monsoon rainfall and the government's decision, on Friday, to allow its shipment abroad without any minimum export price (MEP).

Data compiled by the National Horticultural Research and Development Foundation showed the model price of onion jumped by Rs 150 a quintal from yesterday, to trade at Rs 750 a quintal. Arrivals in the spot market here have also intensified. Accordingly, on Monday total arrivals in the spot market were 11,200 quintals as compared to 10,466 quintals yesterday.

A Friday notification by the Directorate General of Foreign Trade showed the government had scrapped the MEP barrier to boost exports. Pakistan, the normal competitor has none available at present, with its crop having failed last year. Continuous revision of MEP had restricted India's opportunity; the government feared rising onion prices might help raise inflation. However, after May 8, the MEP requirement had been removed; the loosening was applicable till July 2, when it was to be reviewed. "Trade was better, with export demand having got support from the MEP removal," said Ashok Valunj, director of the Agricultural Produce Market Committee at Vashi.

Traders are optimistic on a further rise in prices due to the deficiency in monsoon rain. According to the India Meteorological Department, there was 31 per cent lower rainfall in June, on the long term average, resulting in a 60 per cent delay in sowing of the early crop in Karnataka.

Union food minister K V Thomas had earlier estimated India's total onion output at 15.7 million tonnes in the 2011-12 crop year (July-June), against 13 mt in the previous year. However, frequent changes in government policies restricted demand at home and abroad. Due to the high export price, India had lost its competitive edge in international markets to China and Egypt. In January, the government had lowered the MEP on all varieties, except Bangalore Rose onions and Krishnapuram onions, to $150 per tonne.

India ranks second in the world in onion production, with Maharashtra and Gujarat the main producing regions. There was a serious supply crunch in late 2010 and early 2011, when prices rocketed to Rs 80-85 a kg in the retail market. Demand was usually stable through the year in 2011-12.

The vagaries of nature affect the crop badly. Hence, the deficiency of rainfall is likely to hit output this season. India exports onion to Sri Lanka, West Asia and Malaysia, besides a small quantity to some European countries.

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Southern spinners import cotton

Sharleen D'Souza, Business Standard

Mumbai, June 30, 2012: As the fall in cotton prices in the international markets has been much sharper than in India, spinners in south India are now looking to import cotton. Moreover, spinners have the choice of making payments within six months without paying any interest, after which they will have to pay a nominal interest of below three per cent per annum.

From 85.7 cents per pound in the beginning of May, international prices of cotton have slid 20 per cent to 70.52 cents per pound now. But the rupee has fallen during the period, making imports costlier. Consequently, the fall works out to 5.06 per cent.

The price of cotton in the Indian market, however, has remained stable. It traded at around Rs 9,200 per quintal on Friday.

The price of imported cotton, similar to Shankar 6, is 75 cents per point while Indian cotton is being exported at 80 cents per pound.

South India-based spinners are currently importing from Africa, as it is cheaper.

So far, mills in the south have imported 70,500 bales (one bale = 170 kg) of cotton, according to indenting agents. The import cost is Rs 34,000 per candy. This, while Gujarat cotton is available in Coimbatore at Rs 37,000 and Andhra Pradesh's version at Rs 38,000.

“We are getting orders from spinners from the south to import cotton. They fear the delay in monsoon will cause cotton acreage to shrink, which will eventually cause prices to go up in the coming cotton year," said Umang Kapasi, joint managing director of Comibatore-based Shri Vardhaman Cotton Corporation, which also operates as an indenting agent. He said the only issue is it takes 40 days for imports to arrive.

Since May, export orders for cotton have remained almost stagnant. During October-May, 11 million bales were exported. However, since then, only one million bales were exported.

Since the fall in international prices has been much sharper than in India, exports have almost stagnated. Demand usually arises from China, but that country has already created a buffer stock by heavily importing from the US, the largest producer of cotton in the world.

Even Bangladesh, which procures cotton from India, has not been importing in the last few weeks. "There is very little demand from Bangladesh and China for cotton," said M B Lal, a Mumbai-based cotton exporter.

Even after India threw open its exports after the ban, exports in the month of May stood at only one million bales.

Domestic demand has also taken a hit as many mills have resorted to need-based buying. Traders are not selling to mills on credit, as they are not sure if the latter will be in a position to pay back later, due to overall weakness in demand.

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Visa, poultry issues on the agenda

Nayanima Basu, Business Standard

June 13, 2012, New Delhi: Even as the third India-US Strategic Dialogue is held in Washington tomorrow, contentious areas relating to the recent spate of disagreements between the two countries are likely to significantly feature in the talks.

The past few months have seen both countries engaged in a bitter fight over several trade-related issues, with each dragging the other to the World Trade Organization (WTO)'s Dispute Settlement Body. While the US had taken India to the WTO over restrictions imposed by India on poultry products from the US, India had complained against the US for increasing professional visa fees, which hit the operations of Indian information technology firms. It had also lodged a complaint against duties on Indian steel imports.

The dialogue tomorrow would be chaired by External Affairs Minister S M Krishna, who would meet US Secretary of State Hillary Clinton in Washington DC. In 2009, both countries had decided to establish the dialogue process. The first meeting was held in Washington in 2010, while the second was held here in July 2011.

"When bilateral issues would be discussed, the recent WTO disputes would undoubtedly feature high on the agenda. After all, both countries are soon going to surpass $100 billion worth of bilateral trade. So, even minor trade irritants like these matter a lot for both parties," a senior government official told Business Standard.

The irritants notwithstanding, two-way trade in goods and services between the two nations increased almost five-fold in the last decade — from $18 billion in 2001 to nearly $90 billion in 2011. This year, bilateral trade is expected to stand at $100 billion.

"The US-India bilateral relationship has truly experienced a quantum jump in the past decade. Job creation and value addition have been the bedrock of business partnerships between the two countries. But much remains to be done," said Adi Godrej, president, Confederation of Indian Industry, who is leading a delegation of chief executives to the US as part of the dialogue.

The US had yesterday exempted India, South Korea, Taiwan, South Africa, Turkey, Malaysia and Sri Lanka from sanctions on oil imports from Iran. India is the third-largest buyer of Iranian oil, according to US Department of Energy.

During her visit to India last month, Clinton had urged India to buy less oil from Iran. Starting June 28, the US plans to implement sanctions against banks that finance oil imports from Iran. India has, however, maintained it would only follow decisions taken by the United Nations, not the foreign policy of a particular country.

"Governments in market economies do not create or run businesses, but we can help create the environment that allows entrepreneurs to take smart risks that catalyse new business—by strengthening investor protection, providing export financing and supporting investments in infrastructure and high technology," said Robert Blake, US assistant secretary of state for south and central Asian affairs.

Both sides would also discuss cooperation in public, private and scientific sectors, energy security, women's empowerment and health.

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Iran looks at India wheat for possible imports

Reuters

June 12, Mumbai: A delegation from sanctions-hit Iran arrived in India on Tuesday to explore the possibility of importing wheat from the South Asian nation, which has huge stocks and wants to reduce its trade imbalance with the oil exporter, government sources said.

Food shipments to Iran are not targeted under Western sanctions aimed at curbing Iran's nuclear programme, but payments remain difficult because of financial sanctions, even though India has just won a waiver from Washington on the strictures.

India, Iran's second biggest crude client, hopes it can reassure Tehran on quality and secure wheat sales to help settle part of its $10 billion a year-plus oil import bill through a barter-style mechanism using rupees.

The delegation from Tehran will primarily see whether India's wheat meets the quality norms of Iran, a government source said, with actual deals unlikely to emerge at this stage.

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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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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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Apparel exporters wary of achieving US$18 bn target

Vinay Umarji, Business Standard

June 16, 2012, Ahmedabad/ Mumbai: Going by the April-May export orders from the US and Europe, apparel exporters in India are wary of achieving the $18 billion apparel exports target this year. While the US and European markets have been disappointing for apparel exports, the industry in India has not been able to shift enough efforts to newer markets.

Apparently, in last two months, apparel exports from the two major western markets have declined by 30 per cent in volumes.

"Rupee depreciation may have painted a rosy picture in terms of value, volumes have been witnessing negative growth from the US and Europe for Indian apparel exporters. In such a short time, Indian exporters have not been able to shift their focus immediately to newer markets. Thereby, it seems difficult to achieve apparel export targets this year," said DK Nair, secretary general, Confederation of Indian Textile Industry (CITI).

Both US and Europe jointly contribute to about 70 per cent of India's total apparel exports which was around $ 14 billion in 2011-12.

"Government has given apparel exporters a target of $ 18 billion. However, it seems very unlikely to be achieved considering the decline in volumes from the western markets. We will only get a clearer picture in August when we might receive orders for next year," said Premal Udani, CMD of Mumbai-based Kaytee Corporation Pvt. Ltd.

For Bangalore-based Mahalakshmi INC, which used to export mostly to the US and Europe says that orders are down from the west by 40,000-50,000 pieces per month. "While we used to export about 150,000 pieces per month to US and Europe, we are now doing only 90,000-100,000 pieces per month. The impact is higher for firms like us who have huge dependency on west for export orders," said Gautam Jain of Mahalakshmi INC.

This despite apparel exporters looking to reduce dependency on the two western markets since sometime.
"It has been a long term plan to reduce export dependency on US and Europe. However, in last few months the industry has not been able shift business to newer markets in such a short time. The only respite is the rupee depreciation which has reduced the decline of apparel exports in terms of value," said Rahul Mehta president of Clothing and Manufacturers' Association (CMAI).

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Turkey agrees to remove penal duties on Indian cotton yarn

Amiti Sen,Economic Times

June 8, 2012, New Delhi: Turkey has agreed to remove penal duties 'wrongfully' imposed on Indian cotton yarn, spelling victory for Delhi that is fighting growing protectionism in several countries against its products.

The two countries are likely to sign a memorandum of understanding on the issue soon, following which India would withdraw its complaint against Turkey filed with the World Trade Organisation early this year, a commerce department official told ET.

"Both countries have reached a satisfactory understanding on the penal duties," the official said. "As soon as the memorandum of understanding spelling details of duty removal is signed, India will withdraw its complaint."

Global economic uncertainty has prompted a number of countries including the US, Egypt and Turkey to raise protectionist walls against imports from other countries including India to safeguard their domestic firms.

Canada, too, has started investigations to impose penal duties against certain Indian steel products. "It is true that protectionism worldwide is growing. India does not have a problem with import restrictions as long as countries respect the rules framed by the WTO. But we will definitely fight against all violations," the official said.

Delhi has filed official complaints against restrictive duties imposed by the US on steel products and Egypt and Turkey on cotton yarn at the WTO.

"In the case of Turkey, we are happy that the issue is being amicably settled without the need for a dispute settlement panel," the official said. Egypt and Turkey are the fifth and sixth largest export destinations for Indian cotton.

Industry body Texprocil, which has been working with the government on the legal aspects of the penal levies imposed by Turkey and Egypt on Indian cotton yarn, says all wrongful attempts to block exports have to be severely discouraged.

"If we do not take action against illegal measures adopted by another country to curb imports, we are in a way encouraging other countries to follow suit," a Texprocil representative had earlier told ET.

Turkey imposed safeguard duties between 12% and 17% over and above the customs duty of 5% with effect from July 2011. This made Indian exports to the country costlier.

Egypt, on the other hand, imposed a specific duty of 55 cents per kilogram of yarn in December 2011. Safeguard duties are import levies imposed over and above the existing duties to protect domestic industry against a surge in imports. India contested Turkey's decision to extend safeguard duties after they expired last year, without carrying out a review to the WTO committee on subsidies and countervailing duties.

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On textile subsidy cuts, govt readies WTO defence

Neeraj Thakur, DNA

June 12, 2012 Mumbai: Indian negotiators are busy weaving their strategy ahead of the upcoming meeting of the committee on subsidies and countervailing measures (SCM) of the World Trade Organisation (WTO) in October.

At stake is the $77 billion textiles industry that employs 3.5 crore workers directly and about 4.7 crore indirectly.

The United States, the single largest importer of India's textiles products, accounting for around $10 billion trade, has moved the committee against India's policy of subsidising its textiles exports.

According to WTO's SCM rules, a developing country like India can provide export subsidies to its exporters till the time it reaches export competitiveness threshold.

This threshold is reached when a country achieves a share of 3.25% of world trade in two consecutive years.

India has long crossed that threshold, according to WTO data.In 2008, 2009 and 2010, the country's share in world textile trade was 3.5%, 4% and 4%, respectively. Figures for 2011 are expected in a few weeks.
So, what's the gameplan?

"There is ambiguity over the definition of a product in the WTO rule book. It does not clearly define the product," an Indian negotiator at the WTO told *DNA*.

In the WTO rule book, article 27.6 of ASCM defines a product as "section heading" of the harmonised system (HS) nomenclature.

But there is no such term in the products category. "Section and heading are two different categories," said the negotiator.

The WTO rule book classifies traded products through HS of customs classification, which includes section (Roman 2 digit), chapter (numerical 2 digit), heading (2 digits) and subheading (2 digit).

While textiles as a sector are covered under Section XI of the HS system, different products are defined under 14 chapters (50-63). These products are further classified under headings and subheadings.

“While we have surpassed the export competitiveness threshold on section-based calculations, if we calculate on the basis of the 14 chapters, then only seven of our products fall in the competitive category,” said the official.

The US has asked India to withdraw schemes like Technology Upgradation Fund Scheme (TUFS) and Technology Mission on Cotton (TMC).

India isn’t willing to oblige. “Schemes like TUFS and TMC are not provided to only exporters. These schemes are extended to the domestic sector as well,” said the official.

Indian negotiators are depending on Article 3 of ASCM, which talks about “subsidies contingent, in law or in fact, whether solely or as one of the several conditions, upon export performance”.

“Duty Entitlement Pass Book, which was essentially a subsidy scheme, has already been withdrawn by us in October 2011,” said the negotiator.

India runs many other schemes, such as special economic zones, export oriented units and focus market schemes, which may be interpreted as prohibited export subsidies.

“Even if the Indian government has to withdraw its subsidies for the textiles sector, the Indian government should follow the example of quota phase-out by the USA and EU under the provisions on agreement on textiles and clothing. Subsidies of low impact can be withdrawn first and those with serious implications can be withdrawn at the end of the phase out period that India would be entitled to,” said DK Nair, secretary general, Confederation of Indian Textiles Industry.

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No WTO violation by issuing licence for Nexavar: Sharma

Press Trust of India

June 14, 2012, Sao Paulo**:** Commerce and Industry Minister Anand Sharma today said India has not violated any provision of multi-lateral trade agreement by issuing compulsory licence (CL) for patented anti-cancer drug — Nexavar — to be produced and sold at a much cheaper cost in the country.

"We have not violated of any WTO agreement...This (invoking CL) is very much in conformity with the international agreement under the WTO," Sharma said here while addressing industry leaders of pharmaceutical sectors.

Sharma is leading a Ficci business delegation, mainly consisting of players from pharmaceuticals industry, to Brazil.

In March, Hyderabad-based Natco Pharma was allowed to manufacture and sell cancer-treatment drug Nexavar at a price over 30 times lower than charged by patent-holder Bayer Corporation, under compulsory licensing (CL).

The German firm has already filed an appeal against the Indian Patents Office's order with the Intellectual Property Appellate Board.

As per the WTO agreement, a CL can be invoked by a government, allowing someone else to produce a patented product or process without the consent of the patent owner in public interest.

India's intellectual property rights regime is fully TRIPS-compliant, the minister said, adding that the developed nations have invoked CL more than developing economies.

"In case of India, this was the process of adjudication. It was not an executive invocation," he added.

He said around the same time when India had issued the CL for anti-cancer drug, the US government, through an executive order, placed an order with Indian company for anti-cancer drug.

Natco was allowed to sell the drug at a price not exceeding Rs 8,880 for a pack of 120 tablets required for a month's treatment compared to a whopping Rs 2.80 lakh a month charged by Bayer for its patented Nexavar drug.

Seeking greater cooperation in pharmaceutical sector, the minister informed the industry leaders that India is the third largest medicines producer in the world and produces 20% of world's generic drugs.

According to sources, the minister took up several problems of Indian pharmaceutical sector during his meeting with Brazilian Minister of Development, Industry and Foreign Trade Fernando Pimentel.

"The minister raised the issue of requirement of multiple testing despite having approvals from agencies like USFDA, delayed registration of products in Brazil, delay in port clearances and fast tracking of issuing of import licenses," sources said.

On the occasion, industry leaders too raised their problems and concerns which they are facing here.

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Soon, direct jewellery export to Pakistan

Business Standard

June 19, 2012, Mumbai: Commencement of direct export of jewellery made of precious metals and stones to Pakistan is likely soon.

Despite similarities in culture, ethnicity and choices in this regard, the annual jewellery trade between the two countries stood at Rs 88.5 crore in 2011-12. While India exported cut and polished diamonds and jewellery worth Rs 87 crore, such imports to India constituted just about Rs 1.5 crore. Since there is no direct access to each other's markets, trades are put through via Dubai, Sri Lanka and other Asian countries.

A 12-member Indian delegation led by Sanjay Kothari, vice-chairman of the apex trade body, the Gems & Jewellery Export Promotion Council (GJEPC), visited Pakistan on June 7-12 and met a number of traders and retailers. They also met Prime Minister Yousuf Raza Gilani and discussed growth in jewellery trade. Kothari says Gilani agreed to look into tax and visa problems faced by the two countries' businesspeople in being able to freely access each other's markets.

"We can tentatively say that direct jewellery export to Pakistan might commence in a couple of months," said Kothari.

While Pakistan would be a new destination for India's jewellery exports (where a lot of Indian cuts and designs are widely accepted), for India the import of some classic colour gemstones would become easier. Pakistan's jewellery market is estimated at $12 billion, while India's annual jewellery exports are $32-33 billion.

"We suggested the Pakistani government look into the taxation part, through which they generate just a few lakhs of rupees. Also, value added tax (VAT) is substantially higher, which if they reduce would boost India's direct export exponentially," said Kothari. In Pakistan, the government has levied five per cent on income tax in addition to 19 per cent of VAT on the trade. In India, VAT is only one per cent.

Direct access to Pakistan's jewellery markets would partly compensate the export deficit to European countries, significantly down due to the ongoing economic crisis there. Also, Pakistan has a good amount of reserves of colour gemstones, which Indians may import for processing here. About nine-tenths of all the diamonds mined in the world are processed in India. Cutting and polishing of Pak colour gemstones would help growth in India's manufacturing sector to some extent, said Rajiv Jain, chairman of GJEPC.

However, the export trade to Pakistan would be restricted to the business-to-business sector. Kothari said it would be impossible for Indian jewellery exporters to go directly to consumers as they do in other markets. Growth possibilities, Kothari said, would depend on how soon the Pak government reduced tax barriers.

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Textile exporters' profits to be hit

Sharleen D'Souza, Business Standard

Mumbai 24 May:Textile exporters have not much to cheer about from the decline of the rupee against the dollar, as the fall has been so sharp that importers have started seeking renegotiation of contracts already signed.

Most exporters from India signed contracts a month or two ago, when the rupee was trading around 51-52 against the dollar. Since then it has witnessed a sharp fall to trade at 56 a dollar on Wednesday.

"Orders are taken with the value of rupee at the time when the contract is signed. Currently, windfall profits have gone and importers are bargaining and asking for a reduction in price," said Rahul Mehta, president of The Clothing Manufacturers Associa-tion of India (CMAI).

Textile exporters are still getting higher realisations compared to last year. In the second half of the last financial year, average realisation was said to be in the range of 48-50 a dollar.

While some home textile makers have taken in orders for the next six to 12 months, apparel exporters have filled their order books till October.

"We have taken some orders for the next six to 12 months and in this time the rupee has been volatile. Hence, we have done some forward booking," said R Sundaram, president, finance and company secretary of Indo Count Industries, a home textile producer.

According to the Confederation of Indian Textile Industries (Citi), in the last financial year, total textile exports stood at $34 billion, compared to $27 billion in FY11. Apparel exports in the last financial year till February were $12.15 billion, compared to $10.2 billion in the same period in 2010-11, according to the Apparel Export Promotion Council (AEPC).

A Sakthivel, chairman, AEPC, said, "Exporters on an average keep a third of their positions open, while they buy dollars for one-third when they sign order and hedge a third of the order amount in the forward market. For open positions, importers are seeking re-negotiations." He said the Council has fixed a 15 per cent higher target for apparel export in 2012-13, provided the government gives some incentives.

The Council had put forward a number of demands, including lower cost of funds, when they met the commerce minister last week. He assured them of some incentives, may be announced in the foreign trade policy changes in the next couple of week.

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DGFT has approved export of 0.33 mt sugar since May

Press Trust of India

Jun 7, 2012: The commerce ministry has issued registration certificates for export of 3,30,000 tonnes of sugar since early last month when the government decided to free sugar shipments, according to industry body Indian Sugar Mills Association (ISMA).

On May 2, the government decided to allow unrestricted sugar exports by bringing it under the open general licence. However, exporters were allowed to ship only after taking registration certificate (export permits) from the Directorate General of Foreign Trade (DGFT) under the commerce ministry.

"Till June 3, the DGFT has issued registration certificate for 332,000 tonnes of sugar. Of which, 1,77,000 tonnes has already been exported," a senior official of the ISMA said. He also said mills have also shipped the entire 200,000 tonnes of sugar that were allowed before May.

According to DGFT, an exporter can apply for registration certificate for a maximum quantity of 25,000 tonnes.

The application for second and subsequent RC can be made after exporting at least 50 per cent of the allotted quantity. Exports were permitted as the country's sugar output is expected to touch 26 million tonnes in 2011-12, higher than the annual demand of 21.5-22 million tonnes.

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Enough stock for another 2mt sugar export: Govt

Anindita Dey, Business Standard

Mumbai, June 07, 2012: The Union ministry of food has worked out an internal limit of two million tonnes of sugar that could be exported under Open General Licence (OGL) till September, without affecting domestic prices.

According to official sources, the ministry expects final output in the current season to be 25.8 mt, against the earlier estimate of 25.2 mt. They said crushing of cane had ended in north India, but some mills in south India were still reporting production.

The current sugar marketing year started in October last year. India is the world's second-largest producer and biggest consumer. Output was 18.6 mt last year.

Before sugar export was brought under OGL, freeing it from quantitative restrictions, the government had allowed export of two mt. Officials said under the new regime, 170,000-180,000 tonnes of sugar had been registered with the Directorate General of Foreign Trade (DGFT) for shipment abroad till date. They added the ministry was comfortable with availability of a three-month stock at its disposal for managing domestic demand at any given date. Beyond this limit, the surplus could be considered for exports, they said.

The commerce ministry told millers, once the OGL decision was announced, to register export contracts with it, to keep pace with the quantity of shipment. With the new regime, the DGFT raised the ceiling in each registered contract (RC) from 10,000 tonnes to 25,000 tonnes, equivalent to one vessel load for white sugar. An applicant has the liberty to seek split RCs for export through more than one port, within the overall limit of 25,000 tonnes. Also, the time limit for completing export has been extended from 30 days to 60 days from the date of issuing the RC.

Among other reasons why the Union government keeps control on the marketing of sugar is its requisitioning of what is termed 'levy sugar', the quantity it requires mills to supply (at a price it sets) for subsidised supply through ration shops. It is mandatory for mills to sell a tenth of their production to the government at this lower rate. This levy sugar quota is then allocated to states and Union Territories for the Public Distribution System.

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Govt lifts ban on export of skimmed milk powder

PTI

June 1, 2012, New Delhi: Amid surplus availability, the government on Friday lifted ban on export of skimmed milk powder (SMP) to improve finances of dairy firms and help milk producers.

The decision to this effect was taken by the Cabinet Committee on Economic Affairs (CCEA).

"It has been decided to lift ban on export of SMP," Agriculture Minister Sharad Pawar told PTI.
The government had banned SMP exports in February 2011 to contain rise in domestic milk prices.

When asked if there was any quantitative restriction on export, he replied in negative.
Pawar said the Commerce Ministry has also been asked to provide incentives to the exports of SMP in line with other farm produce.

The ministry has also been asked to examine the possibility of imposing import duty on SMP, he added.
The dairy industry has been facing liquidity crunch as it could not make profit through sale of skimmed milk powder due to steep fall in domestic prices following surplus supplies.

Domestic prices of SMP have declined to Rs 150 per kg now as against Rs 190-200 per kg in the same period last year.

Mother Dairy Managing Director S Nagarajan said, "The exchange rate is favourable for export but we need to ascertain actual demand in the international market."

Sterling Agro Industries Managing Director Kuldeep Saluja said, "The move will benefit both industry and farmers. There is excess stock of over one lakh tonnes lying with industry. The export will help improve liquidity."

Milk production in India, the world's biggest producer, is estimated at over 120 million tonnes in 2011.

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As Pakistan lowers imposts, Indian tea exports set to get a fillip

Indrani Dutta, Hindu

Kolkata, June 5, 2012: Indian tea exports to Pakistan is set to get a fillip, following the lowering of sales taxes by a steep 11 per cent. Sales tax along with a high level of customs duty and some local imposts have rendered Indian teas uncompetitive in Pakistan. This is now expected to get corrected to a large extent.

“This will provide a huge boost to Indian exports of black tea to Pakistan,” Azim Monem, Chairman, Exports and Domestic Sales Sub-Committee of the Indian Tea Association said. ITA Chairman C. S. Bedi, too, welcomed the development saying that Pakistan was now keen to buy all types of Indian tea. Ullas Menon, Secretary of the United Planters' Association of Southern India, said, “Genuine buyers would now get value for their money”. Bulk of the 24 million kg of tea that Pakistan imports goes from South India.

Mohammad Hanif Janoo, Chairman of the Pakistan Tea Association, told *The Hindu* that sales tax had been reduced to 5 per cent from 16 per cent and this would boost tea imports from India. “Import of good teas from India will increase,” he said, adding that Pakistan's legal tea imports would now “increase from 125 million kg to around 170 million kg.”

It may be mentioned that amid the positive spirit now ruling between the two countries, in April 2012, a pact was sealed between the industry representatives of India and Pakistan to double tea exports to 50 million kg by 2015.

Pakistan is one of the top three tea importing nations with a consumption of 220 million kg and an official import of 120 million kg. Its main supplier is Kenya. “ We are hopeful that India's share will grow… tea consumption is growing in Pakistan where it is a food item,” Mr. Janoo, leader of a 13-member delegation, had said at a press meet here in April.

Mr. Monem said Pakistan was now showing a preference for value-added teas and samples had been sent.

He said these were mostly made of fannings of which there was surplus in India.

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Government of India plans to reduce pharma industry's dependence on China

Khomba Singh, The Times of India

6 June 2012, New Delhi: The government has initiated a process to reduce Indian drug industry's growing dependence on China for raw materials, including the critical penicillin, which is needed to manufacture most of the anti-infective drugs.

An industry executive told ET that the Organisation of Pharmaceutical Producers of India (OPPI) has submitted a list of drugs sought by Commerce Minister Anand Sharma when the Group of Ministers met on May 25.

The minister had asked the industry body to share details of the drugs, out of the 74 price controlled bulk drugs whose production has either shifted to China or whose manufacture in India has become dependent on imports from China.

India needs to be self-sufficient to achieve its goal of becoming a major global supplier of low-cost drugs, an industry executive said, adding that the OPPI, an association of multinational firms, conveyed this to the commerce ministry officials.

India fixes the retail prices of drugs that are made from 74 bulk drugs - active pharmaceutical ingredients or intermediates, the basic chemical used to make a medicine. Though the 62,000-crore Indian industry ranks among the global players in finished drugs, it has to depend on China for raw materials.

The minister had raised this issue in the earlier meeting of the group of ministers on April 25, recommending an inter-ministerial consultation to tackle this "serious threat in the drug security of the nation". He had pointed out that the country was dependent on China for penicillin, the key raw material for most antibiotics in the country.

According to industry body Indian Pharmaceutical Alliance's secretary general DG Shah, health ministry data shows that about two-thirds of raw materials used by Indian companies are imported from China.

"We are practically dependent on China. This is a serious issue," he said.

Most anti-infective drugs, accounting for about 20% of the Indian drug market, are made using two derivatives of penicillin, Pen G or 6APA, Shah said.

Last year, the commerce ministry had unsuccessfully recommended imposing anti-dumping levy on penicillin imported from China and Mexico. It was alleged that whenever Indian companies tried to revive their local manufacturing plant for penicillin, the Chinese companies slashed prices indiscriminately to scuttle competition. Most Indian companies that used to manufacture penicillin have closed their units.

The finance ministry had shot down the commerce ministry proposal due to concerns that prices of popular antibiotics would increase significantly if levies were to be imposed on Chinese imports to encourage Indian companies.

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US hikes duty on Indian steel pipe

Reuters

Washington May 25, 2012: The United States piled another layer of preliminary duties on Thursday on a certain type of steel pipe from India, one month after New Delhi complained at the World Trade Organisation about an earlier US round.

The US Commerce Department said it had determined that Indian companies were selling circular welded carbon-quality steel pipe in the United States at 48.43% below fair market value.

The duties will require importers to post bonds or cash deposits based on the preliminary rates until a final decision on anti-dumping duties is made later this year.

The department also set preliminary anti-dumping duties on this kind of pipe of zero to 27.96% for Vietnam, 5.59% for Oman and 3.29% to 11.71% for the United Arab Emirates.

US companies Allied Tube and Conduit, JMC Steel Group, Wheatland Tube and United States Steel Corp petitioned the government last year for import relief.

In March, the Commerce department set preliminary "countervailing" duties of nearly 286% on the same type of steel pipe from India to offset government subsidies.

That prompted India to request consultations with the United States on the action at the WTO, the first stage in filing a formal trade dispute.

India rejects the US view that Indian manufacturers are subsidized because a portion of the iron ore they use to produce the steel pipes comes from India's top iron ore miner NMDC, a state-run company.

The United States in 2011 imported about $64.5 million of the steel product from India, $53.9 million from UAE, $50.1 million from Vietnam and $28.0 million from Oman.

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Canada likely to side with India against US

Amiti Sen, Economic Times

May 25, 2012, New Delhi: India may get an ally in Canada in its fight against the US on imposition of penal import duties on certain steel products.

Canada, a major exporter of steel products, is keen on joining the talks between New Delhi and the US at the World Trade Organization on May 30. It has sought permission from the WTO to participate in the talks on countervailing duties on hot-rolled steel products exported by India.

If the talks fail, India may ask for establishment of a dispute settlement panel to settle the issue.

"Canada has a substantial trade interest in these consultations since the US is the largest market for Canadian hot-rolled carbon steel flat products. Accordingly, Canada requests to join these consultations," an official communication by Canada to the chairperson of the dispute settlement body earlier this month stated.

New Delhi dragged Washington to the WTO on the steel issue last month, after it failed to persuade the US to revoke penal duties imposed on hot-rolled steel products that are exported by Indian companies, such as Essar, Tata and Jindal. These duties are as high as 500% in some cases.

India has objected to the US treating the sale of iron ore by NMDC as a subsidy.

"We should not have a problem in allowing Canada to participate in our consultations. We may, in fact, benefit from the arguments that it brings in," a government official, who did not wish to be quoted, told ET.

As Canada itself has been at the receiving end of random imposition of countervailing and anti-dumping duties by the US, they would most certainly have interesting observations on US's conduct, believes Abhijit Das, head of the Center for WTO Studies, IIFT.

"Canada may want to air its views on how the US conducts its investigations which may be beneficial for India," Das said.

Canada has also been fighting against penal duties imposed by the US on a number of steel products, including wires exported by it at the NAFTA, or North American Free Trade Agreement.

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US must fall in line on cotton subsidy

Ritesh Kumar Singh/Prerna Sharma, Hindu Business Line

25 May, 2012: With WTO's Doha Round negotiations stalled till the new US President assumes office, all hopes of a reduction in US cotton subsidy rest on the upcoming revision of current farm support legislation that expires on September 30, 2012.

Though the issue has not received much media attention in India, it has long-term implications for India's cotton and manmade fibre producers already suffering from unsold stocks and slowing demand.

The US Senate Committee of Agriculture has cleared the new farm bill, called ‘Agriculture Reform, Food and Jobs Act 2012'. The bill seeks to eliminate direct and counter cyclical payments to the farm sector.

However, it proposes increase in support to crop insurance, extension, and horticulture which can become contentious. Although cotton would be one among the list of commodities that would see the largest subsidy cut, there are indications that a subsidy cut on cotton would not be sufficient to completely remove trade distortions.

Among countries that should be watching the US farm bill deliberations is Brazil, which is embroiled in a long-drawn battle over US cotton subsidy at the WTO.

Another Grouping that is closely watching the developments are Cotton-4 (a consortium of four cotton producing African countries Benin, Burkina Faso, Chad and Mali). They had already submitted a proposal to the WTO calling for a global agreement to end all production-related support for cotton in all WTO member nations, but have not met with much success. It would be pertinent to revisit the Brazil-US WTO cotton subsidy dispute.

DISPUTE WITH BRAZIL

The origin of the dispute can be traced back to September 2002 when Brazil first took the US to the WTO over latter's trade-distorting subsidies for cotton. Later, Argentina, Australia, Benin, Canada, Chad, China, Chinese Taipei, European Union, India, New Zealand, Pakistan, Paraguay, Venezuela, Japan and Thailand joined the dispute as third parties.

After losing at WTO, the US made some changes in its cotton programme. For example, it abolished payments to induce purchase of relatively high priced US upland cotton (‘Step 2'), export credit guarantee programme (‘GSM-103'), the fee cap on another export credit guarantee programme (‘GSM-102') and supplier credit guarantee programme (SCGP). However, the US introduced some new subsidy schemes in its 2008 Farm Bill, such as countercyclical payments and provisions for marketing loans. Unhappy with the US actions, Brazil asked for a WTO compliance panel, which found that the US has not fully complied with the WTO rulings.

Subsequently, on March 3, 2009, Brazil claimed the right to take retaliatory trade measures. Disagreement over the nature and extent of the retaliation led to both parties requesting for an arbitration panel. The panel permitted Brazil to use countermeasures with respect to trade in goods. It also allowed relaxation in Brazil's commitment under TRIPS and GATS. This forced the US to come to the negotiating table.
As a result, Brazil agreed to postpone the retaliatory actions till the revision of US farm legislation, in return for an annual payment of $147.3 million in technical assistance and capacity-building aid to the Brazilian Cotton Institute.

EFFECTS OF US SUBSIDY

Thus, Brazil has somewhat been compensated, but other cotton producing countries have been left in cold. Such countries too can challenge the US cotton subsidy, but that could be expensive and time-consuming.

As per a recent estimate by the Congressional Research Service (CRS) between 1994-2008, US cotton subsidy averaged $5 billion and accounted for roughly one-fourth of its total farm support. Though the US is the third-largest producer of cotton, next to China and India, it is the largest cotton exporter and accounts for 30-40 per cent of the world export of cotton, despite being a relatively inefficient producer. Of late, the US has been exporting an increasing share of its annual cotton production mainly because of the declining demand of domestic mills. Its exports of cotton as a share of total production have averaged 67 per cent since 2001, up from a 40 per cent average during the early 1990s. To be fair to the US, many other countries such as China or European Union also provide farm subsidies including that for cotton. India is no exception either; however, its subsidy is well within its WTO commitments.

High US subsidy on cotton keeps the international price of the cotton artificially low. This adversely affects the export competiveness of competing cotton-exporting countries, including India, which accounts for roughly 20 per cent of the world export of cotton, or Australia with 7 per cent, Brazil (6 per cent) and West Africa including C-4 countries (5 per cent). For C-4 countries cotton is the key export item. The low international price of cotton (on account of US subsidy) also depresses the demand for and price of other manmade fibres, in particular of viscose staple fibre which is blended with cotton to make yarn, fabric and garments.

When India is faced with a burgeoning trade deficit, every exportable item counts. However, continuing US subsidy on cotton, despite a series of adverse rulings by WTO, hurts India's exports of cotton as well as those of blending materials like viscose staple fibre, or in some cases, synthetic fibres. As if India's export curbs and policy flip flops are not enough, artificially suppressed price of cotton on account of US subsidy deprives the producers of cotton and manmade fibres from getting remunerative prices for their products.

Such market-distorting policies lead to sub-optimal allocation of resources and adversely affect the prospect of the cotton (and manmade fibres) sector that provides livelihood support to millions in India and other poor developing countries in Africa.

In the long run, it will also lead to less acreage being allocated to cotton farming that will jeopardise the steady supply of raw material to India's textile sector, and expose the sector to the fluctuations in international markets. It's time India engaged with US policymakers to get trade-distorting US cotton support substantially reduced or completely removed in this farm bill revision.

It should be noted that 80 per cent of the US cotton subsidy is appropriated by 10 per cent of the farms, hence there's not much justification for its continuance.

The US, being the staunchest proponent of free trade, needs to bring its farm support policy in compliance with its WTO commitments and strengthen the global trade regime.

(*Ritesh Kumar Singh is an international trade expert for a corporate house. Prerna Sharma is a research analyst — agri commodities. The views are personal.)*

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Cotton may see gloomy days ahead

Rajesh Bhayani & Komal Amit Gera, Business Standard

Mumbai/ Chandigarh, May 16, 2012: The cotton controversy does not seem over yet, despite the decision at the beginning of this month to re-allow its export. Cotton prices in the domestic and global markets have fallen six to seven per cent. Exporters say they're selling at a loss due to individual ceilings imposed in the notification. Prices have fallen globally as well, due to expectations of high (global) ending stocks.

The real problem for consumers would start three months down the line, by when stocks at home would have dried up and the new crop might be lower, going by the expectations of a 10 per cent fall in area sown. Which is likely to mean prices begin to move up. Even before the government allowed free export a fortnight earlier, the Cotton Advisory Board (CAB) had estimated a closing stock of 2.51 million bales (a bale is 170 kg) after considering 11.5 million bales already shipped out. The closing stock estimated was already the lowest in a decade. It was four million bales in each of the past two years.

Exports have since been freed but traders are not as enthusiastic, though they feel 1.5 million bales might still be exported in the next three months, before the season ends. Exports will be limited on two counts. Several restrictions have been imposed by the government and the US department of agriculture (USDA) has said the current year's global closing stock is expected to be higher by 12 million bales, at 77 million bales. The reason: China, the largest importer of cotton, is expected to have huge cotton reserves and is not likely to purchase substantial quantities this year. Traders say China's new import quota, to be announced in the near future, may be close to 1.2 million tonnes (seven million bales) this year.

Govt caps, stocks

Explaining procedural difficulties in exports under the new notification, Rakesh Rathi, president of the North India Cotton Association, said the guidelines issued by the directorate general of foreign trade say an existing exporter can send only up to 10,000 bales and a novice 1,500 bales under one Registration Certificate (RC). A second RC would be issued only on filing proof of executing at least half the quantity of export mentioned in the first RC. This, he said, has undermined the prospects. Exporters who had contracted would now have to seek a new letter of credit (LC) from importers, which they are finding difficult as they had not been able to meet past commitments due to a sudden export ban.

On the other hand, even if only 1-1.5 million bales are exported in the next three months, the closing stock will fall to a little over a million bales, going by CAB estimates. D K Nair, director-general, Confederation on Indian Textile Industry, says: "The cotton crop may be lower than even CAB had estimated, as arrivals of new cotton are not that high at present." CAB had in its April meeting estimated 34.7 million bales.

This may lead to a crisis for cotton textile mills and spinning mills when the season comes to an end, as they will not get cotton till the new season crop arrives. "By then, prices should start rising and the benefit of higher prices will not accrue to farmers, as they would have sold all the cotton they have and traders will reap the benefits," said Nair.

Jagdish Joshi, a veteran cotton industry analyst, however said, "The scene may not be that bad, as CAB's estimates seem very conservative and India's total crop for 2011-12 may turn out to be 36.5 to 37 million bales."

Interestingly, several exporters who'd stored cotton expecting free export have started selling even at a loss in the domestic market, given the 10,000-bale cap on shipment abroad. This has lead to a slide in prices at home, as mentioned over the past week, of seven to eight per cent. In the Mumbai market, the Shankar-6 variety was selling at Rs 33,000 per candy (356 kg). After the latest USDA projections regarding high global ending stock, prices in the US market have also come down by eight per cent, to 76.71 cents per pound.

Cotton prices in China are 10 per cent higher but they are not eager to give more orders to Indian exporters, as the latter have not met past commitments due to the sudden ban imposed by the government.

Noting the drop in global cotton prices, spinning mills in India are also buying less. Summarised a Mumbai-based exporter: "Ever since government intervention started in cotton, the entire value chain has gone into a mess. Neither farmers nor traders have been rewarded with the recent decision on lifting of the ban on exports."

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DGFT imposes restrictions on sugar exports

Business Standard

Mumbai May 16, 2012: Within three days of the ministry of food allowing “free” sugar exports under the open general licence, the Directorate General of Foreign Trade (DGFT) has imposed restrictions similar to the control it did for cotton earlier this month.

The DGFT, reversing the food ministry’s May 11 order, has not only made registration mandatory, but has also put a quantitative restriction of 10,000 tonnes by an individual exporter. The DGFT has also clarified that an exporter can be granted a registration certificate (RC) for a maximum 10,000 tonnes at a time. To obtain a second RC, the exporter would require to execute the export order and give to the DGFT all relevant details.

The May 14 circular has another factor that some find most embarrassing: penalty for an exporter who fails to execute an order within 30 days from the date of issuance of such certificate. According to the policy, the exporter would be liable to pay not less than Rs 10,000 and not more than five times the value of the goods, whichever is more.

The Indian Sugar Mills Association (Isma) said the latest DGFT order amounted to “complete reversal” of the logic behind the decision taken at a May 2 inter-ministerial meeting chaired by the prime minister, which freed export of quantitative and time restrictions — the need for release orders from the directorate of sugar was done away with. Instead of the release orders, the mills have to get registration and for a maximum of 10,000 tonnes.

“This is in total contradiction to the food ministry’s May 11 notification, which did not put in place any such quantity or time restrictions,” according to Isma director-general Abinash Verma. “Such a registration requirement and control, as ordered by the DGFT, will badly stall sugar export. There is almost no way now the mills would be able to clear cane arrears of a whopping Rs 10,000 crore.”

One shipload of sugar requires at least 25,000 tonnes, which is not the quantity that one exporter would usually get. The DGFT’s restriction proves unworkable, he claimed. “We, therefore, appeal for the immediate withdrawal of the DGFT notification and allow unrestricted sugar exports as per notification issued by the food ministry,” Verma added.

Union agriculture minister Sharad Pawar has decided to take up the matter and find a solution.

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Government mulls wheat export to sort out storage crisis

Rituraj Tiwari, Economic Times

May 18, 2012, NEW DELHI: Government may export 4-5 million tonne of wheat lying in Food Corporation of India (FCI) godowns in a bid to cope with the storage crisis, said a food ministry official. Commerce Minister Anand Sharma and Food Minister KV Thomas are scheduled to meet late on Thursday evening to discuss a mechanism that will make Indian wheat competitive in global market. The final decision will be taken by the cabinet.

A panel headed by PMEAC chairman C Rangarajan, which has been constituted to examine the possibilities of wheat exports, is also learnt to have recommended shipments of 4-5 million tonne wheat.

FCI has a shortage of space for storing 12 million tonne. The government will have procured 75 million tonne of grains by June while the total storage capacity is at 63 million tonne.

Indian wheat, which seems to have lost the race to cheaper Russian and Australian varieties in global market, is priced at around Rs 19,440 ($360) per tonne, which is Rs 5,400 ($100) dearer than the Russian grain.

"The two ministers are likely to discuss the amount of export incentives to be shelled out to exporters to place Indian wheat at a competitive position in global markets. The incentive, if at all is given, can be in the range of Rs 4 and Rs 5 a kg for private traders lifting government wheat and Rs 7-8 a kg for Food Corporation of India (FCI) as the economy cost of wheat is around Rs 20-21 a kg," said a food ministry official.

India was absent in the world wheat market for six years. After it lifted export restrictions in September last year, it has been able to export only 8.5 lakh tonne wheat.

"We need to incentivise the movement of grain, if we are serious about the storage issue. The wheat stock with FCI is close to 20 million tonne. By the end of this wheat procurement season, 33-34 million tonne would be added while the total storage capacity is at 63 million tonne. For moving wheat out, export incentives are a must," said a food ministry official.

State Trading Corporation (STC), a government-run trading company, recently invited bids from overseas wheat buyers to discover the market value of Indian wheat. Last week, food minister KV Thomas said India was exploring possibilities of exporting wheat from the central pool to countries such as Uganda, Afghanistan and Pakistan which need wheat.

Iran, which is on a wheat-buying spree, too may be a prospective buyer. The sanction-struck country had stopped importing Indian wheat since 1996 over complaints that a fungal disease had infested wheat crops.

"A delegation from Iran will come to India next week to explore the opportunity of restarting the wheat trade. The delegation will also examine whether the Indian wheat is still infested with the fungus," said another food ministry official.

However, there is uncertainty over the prospects of wheat export. "Wheat export can happen only when it's incentivized. Finance minister Pranab Mukherjee holds the key to exports. The FM has already turned down a food ministry proposal of making additional allocation of wheat to poor families citing the burgeoning food subsidy bill. Now will he be ready to feed other countries at the cost of the exchequer?" asked the official.

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India says ban on US poultry products lifted in September 2011

Amiti Sen, Economic Times

May 21, 2012, NEW DELHI: Reacting to the US government approaching the global trade body, WTO, against India imposing a ban on US agricultural products, including poultry meat and chicken eggs, the government clarified that it had already revoked the ban on imports from the US last September when it was declared free of avian influenza, a government official said.

"We already removed the ban on poultry and poultry products imports from the US in September last year as it was declared free of avian influenza. But we do carry out tests to ensure that the items that are imported meet international safety standards and we are ready to defend these at the WTO," a government official told ET.

The US' request on the matter will be taken up by the dispute settlement body of the WTO when it meets in Geneva on May 24.

New Delhi will try to defend its interpretation and application of provisions on restricting trade of poultry products and other farm goods as specified by the World Organisation for Animal Health or OIE (formerly the Office International des Epizooties) that has been challenged by the US and termed as too restrictive.

The US poultry industry, which has identified India as a big market for chicken eggs - a product that doesn't find much favour with the Americans - estimated that its exports could be as much as $300 million every year if restrictive standards are removed. Right now, US exports of processed poultry products to India are negligible as these can't meet India's 'conformity assessment' norms.

India had clarified to the US that import restrictions on poultry products were applicable only for countries reporting Notifiable Avian Influenza (NAI) which includes both low pathogens and high pathogens during its consultations in Geneva last month.

The US, however, differed with India regarding the applicability of provisions of OIE relating to restrictions on trade., and also expressed concern on the lack of sufficient scientific justification in India's risk assessment and consequential restrictions on trade in other products.

"The US' commercial interest in India is huge, no doubt. I think it is seeking much more than just a simple lifting of import ban. It wants the WTO to declare that the safety standards being followed by India are much more than what is laid down by the OIE, so that market access becomes easier," a WTO expert from a Delhi-based trade research organisation told ET.

India claims that its risk assessment procedure is purely scientific and is based on OIE standards, but the US contends that it goes much beyond what the OIE lays down.

"If the WTO dispute panel agrees with the US, India may have to revise its standards. But if India can prove that its standards are purely backed by science as it claims, then the US can't do anything about it," the expert added.

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Auto industry against inclusion in India-EU FTA

Pankaj Doval, The Times of India

16 May 2012, New Delhi: With the proposed India-EU free trade agreement (FTA) in its final leg, the domestic auto industry has raised alarm bells against including the sector in the trade agreement, saying it will kill investments and technology inflow and jeopardise the targets set under the government's muchtouted Automotive Mission Plan (AMP 2006-16), released by PM Manmohan Singh in January 2007.While the domestic industry lobby Society of Indian Automobile Manufacturers (Siam) argues against the FTA inclusion, a section of the global industry - mainly European auto companies - feel the opposition is protectionist and not in sync with current economic realities.

The divided house - where the domestic manufacturers oppose any duty reduction and European majors seek a cut - comes at a time when indications suggest that the government is looking to include the auto sector in the FTA, following which import duty on a specified number of cars may fall to 30% from the existing 60%. The government is looking at allowing cheaper import of a specified number of cars under tariff rate quota (TRQs).The concession, is expected to benefit not only luxury carmakers like Audi, BMW and Mercedes, but also mainline players like Volkswagen, Fiat, Skoda and Peugeot.

"The AMP targets were kept based on certain consistency in policy. If the auto industry is included in the India-EU FTA, the entire equilibrium will be haywire and India will not meet the AMP target," Sugato Sen, senior director at Siam, says, denying that domestic players were being protectionist in their demands.

Domestic industry fears that cheaper imports from Europe have the potential to hit them badly and may see a flight of manufacturing investments from India, hurting employment and technology flow. The AMP 2006-16 had envisaged an investment of $40 billion in the auto sector by 2016, while doubling its contribution to the GDP to over 10% and creating 25 million new jobs.Siam says that these targets will be impossible to meet in case the auto industry is included in the EU FTA.

However, the European companies differ."The auto sector should definitely be included in the India-EU FTA," says John Chacko, chief India representative for the Volkswagen group that sells brands like Audi, VW and Skoda. He said Indian manufacturing is "very competitive" and cannot be threatened even if imports from Europe become cheaper. "Manufacturing in Europe is very expensive and we do not stand any chance in the volume segments in India."

"It is a misnomer that the Indian industry will suffer if the duty is lowered. While we support the argument that duty should remain high where competitive volume products are there in the market, there is no argument to support any talk of maintaining higher duty for the luxury-end of the market," Debashish Mitra, director for sales & marketing at Mercedes-Benz India, had said in an earlier interaction.

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India emerges as world's top rice exporter

Sanjeeb Mukherjee, Business Standard

Removal of curbs on overseas shipments was followed by firms cutting prices and entering new markets

New Delhi, May 5, 2012: India, a leading exporter of rice before a slew of domestic curbs came in the way, returned with a bang in the global markets in 2011-12, toppling traditional leaders like Vietnam and Thailand to emerge as the biggest exporter.

However, sustaining this performance might be difficult. For, exporters have started raising prices. Last year, they had huge stocks because of a ban imposed on non-basmati rice since 2007. Even then, India will continue to be a big player in global rice markets, albeit not as big as it was in 2011-12, say those in the trade.

According to sector officials, aided by a much-awaited decision to open export of non-basmati rice in September 2011 (a ban was imposed in 2007 to ease domestic supply), India managed to export more rice in six-seven months than Vietnam and Thailand could do in all of 2011-12.

India's total rice export in 2011-12 is expected to be 6.5-7 million tonnes (mt), which is around seven per cent of the country's total production. Vietnam and Thailand, too, exported 6-6.5 mt. The United States Department of Agriculture pegged export from India at seven mt in the year.

Vietnam exported some 1.5 mt during October 2011 to January 2012, while India recorded 2.7 mt during the period. Between April 2011 and January 2012, India's rice exports were worth $3.78 billion, against $1.96 billion during the same period the year before.

Of the total rice exported by India, around 4.5 mt was non-basmati rice and 2.5 mt was basmati.

Pricing, markets

"Indian rice is priced less than Vietnam, which has propelled it to capture traditional markets like Africa," said Ashok Gulati, chairman of the Commission for Agriculture Costs and Prices.He said when India began exporting in September, Vietnamese rice was priced higher than that of India. As India started dropping its rates, Vietnam had to follow to stay in competition. Vijay Sethia, member of the All India Rice Exporters Association, said Indian rice was priced at $360-450 a tonne (FOB), while that of Vietnam was priced at $450-550 and Thailand at $575 a tonne. Pakistan sold at $480 a tonne.

Vietnam was the undisputed leader of the world rice market, exporting eight to 10 mt yearly. It had to undercut after India entered the market in September-October, offering prices almost $100-150 per tonne less than the Southeast Asian nation. Thailand was also priced out of contention as its output dropped because of floods and a high floor price that made its rice costly.

“Basmati rice export was not a problem, as it had its set buyers in West Asia and elsewhere, but it was non-basmati rice which changed the game in favour of India,” another major exporter said.

“Some credit should also be given to Indian exporters, who adopted modern techniques to process rice and scouted for newer markets,” said Prem Garg, managing director of Sri Lal Mahal group and a leading rice exporter. He said Africa, particularly Nigeria, was one such market which Indian exporters managed to capture because of the quality of rice and the price differential.

“Africa is largely a parboiled rice consuming region. We sold our parboiled rice at $400-500 per tonne, while Thailand could sell only at $580-650 per tonne,” Garg said, adding Indian rice was also of a much superior quality.

Momentum challenge

However, there already were signs in April of the pace slackening. “It will be a big challenge to maintain the pace of export in 2012-13, as Nigeria is not expected to purchase at the same level as in 2011-2012,” Garg said.

He said total rice exports (basmati and non-basmati) in 2012-13 could drop to around four to five mt, 29 per cent less than last year, as Indian exporters are slowly raising prices. “Most exporters till last year were liquidating stocks accumulated during the ban period, which allowed them to sell at lower rates. However, it is not the case this year, which could nullify the cost advantage that India enjoyed vis-à-vis Vietnam and Thailand,” Garg said.

However, with a bumper harvest in excess of 100 mt in 2011-12 and record stocks of a little over 34 mt in state-run warehouses, India will continue to remain a major player in the global market till at least June 2013, even if on a lower scale than 2011-12.

“We should focus more on exporting value-added rice like rice with just five per cent broken content, or else we will lose our advantage,” Sethia said.

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Government allows further export of cotton

Surojit Gupta, Times of India

April 30, 2012, NEW DELHI: Under pressure from the Congress party and some of its allies, the central government on Monday allowed fresh cotton exports. A panel of ministers will meet in three weeks to review the situation again.

The government had been under pressure from the Congress party, the Nationalist Congress Party (NCP) to ease the ban on cotton exports. The directorate general of foreign trade (DGFT) had banned exports on March 5, but it was forced to partially permit registered consignments.

The informal group of ministers met under the chairmanship of finance minister Pranab Mukherji on Monday to review the cotton export situation. The panel considered the estimates of the cotton advisory board and the third estimate of the ministry of agriculture.

"After a comprehensive review it was decided that suspension of new registrations for cotton exports be revoked and exports be permitted," a government statement said.

The Cotton Corporation of India has been asked to build a buffer stock of 10 lakh bales to meet any emergency during June, July and August.

"It is true that some other members of the parliament had given their views that some cotton was still available. So we have, therefore, lifted the suspension of fresh registrations for exports and accordingly, the DGFT will take the necessary steps," commerce, industry and textiles minister Anand Sharma told reporters.

He said efforts will be made to ensure that domestic industry needs are met. The textile sector directly or indirectly provides employment to 105 million people and the hand-loom sector also employs a large number of people. "Therefore, a balanced view had to be taken, the GOM will make a fresh assessment in three weeks, Sharma said.

The meeting was attended by agriculture minister Sharad Pawar, commerce, industry and textile minister, Anand Sharma and chairman of the Prime Minister's economic advisory council C Rangarajan.

Earlier, Pawar had slammed the curb on cotton exports and had shot off a letter to the prime minister saying "Indian cotton farmers should not be asked to bear the burden of subsidizing the textile mills."

The cotton advisory board has revised cotton production estimates at 3.47 crore bales from 3.45 crore bales for the current season that ends in September. Domestic consumption has been estimated at 2.5 crore bales from 2.6 crore bales. The agriculture ministry had also revised upwards the estimate for cotton output in the third advance estimates of crop production.

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New procedure by DGFT to speed up cotton exports

Business Standard

Mumbai May 9, 2012: To speed applications from interested cotton exporters, the Directorate General of Foreign Trade (DGFT), under the Ministry of Commerce, has modified the procedure for obtaining registration certifications (RCs).

As against the earlier procedure of personal visits to the respective departments dealing in RCs, DGFT has mandated sending of all documents and associated papers through an e-mail. The purpose is to keep queries, if any, ready by the time an exporter sends hard copy of the applications and other relevant papers.

According to the current practice, an exporter applies with all valid documents in physical form. After these papers are assessed by DGFT, queries are raised. An RC takes weeks and, sometimes, months to obtain. With the new format of application, the RC can be issued within a couple of days.

The procedure is required to be speeded, especially when DGFT issued revised guidelines early this month for cotton exporters. In fact, DGFT clarified through a notification on May 4, that an exporter would be issued a second RC only on filing proof for executing at least 50 per cent of the quantity of exports mentioned in the first RC.

Generally, from the date of RC an exporter requires at least a month to physically ship the quantity of exports. The 50 per cent mandatory shipment clause, therefore, requires executing export orders fast to obtain another RC for the next consignment.

Welcoming the move, M B Lal, an industry veteran, said, "With the revised procedure, only genuine traders would be able to execute export orders fast."

The price of the benchmark Shankar 6 variety remained stable at Rs 35,000 a candy (one candy = 356 kg) in the Ahmedabad spot market, despite exports being allowed by the government. So far, 16 million bales have been exported. By the end of this month, exporters expect this figure to move up to 20 million bales.

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India frees sugar exports, global prices fall

Mayank Bhardwaj and Ratnajyoti Dutta, Reuters

** Global prices could make exports unprofitable*
** Govt could reinstate limits if domestic supplies threatened*
** Committee to consider wider commodities export policy*

NEW DELHI, May 2:India has removed any limit on sugar export volumes for now, a government source said on Wednesday, adding pressure to global prices, but the world's second-biggest producer could reinstate restrictions later if domestic supplies are threatened.

Ministers met to try to sort out conflicting views on sugar and other agricultural exports from one of the world's biggest food producers.

Farm Minister Sharad Pawar, a powerful ally of the coalition government, had called for more sugar exports beyond the 3 million tonnes already approved for the year to September 30, while the food ministry had dithered on an allocation mechanism.

"Sugar exports have been freed, and there will not be any quantitative restriction, but we will stop it (exports) once it reaches a particular level," the government source told reporters on condition of anonymity.

The decision followed a series of policy flip-flops and delays to implementing overseas sales, which kept global markets on edge.

India took a similar line on wheat and rice exports late last year, removing restrictions on sales but tacitly eyeing a limit in case global demand threatened domestic supplies.

Raw sugar futures sank 1.77 percent to 20.58 cents a lb by 1628 GMT, close to a one-year low, pressured by the potential extra exports and by the start of the harvest in Brazil, the world's largest producer.

"The market does not need Indian export supplies, because the global market is in surplus," said James Kirkup, head of sugar brokerage at ABN AMRO Markets in London, adding that prices could fall enough to make it unprofitable for Indian mills to export.

The government remains anxious over supplies after having to import sugar following a severe drought in 2009, sending international prices spiralling upwards.

In the current year, production is expected to be 26 million tonnes and domestic demand around 22 million tonnes, the second year of a surplus.

"The decision has come due to adequate supplies in the domestic market as production exceeded demand in the last couple of seasons," said Harish Galipalli, head of commodities research at JRG Wealth Management.

"This a long awaited, positive step which will help the industry and farmers," said Narendra Murkumbi, managing director of Shree Renuka Sugars, the country's biggest sugar refiner which last week called for unrestricted exports.

Sugar mills, sitting on higher stocks than they need, owe 100 billion rupees ($1.9 billion) to farmers, Abinash Verma, director general of the Indian Sugar Mills Association, a producers' body, told Reuters on April 24.

The meeting of finance, food, farm and trade ministers with Prime Minister Manmohan Singh also agreed to set up a committee to agree on a long-term policy on grain exports. The issue has pitted Pawar, a champion of farmers, against the food ministry, which is concerned about domestic inflation.

Pawar has also clashed with Trade Minister Anand Sharma over cotton exports, but on Monday these too were freed.

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India to export 2.1 m tonnes of iron ore to Japanese, Korean steel cos

PTI

New Delhi, May 1: India, on Monday, said it would export 2.1 million tonnes (mt) of iron ore to steel mills of Japan and South Korea under a long-term agreement, which would be signed next month.

The iron ore, having 64 per cent Fe content, or high grade lumps, will be sourced from NMDC's Chhattisgarh mines and will be exported through MMTC. The Cabinet had approved the agreement last month.

"I have also conveyed to the (Japanese) Minister about our Cabinet approval for the renewable of the long-term agreement for the export of iron ore. An inter-Ministerial delegation will be reaching Japan within the next two weeks to formally sign the agreement," Commerce and industry Minister Anand Sharma said here at a joint press meet. Mr. Sharma and his Japanese counterpart Yukio Edano were talking to reporters after their bilateral discussions.

"...right now, the agreement, which will be signed, is for 2.1 million tonnes for this year," the Commerce Minister said.

The supplies will begin from July and the agreements will be signed for three years, NMDC Chairman N. K. Nanda said here.

"We will begin exports from July as the agreements will be signed by May. Prices will be decided on a quarterly basis," he said, adding that the export quantity would increase in the next fiscal.

The iron ore will be supplied to leading steel mills of Japan and Korea, including Posco, Kobe and Nippon Steel.

The supply of iron ore, although in smaller quantities, had been a core element of India's bilateral ties with Japan and South Korea and would further strengthen the relations, an official said.

MMTC's earlier contract to supply iron ore for five years to Japanese and Korean steel mills had expired on March 31, 2011, and since then it was pending as price negotiations had not taken place.

Due to expiry of the contract, NMDC had exported only 1.6 lakh tonnes in the last fiscal and that, too, to the Chinese firms on an ad-hoc basis, Mr. Nanda said.

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India likely to press for more access to Japanese pharma market

PTI

New Delhi, April 29: India is likely to press for further opening of pharmaceutical sector by Japan to help domestic industry take advantage of the comprehensive free trade agreement and increase its share in the Japanese market.

The issue is expected to figure in the meeting of Commerce and Industry Minister Anand Sharma and Japanese Minister of Economy, Trade and Industry Yukio Edano tomorrow, a commerce ministry official told PTI.

Both the sides would review the agreement, the official said.

"At present India's share is less than 1 per cent of total Japanese pharmaceutical market. India will urge the Japanese side to remove all non-tariff barriers so that real benefits envisaged under the comprehensive economic partnership agreement (CEPA) are materialised," the official said.

The CEPA between India and Japan came into effect from August 1 2011. Both the sides expects that it would boost bilateral trade to USD 25 billion by 2014.

Indian pharmaceutical industry was set to gain in a big way from the pact as Japan, the world's second largest market, had agreed to cut duties on imports of Indian generic drugs.

As per the pact, the Japanese government would accord no less favourable treatment to the applications of Indian companies than it accords to the like applications of its own persons for drug registration. This would greatly help Indian pharmaceutical companies.

An industry expert said that Indian companies are still facing non-tariff barriers in Japanese market.

With a view to reducing the overall cost of healthcare, Japan may be keen to expand the share of generic medicines, the official said, adding "the demand of generic medicines in the Japanese market and the capability of India to meet this demand will prove a win-win situation for both the countries".

Both the sides are also expected to emphasis on starting negotiations on nursing and health care professional service as soon as possible.

Besides, both the ministers would review the progress of Delhi- Mumbai Industrial Corridor (DMIC), India's USD 100 billion ambitious infrastructure project. Japan has expressed intention to invest USD 4.5 billion (about Rs 23,400 crore) in the project.

The two-way trade between the countries has increased to USD 18.31 billion in 2011-12 from USD 13.82 billion in 2010-11.India's exports to Japan mainly includes petroleum, gems and jewellery, transport equipment and machinery, while imports include iron and steel, electronic goods, chemicals and metals.

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Bayer challenges India cancer drug ruling

AFP

6 April: NEW DELHI — German pharmaceutical giant Bayer AG has challenged a ground-breaking Indian ruling that allowed a local firm to produce a vastly cheaper copy of its patented drug for kidney and liver cancer.

India's patents chief ruled in March the price Bayer charged for the drug, Nexavar, was "exorbitant" and ordered the firm to give a so-called "compulsory licence" to make the medicine to Indian company Natco Pharma.

"We will rigorously continue to defend our intellectual property rights which are a prerequisite for bringing innovative medicines to patients," Bayer spokesman Aloke Pradhan told AFP in an emailed statement on Saturday.

The patent controller's order "damages the international patent system and endangers pharmaceutical research", Pradhan said.

It was not immediately known when the appeal, filed with the country's Intellectual Property Appellate Board on Friday, would be heard.

Drug firms insist they need patent protection for medicines to recoup costs of long years of research and development.

Under the World Trade Organization's TRIPS Agreement, which governs trade and intellectual property rules, compulsory licences are a legally recognised means to overcome barriers in accessing affordable medicines.

The Indian ruling in March marked the first time a so-called "compulsory licence" for production of a patented drug had been granted in the country of 1.2 billion, known as a global generics drug powerhouse.
India has long been a key provider of cheap generic medicines to the developing world as it did not issue drug patents until 2005, when it was obliged to adhere to WTO intellectual property regulations.
But after a new patent law was introduced in 2005, newer medicines are increasingly being patented in India, keeping prices high.

Under the ruling, Natco will pay Bayer a six percent royalty on sales of the drug and sell the medicine for 8,800 rupees ($165) a month -- compared to the 280,000 rupees ($5,320) the company charges, which is more than 30 times as much.

Patent controller P.H. Kurian granted the right to Natco to produce the drug after concluding Bayer's pricing made it "out of reach" of most Indian patients.

Experts have said the Indian ruling could pave the way for a rush of other "compulsory licence" applications in India and in other poor nations, allowing access to patented life-saving drugs at a fraction of the cost.

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India drags US to WTO over 'wrongful' imposition of penal duties on steel exports

Amiti Sen, ET Bureau

April 13, 2012: India has dragged the US to the WTO over 'wrongful' imposition of penal duties on its steel exports that has affected a number of companies including Essar, Tata, Jindal and Sail. It has sought consultations with the US under the WTO's dispute settlement mechanism on Thursday on the countervailing duties (CVD) imposed on steel.

The move comes just a few weeks after the US sought similar consultations with India over the import ban imposed by the country on poultry and poultry product imports because of the bird flu scare. India also has plans of filing a formal complaint with the WTO over the professional visa fee hike carried out by the US. "We decided to knock the WTO door formally as our informal consultations with the US on the issue failed to yield results," a commerce department official told ET.

ET had reported in December 3 last year that India had sought informal consultations with the US to persuade it to remove the countervailing duties on steel before taking the final step of filing a dispute with the WTO.

The US has been imposing CVD, a levy to neutralise government subsidies, on steel for the last decade. Duties on Indian companies range from about 18% on Essar to over 500% for companies such as Tata and Jindal.

It has also imposed antidumping duties, a penal levy on imports that are sold at higher prices in the home market of the exporter, of over 20%. India wants to challenge the US Department of Commerce's assumption that the iron ore sourced by Indian steel makers from NMDC is supplied at subsidised rate because it is a public body. India has argued that this is a wrong assumption as NMDC always sells at the prevailing market prices which is determined by their exports to Japan and South Korea.

If the consultations fail, India will ask for the setting up of a dispute settlement panel which will hear the arguments made by both sides and give its judgement.

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Turkey may withdraw duty on imports of Indian cotton yarn

Press Trust of India

India requested for consultation with WTO to resolve the imposition of import duties

New Delhi, April 23, 2012: Turkey has expressed its willingness to withdraw safeguard duty on imports of Indian cotton yarn within a year, provided India refrains from pursuing legal proceedings at the WTO, sources said.

An indication to this effect was given by Turkey in a draft submitted to the Commerce Ministry.

"The consultations (on the issue) were held (in) March following which a draft of agreement has been received from Turkish side. It provides for lifting of the current safeguard measures within one year, starting with the entry into force the agreement/MoU provided India shall not seek a DSU (dispute settlement unit) panel investigation," said a source.

India had requested for consultations with Turkey under the dispute settlement system of the WTO to resolve the dispute over the imposition of special import duties on Indian cotton yarn. The request for consultations, filed on February 13, formally initiates a dispute in the WTO.

Commerce and Industry Minister Anand Sharma has also raised concerns on the issue during his meeting with Minister of State in charge of foreign trade of Turkey Zafer Caglayan on April 19 at the sidelines of G-20 Trade Ministers' meeting in Mexico.

The country has said that additional import duties imposed by Turkey "are very high and have affected exports of fabrics and garments from India. This sharp increase in duties could lead to high price rise and resistance from Turkish consumers," the source said.

The duty by Turkey, a major producer of cotton, was imposed in 2008 for a period of three years. When the term expired in July 2011, the country re-imposed the duty.

According to industry experts, the duty was increased to 15-20%. Indian cotton yarn producers have said that these markets are resorting to unnecessary restrictions.

Consultations give the parties an opportunity to discuss the matter and to find a solution without proceeding further with litigation.

After 60 days, if consultations fail to resolve the dispute, India may request adjudication by a panel.

Bilateral trade between India and Turkey in 2011 was $4.51 billion.

Further, India has also asked Turkey to consider issuing longer duration business visas to Indian professionals if recommended by the respective apex chambers of industry and commerce.

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Kerala seafood faces Chinese quality bait

Shenoy Karun, Times of India

April 13, 2012, KOCHI: A communication gap between the World Trade Organisation (WTO) and Indian authorities might force India's Rs 2,000-crore seafood exports to China to a complete halt. The Administration of Quality Supervision, Inspection and Quarantine (AQSIQ), a Chinese agency which regulates import and export of food products to that country, will implement quality standards from June 1 this year. For now, under new AQSIQ guidelines, only 27 countries have been shortlisted to export marine produce to China. India is not on the list, and Indian authorities blame it squarely on a communication gap between the WTO and India.

"In situations like these, China writes to the WTO, which in turn contacts the member states. WTO might have informed India, but the message didn't reach us," said S K Saxena, director of Delhi-based Export Inspection Council of India, the authorized body to enter into agreements with other nations. "If we were informed earlier, India would have been included in the list," he added. The agency is preparing the required certificates demanded by the Chinese authorities.

In fiscal 2011, Indian seafood exports to China touched 1.59 lakh tonnes, or 20% of the country's production, worth Rs 1,978 crore. Gujarat exported 71,224 tonnes worth Rs 642 crore to China, while Kerala exported 10,985 tonnes worth Rs 132 crore. A top official with Kochi-based Marine Products Export Development Authority (MPEDA) said the issue would be resolved by the end of May. However, exporters, on condition of anonymity, said he situation is grave.

The 27 countries which have received inspection and quarantine certificates from AQSIQ are Vietnam, Thailand, South Korea, Parkistan, Burma, Japan, Philippines, Turkey, France, Denmark, Russia, Norway, the Netherlands, Iceland, Greece, Spain, Ireland, Germany, USA, Canada, Uruguay, Brazil, Chile, Peru, Argentina, Australia and New Zealand.

"India did not take the initiative to meet the Chinese authorities. I suppose MPEDA and the Export Inspection Council (EIC) will visit China and find a solution to the issue," said Norbert Karikkassery, president of the Kerala chapter of Seafood Exporters Association of India (SEAI).

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Textile industry keen on FTA with Pakistan

Nayanima Basu & Sharleen D`Souza, Business Standard

Says both countries stand to benefit substantially however, issue yet to come up for formal talks

Mumbai, April 19, 2012: The country's textile industry is pushing the government to sign a free trade agreement (FTA), or something close to that, with Pakistan. Facing a challenging time in its traditional European market, it is hoping to make up for the loss of business with fresh trade options in that country.

An FTA with Pakistan is already a Prime Ministerial initiative. However, it faces issues and is yet to formally come up on the negotiation table. Both countries had agreed to establish a preferential trade agreement (PTA) during the first meeting between Commerce Secretary Rahul Khullar and his Pakistani counterpart, Zafar Mahmood, in Islamabad last year. Under a PTA, the negotiating countries reduce their tariffs on a particular number of products from the level they maintain with other countries. However, unlike an FTA, a PTA does not slash or eliminate duties from a large number of tariff lines.

The textile sector is looking forward to an FTA with Pakistan since it would help Indian industry to import superior quality cotton from Pakistan. A little over 90 per cent of India's cotton is genetically modified, popularly termed Bt cotton; this is medium staple. Finer quality is long staple and an FTA would enable India's yarn makers to import these from Pakistan. Also, export of articles, such as silk and embroidery garment, is expected to go up.

"The apparel sector will benefit for sure if the agreement is signed with Pakistan," said Rahul Mehta, president of the Clothing Manufacturers Association of India.

"FTA will be beneficial for both countries as there is good demand in Pakistan for Indian textiles," said A B Joshi, textile commissioner.

It is expected that Pakistan would phase out the 'negative list' of imports with India by this December, which would automatically trigger a Most Favoured Nation status for trade. However, officials in the ministry of commerce and industry have said Pakistan might not phase out the list totally but do so gradually. In the negative list, Pakistan has put some of the main items of India's interest, such as textiles, pharmaceuticals and automobile components.

However, the commitment from there is to have textiles as part of a liberalised trade regime. "It is a win-win situation for both countries, as the Pakistanis can sell their products easily to us and vice versa," said A Sakthivel, chairman of the Apparel Export Promotion Council. Establishing trust would help real business to grow between the countries, said an industry player.

In October last year, the government had opened duty-free imports from Bangladesh for 48 textile items, which had a negative impact on the Indian textile sector; Bangladesh is not dependent on India for any kind of textile import. it would be different in the case of India and Pakistan, with both standing to benefit from the textile trade.

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US, EU cry foul over India's ban on cotton exports

Amiti Sen, Economic Times

April 18, 2012, NEW DELHI: India's ban on cotton exports has been questioned by US, EU and Canada at the World Trade Organisation, but India has said that its actions fully complied with multilateral trade rules that allowed temporary restrictions on imports.

The countries also raised concerns about the methodology used by India to classify marginal farmers and calculate domestic support to agriculture in a recent meeting of the WTO's committee on agriculture in Geneva.

India had imposed a ban on cotton exports on March 5 fearing a shortage in the domestic market, but lifted it on March 12 for export contracts that had been registered before the ban.

"India clarified that the ban on exports was only for a short period and exports of about 2 million bales of cotton registered with the government before the ban have been subsequently allowed," a government official told ET.

Indian officials also pointed out that the country had not bent any rules by banning cotton exports as temporary prohibitions or restrictions on exports to prevent or relieve critical shortages was allowed by the WTO.

US officials noted India's view that the restriction was in line with WTO rules, but said they were still not happy with the ban as the measure had an impact on the predictability and transparency of the market.

US and EU are among a few of the developed countries that have been trying to garner support for a global resolution to ban food export restrictions and limit taxation on food exports. Developing countries including India, China and Brazil opposed the resolution.

On the issue of the methodology used for calculating domestic support and classifying marginal farmers and error in data presented by India, a commerce department official said the department would re-look at the notification and hold consultations with other ministries and departments concerned.

US observed that some of the figures in India's notification do not correspond to the figures on the website that India cited in its reply in September, like, for instance, the definition of "marginal'' land holdings.

Canada and US also asked India to clarify use of the term "marginal" and the basis for labelling of producers as low-income, resource-poor, marginal, small/semi-medium/medium landholders, etc, for a better understanding of who were the targets of India's development programmes and fertiliser subsidies.

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Commerce ministry proposes suspension of onion MEP

Rituraj Tiwari, Economic Times

26 April,NEW DELHI: The commerce ministry has proposed to suspend the minimum export price (MEP) of onion for two months to spur exports and help growers get better prices for their produce at domestic market also. The present MEP of onion is $125 per tonne.

"The proposal was to be discussed in the meeting of empowered group of ministers (egom) scheduled for Wednesday. But it has been postponed due to some important engagement of finance minister Pranab Mukherjee who chairs the meeting. Now it will be taken up when the egom meets next," a senior commerce ministry official said.

In last 8 months, India had slashed MEP several times from $475 per tonne in September last year to the current floor price of $125 per tonne in February this year to boost the export. India exports onion to countries like Gulf countries, Malaysia, Sri Lanka, Indonesia, Russia and other European countries. The exports have slowed down due to stiff competition from China and Pakistan. "The current MEP is not finding much favour from buyers at the global market. This year's bumper crop is also putting pressure on prices," the official added.

According to trade sources, India, the second-largest onion producer in the world after China, has exported around 1.5 million tonnes of onion in the fiscal 2011-12 while the onion production is estimated at 15.13 million tonnes in the 2011-12 crop years (July-June). Of the total production, 60% comes from the Rabi season.

"The produce is swamping the markets leading to sharp decline in prices. The production cost is more than the present market rate causing dissent among the onion growers," said Shivnath Shinde, an onion trader in Maharashtra, the largest onion producing state.

The modal price or the rate at which most trades takes place at the Lasalgaon market yard in Maharashtra is hovering around Rs 350 a quintal - down by Rs 60 a quintal over a week following huge Rabi arrivals. "The prices will further drop if demand doesn't pick up. The moderate demand in domestic as well as export market is a cause of worry for farmers," he said.

The Maharashtra government has also appealed to the central government to remove the minimum export price (MEP) mechanism for onions. The chief minister Prithviraj Chavan had met the prime minister Manmohan Singh and finance minister Pranab Mukherjee seeking removal of the MEP.

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Drug makers critical of EU non-tariff barrier

Joe C Mathew, Business Standard

New clause makes it compulsory for Indian drug regulator to check quality

New Delhi, April 15, 2012: Indian companies supplying drug raw materials (bulk drugs) to European countries have just discovered a 10-month-old directive of the European Union (EU), taking effect January 2013, which can create a new non-tariff-barrier for exports.

A clause says Indian drug regulatory authorities must certify the products exported by these companies maintain quality and follow the good manufacturing practices prescribed by EU drug regulators. Domestic drug makers say the Drugs Controller General of India is neither authorised under the law or conversant enough with the EU GMP Standards to issue such a certification.

The companies will have to produce such certificates even after their manufacturing facilities and products (meant for exports) get all regulatory clearances directly from the EU drug regulatory authorities.

The directive, promoted with the stated aim of protecting people from falsified medicines, is essentially a protectionist measure to save the EU bulk drug industry. In the absence of such certification, API (active pharmaceutical ingredient) manufacturers in India will not be able to export APIs to EU member-states.

Any consignment without such certification will be seized, says D G Shah, secretary general of the Indian Pharmaceutical Alliance, an association of leading domestic drug makers.

“We were not aware of this clause until some of the domestic drug exporters started getting letters from their importing partners in the EU, demanding such certifications. We have approached the government as the industry alone cannot resolve this issue,” Shah added.

Indian manufacturing facilities already hold the highest number of regulatory clearances from European authorities. The EU accounts for a little more than a quarter of India’s annual bulk drug exports, worth Rs 20,000 crore.

The directive (2011/62/EU) of the European Parliament (dated June 8, 2011) -- essentially meant to amend an existing code relating to medicinal products for human use, to prevent the entry of falsified medicinal products -- makes it compulsory that all bulk drugs reaching EU ports should be accompanied by a written quality confirmation from the competent authority of the exporting third country. So, the Indian drug regulator will now have to confirm that the products exported were produced in units maintaining GMP standards equivalent to those of the EU.

The directive also wants the Indian regulator to subject such manufacturing plants to regular and surprise inspections, to ensure effective GMP enforcement and report any findings relating to non-compliance.

At the moment, all exporting countries, including EU members and the US, have their own regulatory approval and inspection systems to ensure the quality of medicines that reach their supply chain. While non-compliance can result in penalties and even an export ban, the Indian drug regulator has never before been made responsible for the quality of such products.

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Iron ore exports decline 60% in Feb on high duties

Business Standard

12 April 2012, Mumbai: Miners' association urges cancellation of December increase in export duty; says development hitting long-term interests

Export shipments of iron ore declined 60 per cent in February on high duty levied by the government to discourage supply to steel mills abroad.

Data compiled by the Federation of Indian Mineral Industries (FIMI) showed the overall export fell to 4.22 million tonnes in February, compared to 10.58 mt in the corresponding period last year. The overall export in the first 11 months of 2011-12 recorded a decline of 36 per cent to 55.8 mt as compared to 87.3 mt in the same period last year.

The drastic decline in February's shipment showed the government succeeded in its aim of discouraging these to make more available for domestic use. On December 30 last year, the government had raised export duty from 20 per cent to 30 per cent. About 90 per cent of India's iron ore export goes to Chinese steel mills.

FIMI has renewed its demand for a rollback in export duty so that mining companies would be able to sell low-grade ore to steel mills abroad. In a recent letter to the Prime Minister and finance minister, FIMI argued, "Iron ore exports have become unviable and a loss-making proposition after the hike in export duty and sharp fall in international prices by more than $60 a tonne from its peak. With a logistics cost of 45 per cent of the net realisation (39 per cent railway freight and the other six per cent on movement from mines to sidings and demurrage), 10 per cent royalty on the price declared by the India Bureau of Mines (IBM) and 10 per cent port cost, margins have turned negative for the industry."

Exports are expected to be half of last year's, while there is no corresponding increase in domestic demand and lower production, so the respective state governments are getting less royalty. Moreover, there will be lower economic activity, said R K Sharma, secretary-general of FIMI.

He said fines were co-produced with lumps while mining ore, in a 70:30 ratio. So, for every production of a tonne of lumps, about 2.5 tonnes of fines are produced.

There is not enough demand for fines in the domestic market and, hence, these have to be exported. Around 90 per cent of iron ore exports are fines; lumps are eight per cent. If export of fines is not allowed, this may lead to closure of mines or lower production. This would mean the prices of lumps may rise in the domestic market, hampering the steel industry and inducing inflationary pressure. Hence, says Fimi, there's also a need for better utilisation of fines in the domestic market through pelletisation and ensuring that future steel plants are fines-oriented.

Data collated by the IBM showed that between 2005 and 2010, the Geological Survey of India discovered 2,300 mt of new iron ore reserves, estimated at only 997 mt five years before, adds FIMI.

Sharma also contends the extra levy has led India to lose its competitiveness in the international market, with the share of our exports 11 per cent of the total in 2011 from 20.4 per cnt in 2007.

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Sugar export to pick up as centre removes quota for individual mills

Jayashree Bhosale, ET Bureau

March 28, 2012,PUNE: The government has relaxed rules for sugar exports after red tape kept 70% of the quota locked within the country and put pressure on mill cash flows. Mills that had been trading old export licences to make a quick buck will find them virtually worthless after 10 lakh tonne was allowed to be shipped on first-come-first-serve basis.

Sugar stocks rose following a government decision to export the third tranche of 10 lakh tonne in 2012 and were trading 2-6% higher on the Bombay Stock Exchange. The government was till now allocating export quota to every mill based on its production during the previous three years. The EGoM on Monday decided to do away this system. Though there is no clarity on the alternative, the industry believes that unrestricted exports would be permitted.

Monday's decision to allow exports under the open general licence (OGL)-VI plan is expected benefit mills in Maharashtra, Karnataka, Tamil Nadu and Gujarat. "The decision of allowing unrestricted exports is positive for the mills which are actually exporting.Net realisation for exporting will improve now as exporters do not have to pay for licences. This will also help domestic market prices -- which is our main concern -- to go back to where they were in December 2011," said Narendra Murkumbi, managing director, Shree Renuka Sugars, the largest sugar refiner in the country.

Mills in coastal states are particularly happy about the decision. "It is good that the quota system has been done away with. This will benefit state like Maharashtra, Karnataka and Tamil Nadu which are sugar surplus.The landlocked sugar mills were getting higher export realisation in the quota regime as their domestic sugar price is higher. Doing away with quota will bring parity between the coastal mills and the landlocked mills," M Manickam, vice chairman and MD, Shakti Sugars.

With the government deciding to do away with the quota for individual mills, the industry expects faster shipments. "The quota system was introduced at a time when the difference between international prices and domestic prices was at Rs 6,000-8,000 per tonne to ensure equity among mills.But as there is a difference of about only Rs 1,000/tonne between the two now, there is no logic in continuing with the quota system," said the chairman of a private mill from Tamil Nadu. He added, "The quota system slowed physical exports considerably.Today, the main issue is that sugar should go out and keep domestic prices firm which are falling continuously."

Murkumbi said the decision of removing the quota will help in shipping the volume within the next 90 days.

From the OGL-V plan, release orders are yet to be issued for about six lakh tonne sugar and these are expected to be added to OGL-VI plan.

Indian Sugar Mills Association (ISMA), the sugar industry body, has called for allowing export of 10 lakh tonne more. In its official response, ISMA said: "The government can easily allow another 1 million tonne of sugar exports within the next 15 days looking at the comfortable stock position in the country.This will clear cane arrears which are threatening to cross Rs 10,000 crore by April. It will be a daunting task for mill owners to clear the arrears unless fresh cash flow is generated."

ISMA has said there is more demand for raw sugar in the international market. If permission is available by the end of March for further exports, mills could produce raw sugar before they shut their operations by mid-April.

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Ban on cotton exports to stay for a while: GoM

Business Standard Reporter

New Delhi April 10, 2012: A group of ministers on Monday decided to continue with the ban on cotton exports, even as the prohibition on outbound shipments had led to intense political pressure on the government.

“For the time being, there is no move to ease the export ban,” said a senior official who participated in the meeting on Monday.

Traders said this could also mean no more exports in the current crop marketing year, as supplies would start falling in the coming months. The cotton season runs from October to September.

Before the ban on fresh registrations was imposed, around 9.5 million bales of cotton had been shipped out of the country.

The official said fresh registrations for exports would continue to be suspended. The group of ministers, chaired by finance minister Pranab Mukherjee, comprises agriculture minister Sharad Pawar and commerce, industry and textiles minister Anand Sharma.

The government had banned exports of cotton on March 5, but relaxed it partially within a week, following political pressure, both from within the United Progressive Alliance, as well as Gujarat chief minister Narendra Modi. Following this, farmers had resorted to agitation in some parts of the country.

The government then allowed exports of those quantities which had already been registered with the Directorate General of Foreign Trade, subject to revalidation by authorities.

The meeting of the panel of ministries on Monday reviewed the demand-supply situation in cotton and also whether more exports could be allowed. The commerce ministry felt allowing fresh exports would harm the interests of domestic mills. The agriculture ministry, however, said more exports could be allowed, as domestic production, at 34.08 million bales, was four per cent more than last year’s.

Last week, as an interim measure, the textiles ministry had directed state-run Cotton Corporation of India (CCI) to build a 2.5-million bales cotton reserve this season to ensure the smooth supply of the raw-material to cash-starved textile mills.

To build the reserve, CCI would start procuring around a million bales at market rates from April. The purchase and the subsequent storage are expected to cost the government an additional subsidy of about Rs 4,000 crore.

Currently, cotton prices stand at about Rs 4,000 a quintal, higher than the government's minimum support price of Rs 3,100 a quintal. Output in the 2011-12 season is estimated at a record 34 million bales, with consumption at 21.6 million bales.

Meanwhile, cotton exporters whose registration certificates are being revalidated by the commerce ministry, allege a deliberate attempt to single out exporters with business operations abroad. Of the total 1.8 million bales of cotton sent for revalidation, just 500,000 bales had been cleared till Wednesday.

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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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Higher import duty to affect auto exports to Sri Lanka

Shally Seth Mohile, Livemint

April 4, 2012:Indian auto makers exporting to Sri Lanka will pass on the burden of an import duty hike to consumers, hitting demand, analysts said.

In a bid to contain the rising fiscal deficit, the local government sharply increased the import duty on automobiles with effect from 1 April. The import duty on cars has gone up from 120-291% to 200-350%; on three-wheelers, it has gone up from 51-61% to 100%, and on two-wheelers, from 61% to 100%.

Duty on buses, trucks and tractors remains unchanged.

Sri Lanka is an important export destination for several Indian auto makers, including Bajaj Auto Ltd and Maruti Suzuki India Ltd.

Executives at the auto firms conceded sales would get affected at least in the medium term as the market is price sensitive.

Bajaj Auto, India's largest exporter of motorcycles and three-wheelers, draws 20% of its total exports from Sri Lanka. In the fiscal year ending March 2012, the Pune-based firm exported 10,7691 units, an expansion of 54% over last year.

Rakesh Sharma, president, international business, at the firm, said, "The increase is so significant that we have no choice but to pass it on (to consumers)." The hike, according to Sharma, is likely to deter consumers from buying new vehicles at least for the time being.

With Sri Lanka's economy improving and showing a fundamental upward trend, buyers will come to terms with the price hike over a period of time, he said.

With Bajaj Auto having a relatively high exposure to the Sri Lankan market, it will feel the maximum impact among Indian auto makers, wrote Joseph George, analyst at brokerage IIFL Ltd in a 2 April research report.

While Bajaj Auto's three-wheelers have 80% of the Sri Lankan market, its two-wheelers account for half, he said. "Sri Lanka accounts for 35-40% of Bajaj's three-wheeler and 10% of two-wheeler exports. This is equivalent to about 7% of Bajaj's total revenue and an estimated 9% of earnings before interest, tax and depreciation," the IIFL report said.

The firm estimates that the import duty hike led to a 20-30% increase in the price of vehicles. Car market leader Maruti Suzuki's 5% of exports sales comes from Sri Lanka. Mayank Pareek, managing executive officer, marketing and sales at Maruti Suzuki, said: "It's quite a significant market for us and bound to have an adverse impact on sales as Sri Lanka is a price-sensitive market." The company is awaiting clarity on duty on second-hand vehicles in the market. Currently, duty on pre-owned cars in Sri Lanka is higher than new vehicles. If there is no change, it will give a boost to the second-hand car market in the region, which accounts for 80-85% of total car sales, said Pareek.

Although Sri Lanka is a big market for TVS Motor Co. Ltd and Hero MotoCorp Ltd, overall exports are not as big a revenue generator for these companies as they are for Bajaj Auto, said IIFL's George. *Mint* wasn't able to reach these two firms for comment.

Among other measures including a half percentage point hike in the policy rate, imposing credit growth targets for banks and substantial price hikes on petroleum products, the higher import duty on vehicles has been viewed favourably by the International Monetary Fund, which recently disbursed the last tranche of $427 million of the $ 2.1 billion it had committed to the country, wrote analysts Anushka Shah and Rohini Malkani in a 3 April report by Citi Investment Research and Analysis.

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Import food items regularly to check prices: Survey

Press Trust of India

New Delhi Mar 15, 2012: To tackle supply constrains that push up food prices, the Economic Survey today suggested that the government should consider import of farm items in small quantities on a regular basis.

"Given the compositional shift in the food basket of a common household and its impact on consumption demand, improved supply response is critical for ensuring price stability in food items," the Economic Survey 2011-12 said.

"As a strategy, regular imports of agricultural commodities in relatively smaller quantities with an upper ceiling on total quantity could be considered," it said. The upper ceiling on imports can be decided annually, relatively well in advance, it added.

The Survey pointed out that there have been increases in the prices of protein rich food items because supply has not kept pace with demand. It said the country needs to step up efforts to increase production of milk and other dairy products, egg, poultry, fish and meat.

The Survey also outlined other options to improve food supply including setting up special market for specific crops, improving mandi governance and promoting inter-state trade by eliminating multiple levies.

It also suggested that the government take perishables out of the ambit of the Agricultural Produce Markets Committees (APMC) Act.

"The recent episodes of inflation in vegetables and fruits have exposed flaws in our supply chains. The government regulated mandis sometimes prevent retailers from integrating their enterprises with those of farmers. In view of this, perishables have to be exempted from this regulation," the Survey observed.

It also advocated that organised trade in agriculture should be encouraged and hoped that foreign direct investment (FDI) in multi-brand retail, once implemented, could help in improving agriculture commodities management in the country.

The Survey asked the government to step up creation of modern storage facilities for foodgrains.

India's agricultural imports were $17.5 billion, with a 1.2% share of world trade in agriculture in 2010, according to WTO data.

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Customs duty reduction no big deal, says mining industry

Business Standard

Mar 17, 2012: To encourage value addition (conversion of low-grade iron ore into pellets) and augment overall ore supplies, the finance minister announced reduction of basic customs duty from 7.5 per cent to 2.5 per cent on imported plant and machinery for setting up of pellet plants and ore beneficiation ones.

This should benefit companies engaged in export of low-grade ore from Goa and Karnataka. A majority of the 55 million tonnes of iron ore exported by Goa last year was low-grade (below 55-56 per cent ferrous content). About 25 per cent of Karnataka's ore exports are of low-grade. The government charges 30 per cent duty on ore exports.

However, the industry feels the duty reduction would not make much difference. For example, a company setting up a four-mt per annum capacity pellet plant requires an investment of Rs 1,200 crore, which includes an import content of Rs 100-150 crore. With a customs duty of 2.5 per cent for machinery, the units will not save much more than Rs 5 crore, said Vinod Nowal, director and chief executive officer, JSW Steel.

Agreeing with him, R K Sharma, secretary general, Federation of Indian Mineral Industries, said: "More than importing machinery, the big cost for companies is towards water and power. More, there are no new mining leases being allotted in various states." He said the sector had wanted news on reduction of the export duty from 30 per cent, but was disappointed to find the minister hadn't touched the subject.

Presently, India has a capacity of 18 mt of pellets annually, of which 2.5 mt are exported. Sharma said there was a huge difference between the price of pellets and iron ore. "It would not make economic sense for many steel mills to use pellets rather than ore directly. Hence, not many are interested enough to invest in one," he said.

Further, the impact of a reduction in customs duty on coating material for manufacture of electric steel from 7.5 per cent to five per cent is negligible. Total electrical steel capacity in India is just 374,000 tonnes.

However, enhancing the export duty on chromium ore from Rs 3,000 per tonne to 30 per cent ad valorem is likely to make exports unfavourable, making the ore available for Indian steel makers.

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Some respite for steel makers

Business Standard

STEEL: Tariff up, imports costlier, enabling firms here to raise prices

Mar 17, 2012: The finance minister has proposed to increase the customs duty on flat steel import to 7.5 per cent from the present five per cent. Nittin Johari, director (finance), Bhushan Steel, said, “This will help local companies sell more, as imports will get expensive. Also, local steel makers may look to increase the price by one to two per cent, or Rs 500-1,000 per tonne.” Ravindra Deshpande, equity analyst, Elara Capital India, said, “This is good news for Indian steel companies. They have been asking this for some time.”

The current financial year has been a difficult one for makers at home, battling slowing demand amid a high input cost regime. Deshpande said, “Demand growth this year has been excessively below expectations. Companies will (now) try to raise prices by at least Rs 1,000 per tonne.”

With the demand slowdown, prices could not be increased to address the higher input costs.
Steel demand in India was expected to grow at eight to 10 per cent this year. However, at the end of the April-February period, it had risen by only 5.2 per cent. And, imports in these 11 months have gone up by 3.4 per cent, to 6.23 million tonnes, much to the vexation of domestic steel companies, who saw this as a lost opportunity for them. They now hope the increase in customs duty would help bring down imports.

Despite the slowing witnessed in home steel demand, the government’s Economic Survey for the year, tabled on Thursday, was fairly satisfied with the sector's performance and termed it ‘optimistic’. The Survey blamed inflationary pressures, interest rate rises and the depressed global economic scenario for the lower growth in steel demand here.

India consumed 70 million tonnes of steel in 2010-11. The number, assuming a 10 per cent growth rate, should have reached 77 million tonnes at the end of the current financial year. However, the apparent consumption in April-February was about 66 million tonnes and is expected to be no more than 71-72 million tonnes for the full year.

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Special treatment to telecom equipment companies violation of WTO rules: Commerce Ministry

Joji Thomas Philip, ET Bureau

Mar 20, 2012: The commerce ministry has warned that India's plans to give preferential access and tax cuts to indigenously manufactured telecoms equipment, and also mandate that mobile phone companies buy a bulk of the networks hardware from domestic companies, violates multilateral agreements and international commitments made by the country.

It has said that plans to give preferential market access to domestically manufactured products was against the provisions of the Trade Related Investment Measures (TRIMs) agreement under the World Trade Organization trade treaty, of which India was a signatory. The commerce ministry has further said that providing subsidies to use domestically manufactured equipment was against the principles of the Agreement of Subsidies and Countervailing Measures (ASCM).

Trade Related Investment Measures, the rules that restrict preference of domestic firms and thereby enable international firms to operate more easily within foreign markets, is amongst the four principal legal agreements of the World Trade Organization trade treaty. Subsidies are also not prohibited under WTO unless there is evidence of injury or damage to the importing country. The Agreement on Subsidies and Countervailing Measures is aimed at preventing countries from giving their firms an unfair competitive advantage through trade distorting subsidies.

The telecoms department (DoT) has already approved sector regulator's recommendations that mobile phone companies be mandated to source 80% of their network equipment and other related infrastructure from domestic manufacturers by 2020. But this also includes network and other hardware produced by the manufacturing units of foreign vendors located in India. Trai had also recommended that companies owned by Indians and located here get 65% of all telecom network orders by 2020. Put simply, the regulator had sought that manufacturing arms of international vendors such as Ericsson, Alcatel-Lucent, Nokia Siemens, Huawei and ZTE mongst others to account for only 15% of all equipment orders by 2020. These new rules, aimed at making the country a mobile equipment manufacturing hub, will be part of the new telecoms policy that is set to be unveiled in April. The DoT has also agreed to Trai's proposal that the new rules be implemented in phased manner. For instance, by 2015, mobile phone companies be mandated to source 45% of all telecoms equipment domestically, and Indian companies must account for 25% of this.

"To suggest that domestically manufacturing 35% or even 80% of the telecoms equipment, security concerns like protection from malwares , denial of service software can be achieved, is an argument that may be difficult to sustain. Clearly, the purpose of Trai's recommendations, stands out as promoting domestic manufacture and not security," the commerce ministry communication (dated March 12) to telecoms secretary R Chandrasekhar added.

The commerce ministry has also suggested that the telecoms department refer this issue back to Trai, 'pointing out the potential violation of international commitments if these proposals were converted into law'.

The proposed new rules also states that mobile phone companies that fail to secure network related hardware domestically will be subject to financial penalties equivalent to certain percent of their imports.

Domestic telecom equipment makers are also slated to get loans for five-year period on subsidized terms in addition to a 10-year income tax holiday and concessions on excise duty and VAT. The government also plans to set up a Rs 10,000crore telecom R&D fund and a Rs 3,000crore mobile equipment manufacturing fund to support local hardware manufacturers.

The European Union, Japan and US has already raised concerns on the proposed policy and has objected to clauses that mandate sourcing from Indian-owned companies. ET had recently reported that US Assistant Trade Representative (south & central Asia) Michael J Delaney in a communication to the telecoms department had said that it was not pragmatic to create the entire supply chain of telecom gear in India, given the globalised nature of the industry.

"With the growing scale of a globally distributed and complex supply chain with interconnected sets of organisations, people, processes, services, products and components, it is not practical to assume the eventual establishment of an entire supply chain of ICT products in India," the US trade envoy wrote in an internal note to the department's security wing chief Ram Narain.

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Govt partially withdraws cotton export ban

BS Reporter

Allows outbound shipment of only those consignments that have already been registered

New Delhi Mar 13, 2012: Maintaining that ballooning cotton exports were used for stockpiling abroad, the commerce ministry today gave a partial relief to exporters by allowing outbound shipment of only those consignments that were already registered, and, only after revalidation of certificates.

No fresh registration certificates (RCs) would be issued till further orders, a much-awaited notification by the Directorate General of Foreign Trade (DGFT) said. But, the decision would be reviewed by a Group of Ministers, comprising of Finance Minister Pranab Mukherjee, Agriculture Minister Sharad Pawar and Minister for Commerce, Industry and Textiles Anand Sharma, within the next two weeks.

Sharma met MPs from Maharashtra, Gujarat and Andhra Pradesh to apprise them of the decision.

Of the total registration of 13 million bales (one bale weighs 170 kg) before the ban, 3.5 million bales are yet to be shipped. These will be revalidated, commerce secretary Rahul Khullar told reporters here.

“No new RCs will be issued until the exercise (of revalidation) gets completed, which means till we sort out what is going to be done with those 3.5 million bales,” he added.
Exporters fear that in the name of revalidation of certificates, scrutiny could be done about trade to sister-concerns abroad by companies operating in India.

India is the world’s second-largest cotton producer and its biggest customer is China.

“There was clear information that more than 85 per cent of actual shipments are going to China and there was also evidence of stockpiling abroad. On the back of this, the ban was imposed,” Khullar said.

Khullar said exports had already hit record levels of 9.5 million bales in just two weeks.

“There was madness to export, which could be seen from the fact that the RCs for export of 7.2 million bales were issued in January and February alone,” he added.

“Scrutiny and revalidation is to make sure there is no fictitious transaction,” he said. The parameters to check the veracity of RCs would be decided by the commerce and textile ministries.

Early last week, the textile ministry had said the ban was imposed after taking into account the trend of domestic consumption and depletion of domestic availability.

The commerce ministry had banned cotton exports suddenly on March 5 and announced lifting of the restriction yesterday after severe criticism from Pawar, who opposed the move and requested Prime

Minister Manmohan Singh to revoke the ban. A statement issued by the commerce ministry said the first priority would be given to those consignments handed over to the Customs department.

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Natco gets India’s first compulsory licence

C.H. Unnikrishnan , Livemint

Mar 13, 2012,Mumbai: In a landmark decision, India’s intellectual property office on Monday allowed Hyderabad-based Natco Pharma Ltd to make and sell a copycat version of German drug maker Bayer AG’s patented cancer treatment Nexavar. It’s the first time that an Indian company has been granted the so-called compulsory licence to market a generic version of a patented drug.

The drug, patented by Bayer in India in 2008, is used in the treatment of liver and kidney cancer, and costs Rs. 2.8 lakh for a month’s dosage. After Bayer rejected Natco’s request for a commercial licence to manufacture Nexavar, the Indian company in September applied for a compulsory licence to make a copy of the drug, claiming the patent holder had failed to meet the needs of the local market.

A compulsory licence allows a generic drug producer to make and sell its version of a patented drug without the consent of the patent holder.

According to the World Health Organization, India has an estimated 29,000 patients with liver and kidney cancer.

In a 62-page order, the Controller General of Patents, which completed hearing both companies in February, said a compulsory licence under Section 84 of the Patents Act has been granted to Natco to make the drug.

The patent office stipulated that Natco price the drug at Rs. 8,880 for a pack of 120 tablets (a month’s dosage) and pay 6% of net sales as royalty to Bayer.

“We will stick to the terms on pricing and drug accessibility to patients,” said a spokesperson for Natco. The company’s stock gained 6.17% on BSE to close at Rs. 314.95 on Monday; the benchmark Sensex rose 0.48%.

Section 84 lays down that three years after the grant of a patent, any entity may apply to the patents office for a licence to sell a generic version of the drug on grounds that the patented version has not worked in India, that the requirements of the public haven’t been met or that it isn’t available to users at a reasonable price.

The order is globally significant because India hadn’t previously invoked the compulsory licensing provision although several developing countries, including Brazil and Thailand, have used the provision to increase citizens’ access to expensive, life-saving drugs.

“The order will have a global impact as developing as well as developed countries were eagerly following this case to see how the world’s largest democratic country uses these patent laws,” said Gopakumar Nair, a patent expert and intellectual property consultant. “The order paves the path for using the flexibilities provided by trade-related intellectual property rights against the abuse of patent rights.”

Bayer is currently fighting a patent infringement case with another local drug maker, Cipla Ltd, on the drug, and is awaiting a verdict in the case from the Delhi high court.

The order by the patents office said Natco was being permitted to produce a generic version of Nexavar because it had established that the drug wasn’t affordable in the local market. The patentee continued importing the drug, but was able to provide it to only a small fraction of patients.

“We are disappointed by the decision of the patent controller in India to grant a compulsory licence for Nexavar,” Bayer India’s spokesperson Alok Pradhan said in an email response. “We will evaluate our options to further defend our intellectual property rights in India.”

The foreign drug makers’ lobby, the Organisation of Pharmaceutical Producers of India, echoed its disappointment.

“Today’s announcement to issue a compulsory licence is disappointing, as such measures cannot be the permanent solution of improving access to innovative medicines in India, while creating an appropriate ecosystem to foster innovation in the country,” said Tapan Ray, director general of the group.

Mint had in February reported that Bayer, during hearings on the matter, had been asked to justify the high price of the drug. Natco claimed in its application that the patentee could supply Nexavar only to a fraction of the patient population in the local market because the majority couldn’t afford it.

Bayer argued that it will be difficult for the company to reduce the price because it had incurred a substantial cost in developing the drug, while saying that it supplied the drug at a discount to the needy through its patient access programme.

The patents office’s order showed that the company had failed to furnish data specific to the drug to establish its claims.

“During the hearing, the patentee submitted that the cost of making the invention and developing a new medical entity like the drug in the case works out to be about €1.8 billion (around Rs. 11,775 crore today),” controller general P.H. Kurian said in the order.

“However, the figure arrived was for the cost of R&D (research and development) for five years preceding 2010... In the absence of any definite figure on the cost of developing the drug and making it available to the market, including the patenting, etc.... I am unable to arrive at the actual cost...," the order said.

Natco's lawyer Rajeshwari H. had in the hearing stated that since Nexavar (generically known as sorafenib) was developed as an orphan drug, which typically receives grants from governments and other agencies as such a product is meant for meeting the needs of a tiny patient segment that is otherwise ignored by commercial entities, the cost may not have been substantial.

The US Food and Drug Administration has on its website identified sorafenib as an orphan drug. "This decision heralds the start of a new era in the history of pharmaceutical patents and public health," said Shamnad Basheer, a professor of intellectual property law at the National University of Juridical Sciences, Kolkata. "It will effectively spur other generic manufacturers to apply for compulsory licences and we'll soon see the start of a phase where prices of patented pharma drugs drop significantly, at least in developed countries, where the threat of a compulsory licence looms large."

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European Union whines despite India agreeing to halve import duty on its wines

Amiti Sen,ET Bureau

22 Mar, 2012,NEW DELHI: India has proposed to halve import duties on wines and spirits bought from the European Union under the bilateral free trade agreement being negotiated between the two, but the 27-country union is demanding steeper cuts.

Last month, EU officials argued liquor imported from the region would become affordable for Indian customers only if there are 'meaningful' cuts in duties.

"They said that state taxes on liquor were extremely high in some cases which raised the incidence of duty on foreign liquor to very high levels. Customs duty on liquor, therefore, needed to be reduced substantially," an official familiar with the talks said.

India imposes 150% customs duty on wines and spirits, which it has now proposed to cut to about 75% for the EU countries.

New Delhi has also offered to reduce duties further to about 40% on some categories of alcohol over the next four years after implementation of the FTA.

The EU has demanded an immediate reduction in import duties to about 30% so that there is a substantial dent in the total incidence of taxes, an official said.

EU trade commissioner Karel De Gucht had last month expressed his unhappiness with India's offers. Due to high taxes imposed by states, incidence of taxes on foreign liquor was as high as 200%-790% of the sale price, depending on the type of liquor and its price and also the state in which it is being sold, an EU report had noted.

India's import of alcoholic beverages went up 55% in the first three quarters of the fiscal to 593 crore, compared to 382 crore in the same period last year, according to figures compiled by the commerce department.

Given these imports, India is reluctant to make steeper cuts as its domestic industry is still in its nascent stage and slashing tariffs is a politically sensitive issue.

"We have insulated the liquor sector from all free trade agreements we have signed so far. Although we are ready to cut duties on both wines and spirits for the EU, it cannot expect us to be insensitive to the demands of our industry," the official said.

These offers are, of course, linked to EU's readiness to open markets for items such as textiles and fisheries and substantially liberalise its services sector. Both sides hope to implement the FTA in goods, services and investments, later this year.

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Leather export prospects for 2012 are bleak

Pooja Sarkar, Business Standard

Economic uncertainty in Europe and a decline in new contracts spell trouble

Kolkata, Feb 28, 2012: Indian leather exporters, who sell to global brand names such as Wal-Mart, Calvin Klein, Esprit and French Connection, anticipate difficult times ahead as the signing of new contracts is nose-diving and economic uncertainty continues to grip the European Union.
Leather exports saw healthy growth in 2011, but exporters expect the crisis of 2012 to be worse than the downturn of 2008.

Paresh Rajda, regional chairman, Eastern Region, for Council of Leather Exports (CLE), a Central government body, said that this was because four years ago, it was the United States that was hit; this time round, it is the EU – which accounted for 65.48 per cent of Indian leather exports in 2010-11 – that is in crisis.

Leather exports amounted to $3.84 billion in 2010-11, which puts it in the category of top ten foreign exchange earners for the country.

Rajda added: “Some exporters have already started losing money and will find it difficult to continue running their factories, as some overseas companies are going bankrupt and payments are getting stuck.”

Sanjay Barmecha, who exports leather bags and wallets to France, Belgium and other EU countries, said, “Sales will come down by at least 25 per cent compared to last year. Our production costs have increased significantly and margins have dropped, as it is difficult to find buyers at revised prices. Revenue figures may be higher, but sales volumes have dropped.”
Officially notified DGCI & S export data put leather and leather products exports in the first seven months of the current fiscal year (April-October 2011) at $2,741.48 million, a growth of 27.33 per cent over $2,152.98 million in the corresponding period of last year.

Ali Ahmed Khan, executive director of CLE, said, “Though the current growth trends are impressive, there is some apprehension about future export prospects due to the continuing economic slowdown in the European Union.”

Rajda added, “90 per cent of buyers have stopped giving big orders — they don’t want to stock products anymore.” Nor have exporters been able to find alternative markets.

He said, “Latin American countries like Brazil, Argentina and Chile were showing some promise, but due to pressure on their currencies there is a slowdown in that region too. And the Russian and Scandinavian regions are very closed and difficult to crack.”

Adding to the woes is the increase in global leather prices, and in raw material, freight and labour costs, which have dented exporters' margins. Cost of production has gone up by 50 per cent.

Exporters said gross margins have crashed from 40 per cent to less than 25 per cent in the ladies handbag segment, from 25 per cent to 12-15 in the wallets segment, and from 10-12 per cent to seven to eight per cent in the industrial hand gloves segment.

Khan said, "Though the leather industry faces tremendous cost pressures for end products due to factors like increased cost of raw materials, freight and labour costs, exporters maintain competitive rates, as buyers are demanding a 15-20 per cent reduction in prices, citing the market crisis."

Barmecha added, "Labour costs have increased by 50-60 per cent in recent times and raw materials prices by 25-40 per cent, and for exporters who are sending cargoes by air the hit is higher."

A senior official of Indian Leather Products Association said, "A lot of exporters are now taking orders with minimal margins or no margins at all, and if there is an increase in production costs they will not be able to include it in the contract. Many just want to keep their factories running, and are operating at 40-50 per cent capacity."

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Govt says will review cotton export ban

Sanjay Jog & Sanjeeb Mukherjee, Business Standard

Mumbai/ New Delhi Mar 07, 2012: Amid severe opposition, the government on Tuesday called a Group of Ministers' (GoM) meeting on Friday to review the decision to ban cotton export barely a day after it was effected. "The GoM will take into account all the views on this ban and take an appropriate decision," textiles secretary Kiran Dhingra said.

Dhingra said the textiles ministry was of the view that given the sudden surge in export registrations, the ban was necessary or else the country would not have enough cotton to run its mills till October. Earlier, farmers in parts of Maharashtra and Andhra Pradesh were reported to have resorted to distress sale of cotton on Tuesday. Union Agriculture Minister Sharad Pawar said the decision was wrong, taken without asking him and must be revoked.

In some places, farmers were said to have sold at Rs 2,500-3,000 a quintal, far below the government's minimum support price of Rs 3,300 a qtl for the long-staple variety. Against this backdrop, the Cotton Corporation of India (CCI) started direct procurement in Andhra Pradesh and issued instructions to officials to do it in Maharashtra if the prices of average quality cotton slipped below the MSP. Nearly 1,000 ginning mills in Gujarat would observe a two-day bandh from Wednesday in protest against the ban, news agency PTI reported.

Pawar said he took serious objection to the ban decision and had written to the Prime Minister. Pawar, head of the the Nationalist Congress Party, part of the ruling coalition, told Business Standard, "I was not consulted by the commerce ministry. I was kept in the dark on the issue. I came to know about this only after a notification was issued by DGFT (the directoate-general of foreign trade) yesterday. Such a decision, which would impact lakhs of farmers, should have been taken after proper consultations, either in the Cabinet Committee on Economic Affairs or the Cabinet Committee on Prices, like it is done in the case of wheat and sugar."

Pawar said the decision was harmful, as growers in Gujarat, Andhra Pradesh and Madhya Pradesh were in great distress, with traders having stopped buying from them after the decision. "Now the issue is in the Prime Minister's court," he said.

Gujarat Chief Minister Narendra Modi (from the opposition Bharatiya Janata Party) also sent a letter to the PM. Modi said he was shocked and the decision would be disastrous for farmers.

N P Hirani, Chairman, The Maharashtra State Cooperative Cotton Growers' Marketing Federation, said the Centre needed to immediately lift the ban in the larger interest of growers. "As per the estimates by the Cotton Advisory Board, the country will have production of 34.5 million bales (a bale is 170 kg), against the demand for 24 million bales, in 2011-12. Therefore, export of 10.5 million bales after meeting the country's requirement is possible, which will benefit farmers in particular," he said.

Shirish Shah, Partner, Bhaidas Cursondas & Co, said the ban was harmful for farmers, traders, ginners and spinners. "It should be lifted forthwith. At the same time, the Centre should allow export of 3.3 million bales already registered for export. Besides this, the registration of (another) 0.3 million bales has been contracted but not registered for export," he said.

Bhadresh Mehta, Additional Vice-President, Cotton Association of India, said farmers were expected to incur a total loss of Rs 2,500 crore from the decision. "The decision is a lose-lose situation for farmers, traders, ginners and spinners.

The government needs to come to the rescue of farmers on the lines of the Chinese government, which has increased its cotton support price by three per cent," he said.

“In mid-February, when a Committee of Secretaries (CoS) reviewed the export scenario, 8.3 million bales of cotton had been shipped out of the country, while registrations were for 10 million bales,” said Dhingra.

However, by early March, when the CoS again met, the registrations had surged to 12.5 million bales, which meant exporters had some inkling the government might clamp down on exports and started applying heavily for registration.

“We were already in a bad situation as the shipped quantity of cotton would pull down the carry-over stocks for the 2012-2013 season to 3.6 million bales against a requirement of five million bales,” Dhingra explained.

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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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India drags Turkey, Egypt to WTO for import duties on Cotton yarn

Amiti Sen, ET Bureau

Feb 24, 2012,NEW DELHI: Striking against rising global protectionism, India has dragged both Turkey and Egypt to the World Trade Organisation for imposing special import duties on Indian cotton yarn, lowering competitiveness in these markets.

New Delhi has been criticising Turkey for violating WTO norms at several forums of the WTO for the past few months, but it has requested formal consultations on the issue for the first time, which is the first step towards filing a dispute.

Egypt, on the other hand, will be asked to explain reasons behind imposing similar duties on cotton yarn in December 2011.

Both countries have resorted to safeguard duties as such levies are easier to impose since a country only has to claim that rising imports were harming the domestic industry, a government official told ET.

Indian cotton yarn producers say that Egypt and Turkey, the fifth and sixth largest export destinations for the products, were growing markets and all attempts to check imports through unnecessary restrictions have to be opposed.

"We are concerned by the imposition of safeguard duties by both countries and hope the issue is resolved soon," said Siddharth Rajagopal, executive director, The Cotton Textiles Export Promotion Council or Texprocil.

Turkey imposed safeguard duties between 12% and 17% with effect from last July over and above the customs duty of 5% making prices of India's exports shoot up. Egypt, on the other hand, imposed a specific duty of 55 cents per kilogram of yarn in December. "In Turkey's case we have questioned its claim that adverse effect on the domestic industry due to higher imports was because of unforeseen developments and imposition of global trade rules," the official said.

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US challenges India poultry ban at WTO

Reuters

Washington, Mar 07, 2012: The United States on Tuesday began action at the World Trade Organisation (WTO) to open India's market for poultry meant and eggs, saying an Indian ban on US imports intended to stop the spread of bird flu was not based on sound science.

"The United States is the world's leader in agricultural safety and we are confident that the WTO will confirm that India's ban is unjustified," US Trade Representative Ron Kirk said in a statement on the US request for consultations.

India's ban in the name of protecting local poultry producers from losses caused by avian influenza is "clearly a case of disguising trade restrictions by invoking unjustified animal health concerns," Kirk said.

The US poultry industry welcomed the move, which they said could pry open a market for US poultry exports conservatively valued at more than $300 million.

"In our view, India's posture is thinly guised protectionism," Jim Sumner, president of the US Poultry and Egg Export Council, said in a statement.

"More than 100 countries enjoy chicken imported from the United States. As the middle class in India continues to expand, and the market moves more toward commercial poultry, the United States should be afforded the opportunity to compete fairly with our products in this growing market," Mike Brown, president of the National Chicken Council, added.

US officials said international scientific standards for controlling avian influenza do not support banning imports due to low pathogenic avian influenza, which is the only type detected in the United States since 2004.

The United States is the world's largest broiler meat producer and second largest exporter, behind Brazil.

India's broiler meat consumption has risen from 2.23 million metric tonne in 2007 to a projected 2.75 million this year, according to a US Agriculture Department report.

India is forecast to produce about 2.70 million metric tons of broiler meat this year, providing some opportunity for imports, the Agriculture Department report showed.

Consultations are the first step in the WTO dispute settlement process and parties are encouraged to agree to a solution at this stage. If the matter is not resolved through consultations, the United States may request the establishment of a WTO dispute settlement panel.

Litigation at the WTO can take one to two years to conclude. [Back to Top]

US hikes dumping duty on Indian shrimp imports

C.J. Punnathara , Hindu Business Line

Increase unlikely to impact trade, says exporters body

Kochi, March 2: The Sixth Administrative Review on shrimp exports to the US has fixed a 2.51 per cent anti-dumping duty on Indian shrimp consignments, up from 1.69 per cent awarded last year.

However, what is noteworthy of the latest review is that another company, Falcon Marine, has been awarded de-minimus status - they have been awarded duty of 0.5 per cent or less, sources in the Seafood Exporters Association of India (SEAI) said.

Earlier, Devi Seafood had already come under the sub-minimus status. While there have been a small increase in the rate of duty for the country as a whole, SEAI sources said that it will not have any serious implication for trade.

The findings of the Sixth Administrative Review were announced in the US on February 29 and India is still to get the detailed report.

What is salutary, SEAI source pointed out, is that Indian shrimp exports to the US should be out of 'zeroing' at the end of the Seventh Administrative Review period – February 2012 to January 2013.

What is zeroing

While it is inevitable that every country would be forced to sell a very small portion of its export consignment beneath fair-value price mainly under distress conditions, the practice of the US Customs to identify these specific consignments and charge anti-dumping duty on all shipments is known as zeroing.

The World Trade Organisation, in recent rulings ,has declared zeroing as an illegal practice under the WTO guidelines as it was found violating several international and multilateral trade rules.

The removal of zeroing will be welcomed by the Indian trade and is expected to strengthen the country's shrimp exports further.

India's seafood exports increased to Rs 12,191 crore during April-December 2011, with shrimp exports contributing the bulk.

Frozen shrimp

Frozen shrimp exports constituted over 51 per cent of the total value of seafood exports during the period. What is further noteworthy is the fact that US was the single most important shrimp export destination during the period.

The US accounted for 33 per cent of India's total shrimp exports and realised 42 per cent of the shrimp export realisations.

The low rates of anti-dumping duty and positive moves on zeroing would have far reaching positive impact on India's seafood exports.

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Anti-dumping duty likely on imports of soda ash

PTI

New Delhi, February 23 2012: India may impose an anti-dumping duty of up to USD 38.79 per tonne on a chemical, used mainly in detergents, imported from seven places including China, EU, Pakistan and the US, to protect domestic players against cheaper imports.

The Directorate General of Anti-dumping and Allied Duties (DGAD) has recommended imposition of the duty on imports of 'soda ash', the Commerce Ministry said in a notification dated February 17.

The Directorate's recommendation comes on the basis of its findings that increased imports have caused "material injury" to the domestic industry, it said.

Alkali Manufacturer's Association of India had filed a petition for imposition of an anti-dumping duty on behalf of the domestic industry.

The duty ranged between USD 2.38 per tonne and USD 38.79 per tonne, it said.

The DGAD, which is under the Commerce Ministry, in its recommendations said that the chemical has been exported to India below its normal value from China, European Union (EU), Kenya, Iran, Pakistan, Ukraine and the US.

"... the Authority is of the view that imposition of definitive anti-dumping duty is required to offset the dumping and injury," it added.

Soda ash is an essential ingredient in the manufacturing of detergents, soaps, cleaning compounds, float glass, container and specialty glasses and other industrial chemicals. It is also widely used in textiles, paper, metallurgical industries and desalination plants.

Anti-dumping duty is recommended by the Commerce Ministry, while the Finance Ministry imposes the same.

The country has already imposed anti-dumping duty on imports of fabric, yarn, nylon tyre cord and several chemicals.

Unlike safeguard duties, which are levied in a uniform way, anti-dumping duties vary from product to product and from country to country.

Countries initiate anti-dumping probes to check if domestic industry has been hurt because of a surge in cheap imports.

As a counter-measure, they impose duties under the multilateral WTO regime.

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India topped Thailand in rice exports last year

Rituraj Tiwari, ET Bureau

21 Feb, 2012, NEW DELHI: India and Thailand are caught in a race for the top slot in farm exports from Southeast Asia. India has pipped Thailand to become the top rice exporter but the latter has won the day in sugar exports.

For the first time in four years, India has overtaken Thailand in rice exports. According to industry estimates, India exported 2.3 million tonne of rice including basmati between October 2011 and January 2012 while Thailand could export around 2 million tonne during the period.

But Thailand, the second largest exporter after Brazil, shipped 6.68 million tonne sugar in 2011 while Indian sugar exporters have been allowed to export only 2 million tonne till now.

India has always had a price advantage over Thailand, which sells at a premium in the world market. Last year, the export price of Thai rice ranged between $525 and $575 per tonne. But this year, the price swelled to $660 tonne on the back of the Thai government's high support price to farmers. The government paid farmers 15,000 baht a tonne for 100% white paddy and 20,000 baht for fragrant paddy to fulfill its election promise. This raised the export price of Thai rice, making it non-competitive in global markets. India recently raised its export quota of non-basmati rice from 2 million tonne to 4 million tonne to boost exports further.

"Rice-importing countries got a good alternative in India to expensive Thai varieties. While Indian rice costs $500-$530 per tonne, Thai rice costs $660 per tonne. This has led a surge in demand from countries like Indonesia and other African countries," said Om Prakash Arora, president Punjab-Haryana Rice Broker Association.

The rise in exports is supported by the expected bumper production of rice this year. The estimated record output of 102 million tonne allows the government to shed worries on food security. Besides, high inventories of more than 30 million tonne paves the way for smooth exports. The economical Indian rice is making inroads into major Thai markets such as Africa, Indonesia, Malaysia, Bangladesh and Nepal.

"We are getting good demand from overseas markets. We will cross the 3.5-million tonne mark this year. We expect to gain momentum in basmati once a formal order is issued on lowering the floor price from $900 to $700," said Vijay Setia, president, All-India Rice Exporters Association. However, India is way behind Thailand in sugar shipment. A good crop and a buoyant overseas demand keep Thai sugar steady in the global market.

According to media reports, about 33 million tonne of cane have been crushed since the season started in mid-November in Thailand, with around 2.3 million tonne of raw sugar and around 913,000 tonne of white sugar produced till now.

India is struggling to export one million tonne even as the government has further allowed the export of an additional one million tonne. Indian millers expect to produce 26 million tonne of sugar in 2011-12 while sugarcane production is likely to stand at 347.87 million tonne - higher by 5.09 million tonne over the previous year.

"We have given a release order for over 9.9 lakh tonne. But we are not sure about their physical delivery. The release orders have to be consumed within 60 days. Given the capacity of our ports, we don't think we will able to export more than 3 lakh sugar a month. This poses a big question mark over the second tranche of 1 million tonne," said a sugar directorate official.

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Iron ore exports to hit a new low in FY13

Mahesh Kulkarni, Business Standard

Bangalore, Feb 10, 2012: India's iron ore exports are likely to hit a new low during the 2012-13 financial year and settle at about 40 million tonnes (mt), a drop of close to 35 per cent over the current year's estimates. Exports are estimated to decline to about 60 mt in 2011-12 from 100 mt in 2010-11, a fall of 40 per cent.

"The decline in exports is mainly due to rise in export duty to 30 per cent and railway freight, which is highly discriminatory for exports compared to domestic freight rates. Before 2003, nobody bought low-grade ore from India. In the future, too, apart from China, nobody will buy low-grade ore," said Basant Poddar, chairman, Federation of Indian Mineral Industries, South.
For example, the railways charge Rs 600 a tonne as freight for movement of ore for domestic consumption and Rs 2,800 a tonne for ore meant for exports. This has discouraged miners from exporting, he said.

Another major factor for low exports is the ban in Karnataka. In addition, the stoppage of mining in Karna-taka, following the Supreme Court order in July, added to a decline in exports during the current financial year.

Orissa's exports have come down mainly due to differential railway freight rates. Goa's exports have also declined substantially this year and may settle at about 34 mt, down from 55 mt last year, he said.

Karnataka's share in national exports was about 35 mt till 2009-10. Since August 2010, there have been no exports from the state. Next year, India's exports will touch the lowest level in the past decade.

"Demand from China is steady, but they are also getting ore from Australia and Brazil also. Australia and Brazil are together adding about 500 mt of exportable capacity in the next five years. Whereas, in India, we are closing our mines and losing our status as the third-largest exporter of ore in the world. We may drop to sixth or seventh position," Poddar said.

During the current year, India's share of exports in the world market is set to decline to about 10 per cent. In the next year, it is likely to further drop to about five per cent, at 35-40 mt.
Prices of 63 Fe grade iron ore, presently at $130-135 a tonne on a FoB basis in the international market, are likely to go up 8-10 per cent during the current quarter, as the demand from China is picking up after the beginning of the new year. At the same time, Indian miners are losing their position due to various reasons, said Praveen Kumar, chairman, Maya Iron Ores, a derivative commodity brokerage firm.

"If the Supreme Court accepts the Central Empow-ered Committee's (CEC) recommendation and puts a cap on the production of iron ore at 30 mt in Karnataka, investments in the steel sector will not only be affected, but it would also lead to loss of market share for India in the export market," he said.

The loss means future investments to the tune of about $5-10 billion in the ports and railway sectors taken up on a public-private partnership basis will be in jeopardy, Poddar noted.

"The Indian steel industry uses high grade ore and there is no market for low-grade ore, due to poor technology with steel mills. So, why stop low-grade ore exports , which has huge demand from China? If we can't export it, there will be a problem in managing low-grade fines and it would cause environmental damage," he added.

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Anti-dumping duty on Chinese fragrance chemical

PTI

New Delhi, February 12: The Finance Ministry has imposed anti-dumping duty on Chinese import of a chemical used in preparation of fragrance compounds, with a view to protect domestic industry from the cheap shipments.

The restrictive duty of USD 14.02 per kilogram on import of Coumarin -- used in manufacture of soaps, cosmetics, incense sticks, and fine fragrances -- from the neighbouring country has been imposed for a period of five years (from March 2010), the Revenue Department said.

The Directorate General of Anti-Dumping (DGAD) in the Commerce Ministry had recommended imposition of the duty after its probe found the product was being dumped into India by Chinese producers.

The DGAD had found that "the product under consideration had been exported to India from the subject country (China) below normal values ... (and) the domestic industry had suffered material injury on account of imports...".

The probe into the dumping was carried on a complaint by Nasik-based Atlas Fine Chemicals, the sole domestic producer of Coumarin. There were two more producers but they had closed commercial production of the chemical.

Countries initiate anti-dumping probes to check if the domestic industry has been hurt because of a surge in cheap imports. As a counter-measure, they impose duties under the multilateral WTO regime.

The 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.

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India launches WTO cotton complaint against Turkey

Tom Miles, Reuters

GENEVA, Feb 14: India has launched a trade complaint against Turkey's policies on imports of cotton yarn, the World Trade Organization (WTO) said on its website on Tuesday.

India is objecting to Turkey's use of "safeguard measures" to help its cotton industry, which one Indian official said could affect Indian exports worth around $600 million per year.

Safeguard measures are temporary protectionist tariffs, permitted by WTO rules, to help a specific industry that is threatened by an unexpected surge of imports.

India launched the complaint on Monday by "requesting consultations" with Turkey at the WTO, the last step to resolve a disagreement before entering a full-fledged legal dispute.

India may ask the WTO to set up a dispute panel to adjudicate if consultations do not settle the matter within 60 days. By requesting consultations, India has also opened the door for other WTO members to join in if they are similarly unhappy with Turkey's treatment of cotton yarn imports.

Turkey brought in the safeguard measures in 2008 for three years, but when the three years expired in July 2011, Turkey imposed provisional safeguard measures while it reviewed the case for an extension, the Indian official said.

It later retroactively reimposed final safeguard measures.

India previously requested consultations with Turkey over the issue in 2009, but the dispute did not go to a dispute panel at that time.

India now argues that Turkey cannot extend the measures after they expired, nor can it impose provisional safeguard measures on a product which was already subject to final safeguard measures.

India also says Turkey may not apply safeguard measures to cotton yarn for three years after the July 2011 expiry date.

Turkey, a major producer of cotton, slapped extra import duties on imports of cotton yarn after recording a huge surge in imports of cotton yarn from 2005 onwards.

Instead of the maximum duty of 5 percent it had agreed with the WTO, it boosted import tariffs to 15-20 percent.

Cotton yarn imports had risen 63.6 percent in 2005, 46.9 percent in 2006 and 119.7 percent in 2007, and in the first five months of 2008 were 32.1 percent higher than a year earlier, a document filed by Turkey at the WTO at the time showed.

As a result, although total consumption of cotton yarn rose in the period, Turkish employment in the industry fell steadily and domestic production dropped in 2007, when the market share of imports reached 12.5 percent against 2.8 percent in 2004.

While Turkey waived the safeguard tariff for many developing countries that are not significant suppliers of yarn, it did apply to India, one of its biggest sources.

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Drug exports up 30% in first half of FY12

Joe C Mathew, Business Standard

New Delhi Jan 30, 2012: An analysis by the Pharmaceutical Export Promotion Council (Phar-mexcil) early this month showed exports of basic drugs, finished medicines and fine chemicals jumped 30 per cent to Rs 24,661 crore during April-August 2011 as compared to Rs 18,967 crore recorded over the same period the previous year.

The rupee depreciation had some impact on the figures, as revenue growth was 19 per cent in dollar terms.

The US market, which grew 13.6 per cent (in dollar terms) to $1,199 million (Rs 5,902 crore) during this period, continues to be the biggest export destination for Indian drugs, with 23.2 revenue share of the total.

Exports to most other regions grew. Several African, CIS, South Asian and European countries recorded 39 per cent growth, said P V Appaji, executive director, Pharmexcil.

He said the market access programmes organised by the ministry of commerce in CIS and African countries, and the economic cooperation treaty with Japan, were beginning to show positive results for the pharmaceutical industry.

Exports to Japan, the 26th largest destination for Indian drugs on Sunday, grew 36.7 per cent to $217 million (Rs 1,065 crore) during April-August as compared to 10.9 per cent growth in the same period of 2010. Export revenue from Japan during April-August 2010 was $158 million (Rs 779 crore).

“The UK is the second best destination, with a high growth rate of 29.9 per cent. Exports to Germany, Russia, Vietnam, Canada, Spain, Australia and Japan have grown exceptionally well and are between 30 and 61 per cent,” said Appaji.

Industry experts said the effect was greater due to the low growth in pharma exports in 2010-11.

“The impact of global recession hit pharma companies very late. Hence, last year’s export growth was very low, giving rise to a higher growth percentage this year,” a Mumbai-based analyst said.

Appaji agreed the recent slowdown in the European economy may not have yet impacted the sector.

Though the ministry of commerce gets monthly updates on export figures from the Directorate General of Commercial Intelligence and Statistics without much delay, export promotion councils access the data with a lag of four to five months.

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Basmati export price may be cut by $200

Bloomberg

New Delhi Feb 01, 2012: India, the world's second-biggest rice grower, may cut the minimum export price (MEP) of the basmati variety by $200 a tonne to boost shipments, according to a government official with direct knowledge of the matter.

A ministerial panel on February 7 will consider a proposal to reduce the minimum price from $900 a tonne, or may scrap the floor, the official said, asking not to be identified, citing government policy.

Basmati shipments may increase 14 per cent to 2.5 million tonnes in the year ending March 31, should the government abolish the minimum export price, Vijay Setia, president of the All India Rice Exporters' Association, said in a phone interview on Tuesday. If the price stays unchanged, exports may drop to 1.9-2 million tonnes in the year ending March, he said. The panel may consider cutting the benchmark export price or dismantling it, food minister K V Thomas told reporters on Tuesday. Indian traders have contracted to ship 3.5 million tonnes of basmati rice as of yesterday since the financial year began on April 1, 2011, according to the rice association.

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Additional export duty likely on deoiled rice bran

Anindita Dey, Business Standard

Mumbai, Feb 01, 2012**:** The ministry of agriculture has proposed imposition of additional export duty on deoiled rice bran, to ease the supply of animal feed and bakery ingredient, in the domestic market. Production of deoiled rice bran in 2011-12 was estimated at 8-8.5 million tonnes of which around 170,000 tonnes or two per cent would be exported.

“The export currently carries a duty of 10 per cent but the domestic price of animal feed is increasing, a significant input in composition of prices of milk and poultry. On the other hand, domestic prices of milk and poultry are consistently increasing. Therefore, there is no reason why India should export deoiled rice bran when the demand in the domestic market is high, going by the prices of animal feed,” explained an official source.

This is based on the recommendation of the department of animal husbandry under the ministry of agriculture. Besides rice milling, animal feed is also extracted from oil cakes after oil extraction. India imports crude oil and the refining edible oil. Thus, when this is domestically marketed, it will be at a premium compared to in-house supply of animal feed. So, exports should be discouraged.

De-fatted or deoiled rice bran is obtained after extraction of oil from either raw or parboiled bran and contains a higher percentage of protein (17-20 per cent), vitamins (A and E) and minerals than full-fatted bran obtained from raw and parboiled paddy.

Meanwhile, to increase milk production and strengthen dairy co-operatives, the National Dairy Plan (NDP) proposes to set up producer firms under the Companies Act. The objective is to facilitate co-operatives to retain their 50 per cent share in milk production, amidst stiff competition from the private sector. Officials explained that a producer company would be registered under part XI of the Companies Act and set up to cover the entire value chain in the milk production process.

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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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Concern over dip in spices export

The Hindu

21 January 2012, Kochi: Availability of quality produce in sufficient quantities is a major problem : Spices Board chairman A. Jayathilakan has expressed concern at the decline in quantity of spices export.

Inaugurating a workshop on ‘Sustainable growth in spices sector' here, he said though exports had increased in value terms, there was a decrease in volume.

He called for coordinated efforts by various agencies involved in the agriculture, processing and export segments to improve the situation. Experts from the industry and farmers participated in the programme, organised by the Spices Board, in association with the WTO cell of the Government of Kerala and World Spice Organisation.

Mr. Jayathilakan said spices consumption was steadily increasing internationally. India was the largest producer, exporter, and consumer of spices in the world. Issues pertaining to food safety and food security were to be addressed in a cohesive manner. Some of the serious concerns facing the spices export sector included pesticides residue and toxins that cannot be removed once the products were contaminated.

Among the major spices, black pepper, cardamom, ginger, turmeric and nutmeg were of significance to Kerala economy. Availability of good quality produce in sufficient quantities was a major problem with respect to ginger, turmeric and pepper. Pesticide content in cardamom and aflatoxin in nutmeg were problems faced by exporters.

Intercrops

Ginger, turmeric and several other spices could be cultivated as intercrops in coconut farms. Possibilities of tying up with the Coconut Development Board for encouraging such an agricultural pattern were being explored.

Presiding over the meeting, V.V. Pushpangadan, Director, Department of Agriculture, said less rainfall and reduced fertility of the soil were among reasons for lower productivity in most areas.

Only a few of the farmers were getting the benefit of government's farm support schemes.

The Director also called for intervention by government bodies and non-government organisations for increasing yield.

P.M. Suresh Kumar, Director, Marketing, Spices Board; K. Pratapan, Director, State Horticulture Mission; George Paul, Director, World Spice Organisation; S. Regeena, Special Officer, WTO cell, Government of Kerala; and P.S. Sreekantan Thampi, Deputy Director, Spices Board; were among those who addressed the session.

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Dutch customs seize Indian drugs in transit, industry frets

Joe C Mathew, Business Standard

New Delhi Jan 23, 2012: Domestic drug makers, who were relieved after the European Union assurance in July 2011 to end the seizure of Indian generic drugs in transit, were in for a shock last month when Dutch authorities seized 29 cartons of medicines destined to South America from India.
Timely intervention of Pharmaceutical Export Promotion Council (Pharmexcil) and the Ministry of Commerce ensured that the cartons, shipped by Mumbai based Ajantha Pharma, got cleared within two weeks, but the recurrence of the seizure has shaken the confidence level of Indian drug exporters.

The seizure turns significant in the backdrop of the fast nearing India-EU Free Trade Agreement, which got delayed due to the differing stance taken by both groups on trade of specific items including pharmaceuticals.

“Indian industry was happy after EU said there would be no more seizures. The current development has caused anxiety among the domestic exporters. It has disturbed the industry once again”, P V Appaji, executive director of Pharmexcil, said.

On July 28, 2011, the Ministry of Commerce & Industry had announced that India and EU had reached an understanding on the issue of seizure of Indian generic drugs in transit. “European Union has proposed a settlement of the dispute by confirming the detailed principles agreed in the understanding to guide border enforcement of intellectual property in the EU. In addition, EU agreed to India’s request for adoption of guidelines which would confirm the principles agreed to in the understanding with a view to give greater and immediate legal certainty for producers and traders”, the ministry had stated.

It was also clarified that EU had agreed to change its regulations to reflect these principles. In return, the EU sought an assurance that India would go back from its plans to request the World Trade Organisation to establish a dispute settlement panel on the particular issue.

India initiated dispute settlement consultations on 11 May, 2010, at the WTO with the EU on the issue of detention of Indian generic medicines while in transit through the EU. The dispute was triggered by at least 16 instances of detentions/seizure at EU ports, particularly in the Netherlands, of Indian generic drugs destined for export to Latin American and other countries.
The detentions were made by invoking the EC’s Regulation 1383/2003 which contains customs procedures for taking action against goods suspected of infringing intellectual property rights (IPRs).

India was joined by Brazil in this dispute; Brazil also filed a similar complaint against the EU before the Dispute Settlement Body of the WTO.

Industry officials hoped that the issue will be solved permanently once the European Commission adopts EU proposal for the new regulation.

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India considering proposal to export fuel products to Pak

Reuters

25 Jan, 2012, NEW DELHI: India is examining a proposal to export petroleum products and gasoline to neighbouring Pakistan, its oil minister, S. Jaipal Reddy, said on Wednesday.

Reddy said details of the proposal would be finalised in a few weeks.

Pakistan currently bans imports of Indian petrol. It allowed diesel imports from India in 2009, but no Indian supplies were sent in the face of preferential prices offered by Pakistan's allies such as Kuwait.

If imports are allowed by Pakistan then it could bring a new market for Indian refiners such as Reliance Industries and Essar Oil.

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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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Tea exports up 13% in November 2011, but output down 4%

PTI

6 Jan, NEW DELHI: India's tea exports rose by 13 per cent during November last year to 17.47 million kg, but output fell by 4 per cent to 90.30 million kg, according to the latest government data.

During November, 2010, the country's tea exports stood at 15.41 million kg, while production stood at 93.92 million kg, according to Tea Board data.

Tea exports from North India rose by 7 per cent to 10.46 million kg in November, 2011, from 9.82 million kg in the year-ago period.

Overseas shipments from South India increased by 25 per cent to 7.01 million kg in November last year from 5.59 million kg in the corresponding period of the previous year.

India is the world's second-largest producer and the biggest consumer of tea.

Tea production in North India fell by 7 per cent to 65.79 million kg in November, 2011, from 70.82 million kg in November, 2010.

Output in South India, however, increased by 6 per cent to 24.51 million kg in November last year from 23.10 million kg in November, 2010.

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A European pill best avoided

S. Srinivasan, Business Line (The Hindu)

The proposed India-EU FTA will compromise our generics segment and health security.

January 3: Even as India's generic pharma industry establishes itself as a major supplier for developing countries, barriers are being put up to inhibit the free flow of trade. The WTO was set up to ensure that trade flows “as smoothly, predictably and freely as possible.” Its multilateral dispute-settling mechanism has been functioning reasonably well, though it has its share of critics.

All this is set to change with bilateral free trade agreements (FTAs). Secret negotiations have been on — since 2007, with early 2012 as the deadline — between the Government of India and EU for finalising the India-EU FTA. Indeed, one needs to ask why these negotiations are conducted without consulting Parliament and State Governments.

PROPOSED TRIPS REGIME

The basis of bilateral FTAs is reciprocity, but reciprocity between unequal partners never works — well, it always works against the interests of the less equal party. To illustrate how unequal: India's GDP is 3 per cent of the EU's GDP; while India accounts for just 1.8 per cent of the external trade of EU, the EU accounts for 20 per cent of India's trade; India's largest source of FDI is EU, while India accounts for 1 per cent of EU's total FDI.

The India-EU FTA aims to liberalise “substantially all trade” between the two trading blocks on a “reciprocal” basis and apart from trade in goods, the FTA will have substantive provisions on services, investment, public procurement, intellectual property (IP) rights and some other areas.
The proposals on IP are likely to create new hurdles for generic medicine manufacturers in particular. The IP measures demanded are ‘TRIPS Plus' — that is beyond what is mandated by TRIPS/WTO. These include data exclusivity, patent term extensions, enforcement measures, border measures, increase criminalisation of IP infringement under the guise of acting against “counterfeit” medicines.

Acceding to data exclusivity measures would delay entry of generics in India. It will require generic manufacturers to repeat the clinical trials already done by the originator company. Such an act would be a violation of human rights, where proving bio-equivalence to the originator's products would have sufficed.

In Guatemala, a study published in 2009 in *Health Affairs* concluded that IP measures on data exclusivity and patents of the CAFTA (Central American Free Trade Agreement) were “responsible for the removal of several lower-cost generic medicines from the market in Guatemala and for the denial of entry to a number of others.”

Another way to delay entry of generics — and this was being demanded earlier in the EU-India FTA talks — is the extension of patent term beyond the TRIPS-mandated 20 years, calculated usually from the date of filing of the patent. The move is to "compensate" for the time taken by the patent office to examine the patent and by the Drug Controller General of India to approve for marketing and manufacture.

BROADER PUNITIVE STEPS

Closely allied to these are IP enforcement measures: injunction provisions, border measures, and third party liability. Border measures in the proposed FTA legitimise the seizure of goods on visual inspection/mere suspicion of IP infringement, and even destroy seized goods — this is what happened in the several seizures of medicine exports from India to Africa/South America while transiting Amsterdam. This interferes with India's freedom to export generic medicines to countries in need and the right of such countries to import such medicines.

TRIPS allows for seizure only on violation of copyright/trademark and, that too, at the border only. The proposed TRIPS-Plus border measures applies not only to import, but to export, re-export, goods in transit and the duty of intermediaries to disclose information.

Also on the anvil is a proposal — called third party liability — to hold to task everybody involved in the supply, sale and manufacture of "counterfeit" goods. And this would make liable those in the trade chain as well as suppliers of bulk medicines and excipients used to make the medicine.

Injunction provisions being suggested in the FTA will make it incumbent on the Indian judiciary to give preference to IP status of medicines over the health rights of the poor, sometimes giving injunctions even before patent validity is established.

INVESTMENT PROPOSALS

Investment in EU-India FTA is being sought to be defined to include "IP rights, goodwill, technical processes and know-how as conferred by law." Foreign investors, if the investment proposals go through, would be able to sue the Government of India if any measures (say price control or compulsory licensing) taken by the Government, are seen not to protect their investments (read IP / patent rights, or profits or "goodwill").

The resulting arbitration will be before secret arbitral tribunals in places like London or Singapore. The decisions arrived at are binding and cannot be challenged under national laws.
Till date, at least 81 governments have been sued in more than 400 investment treaty arbitration claims. Millions, and in some cases billions, have been paid by governments to investors, as a result of such arbitration. Chapter 11 of the North American Free Trade Agreement (NAFTA) has helped North American investors sue Mexico, a developing country, and of course helped US investors sue the Canadian government and the other way around.

Investment proposals, first conceived in then West Germany, in 1957, are a "legal monster" that refuses to go away. Finally, the chickens have come home to roost with recent news of Germany's nuclear phase-out being challenged by the Swedish energy company, Vattenfall.
A Government of India that is reluctant to issue compulsory licenses will be further inhibited, when such draconian investment proposals are in place, to use TRIPS flexibilities for public health reasons.

Additional investment proposals are being sought in the name of “fair and equitable treatment” and “full protection and security” to investors. These terms are undefined as the case law on this is still a work in progress and it is left to the arbitral tribunals to determine what is “fair and equitable”. Arbitral decisions often aren't concerned with the public health motivations behind any regulatory action.

A related requirement that is being put forward is granting European investors the same treatment as domestic investors. This isn't fair, as governments giving preferential treatment to local stakeholders, say SSIs, can be sued. Indeed, some of the proposed “performance requirements” provisions make it illegal to ask foreign investors to use local inputs and local personnel.

At stake is access to low-priced medicines for millions of poor patients in Africa and Latin America who source medicines from India's generic medicine industry.

The EU Parliament routinely instructs the European Commission on what stands are to be taken on various contentious issues in the FTA. We would wish our Parliament and our courts take *suo moto* action to take the India-EU FTA out of the closet and put it in public domain, before letting the Government sign on the dotted line — and sign away, perchance, our health security, and the livelihoods of the poorest. *(The author is associated with LOCOST, Medico Friend Circle and All India Drug Action Network.)*

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India Lifts Anti-Dumping Duty on Import of Saudi Polypropylene

Rajesh Kumar Singh, Bloomberg

Jan. 2: India has lifted an anti-dumping duty imposed on polypropylene imported from Saudi Arabian suppliers, including Saudi Basic Industries Corp., the world's biggest petrochemical maker.

The change is effective from the day the notification is published in the Gazette of India, the official record of government rules, the Central Board of Excise and Customs said in a statement dated Dec. 30 on its website. There was no reason given for the amendment.
India imposed a 6.5 percent anti-dumping duty in November 2010 on polypropylene imports from Saudi Arabia, Oman and Singapore because it said the shipments were valued at less than normal prices and would hurt domestic manufacturers. Reliance Industries Ltd., controlled by Mukesh Ambani, India's richest man, has a 70 percent share of the country's polypropylene market, according to its website.

Saudi companies affected by the duty, including Advanced Petrochemicals Co. and National Industrialization Co., said at the time they would ask the World Trade Organization to pressure India to lift the tax. India and Saudi Arabia would be able to resolve the dispute without going to the WTO, India's Trade Secretary Rahul Khullar said in December 2010.

Central Board of Excise and Customs Chairman S.K. Goel couldn't immediately be reached on his office telephone for comment.

Total petrochemical exports from Saudi Arabia to India amount to $200 million a year, Abdulrahman al-Zamil, a trade representative for Saudi petrochemical makers, said on Nov. 28, 2010.

The statement didn't mention the tax on polypropylene imports from Singapore and Oman. The duty was retroactive to July 30, 2009, and valid for five years from then. Polypropylene is used in straws, carpets and garden furniture.

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Quality norms for electronics may shut out Chinese goods

Surabhi Agarwal & Asit Ranjan Mishra, Livemint

Jan 4, 2012,New Delhi: In a move that could spell trouble for Chinese electronics manufacturers in India as well as local firms sourcing electronics from that country, the government is proposing mandatory quality norms for 16 electronic items, including mobile phones, computers and television sets.

The action, which could increase tension in trade relations between the two Asian neighbours, is being taken to eliminate spurious and substandard electronic goods that have flooded the Indian market, mostly made in China.

According to estimates, 30% of the over $45 billion (Rs. 2.4 trillion) electronic equipment market is low quality, posing serious health and safety hazards for consumers. The market for electronic equipment in the country is expected to grow to $400 billion by 2020, of which $300 billion is expected to be imported unless the domestic manufacturing industry scales up dramatically.

To enforce quality standards, the government will set up testing and sampling labs, said a senior official of the department of information technology (DIT). It will also, in consultation with the Bureau of Indian Standards (BIS), announce a policy on the issue. “Through this policy mandate, we will reinforce existing standards, which are internationally acceptable, instead of reinventing any new standards,” said the DIT official, who did not want to be identified as the policy is yet to be notified.

The same person added that the move follows accidents involving such goods. The policy, when released, has the potential to change the dynamics of the industry as local manufacturers and multinational brands are both under intense price pressure from cheap Chinese imports.
Alok Bharadwaj, president of electronics hardware lobby Manufacturers’ Association for Information Technology, said: “We have to decide what should we tolerate.”

He added that when manufacturers conform to standards in other countries, be it for voltage or plugs, they should do so in India as well. “Even though the price is much lower compared with branded goods, the consumer ends up getting a bad bargain,” he said. Bharadwaj is also senior vice-president of Japanese camera and printer m-aker Canon’s India operations.

According to the DIT official, the most significant impact is likely to be on mobile phones. The last four years have seen a significant growth in the number of non-branded phones being sold in the country, most of them imported from China.

According to Gartner, the Indian mobile device market has more than 150 manufacturers selling devices to consumers, with most of them being local and Chinese manufacturers focused on low-cost phones. Mobile device sales in India are forecast to reach 231 million units in 2012, an increase of 8.5% over 2011, according to the market research firm.

A senior commerce ministry official confirmed that such a policy is on the anvil. However, he said that DIT is yet to formally consult the ministry. “We know it is being contemplated. We’ve to evolve the same standards for domestic manufacturers as well,” he added.

The standards will apply equally to local manufacturers as well, said the DIT official. However, most of such products use components imported from China.

The government banned the import of mobile phones without a unique international mobile equipment identity (IMEI) number in 2009. Chinese handsets without IMEI numbers had a market share of about 13% at that time.

India had banned the import of Chinese toys in January 2009, alleging that such products had toxic parts. In June 2009, the ban was relaxed for the import of toys from any country that met international safety standards. Since the move was not World Trade Organization (WTO)-compliant, in May 2010, the government made it mandatory for domestic manufacturers to obtain BIS certification showing that their products conform to toxicity norms.

According to the WTO agreement on technical barriers to trade, member countries can maintain technical standards that are scientifically verifiable, transparent and non-discriminatory, said independent trade analyst T.N.C. Rajagopalan.

“Such uniform standards have to be devised for electronic items as measures like anti-dumping are difficult to impose in these cases,” he added.

India’s widening trade deficit with China and the lack of access for Indian firms to the Chinese market have been contentious issues between the two countries. A proposal to impose customs duties on imports of Chinese power equipment to safeguard domestic manufacturers such as Bharat Heavy Electricals Ltd and Larsen and Toubro Ltd is under consideration.

China is India’s second largest trade partner, behind only the United Arab Emirates. Indian exports to China were valued at $19.6 billion in 2010-11 and imports from that country at $43.5 billion.

Setting up standards for a particular industry cannot be seen as a trade war, even though Chinese manufacturers may be the ones impacted most, said T.S. Vishwanath, principal adviser at APJ-SLG Law Offices.

“As long as these standards are not specific to China— which they cannot be—then it is fine,” he said.

Such measures cannot be used as instruments to address the trade deficit with any country, said Abhijit Das, head of the Centre for WTO Studies.

Vishal Tripathi, principal analyst at Gartner India, said: “On the flip side, the availability of such products keeps the multinational brands on their toes as their margins are under pressure.”
It is the responsibility of the government to ensure that the products available are of good quality, since mobile penetration is happening more in rural areas, where literacy rates are lower, said Pankaj Mohindroo, founder and national president of the Indian Cellular Association.

“It is the unbranded segment, which constitutes almost 25% of the market, which will get the most impacted,” he said. “This segment stops at nothing, be it counterfeiting products, making wrong declarations to consumers in terms of specifications, no after-sales service and warranty, etc. There is a major fraud being played on the consumer by this segment, which has to stop.”

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Iron ore exports seen plunging after tax rise

Reuters

3 Jan, NEW DELHI: India's iron ore exports are likely to be 75 per cent lower than previously expected in the quarter ending in March as a rise in export duties kicks in as part of the government's push to conserve supplies for domestic steelmakers.

Asia's third-largest economy announced a 50 per cent jump in export duties on Monday to 30 per cent, prompting traders to slash their forecasts for exports for the year to March 2012 to around 50 million tonnes from 65 million. That was already down from 97 million tonnes last year.

Given that India had exported about 45 million tonnes in the nine months to December, it is likely to ship only another 5 million tonnes in the three months to March 31, top industry body, Federation of Indian Mineral Industries, said on Tuesday.

India is one of the world's biggest exporters of iron ore, with much of it bought by China, which has the world's largest steel industry. The shortage is expected to push up global prices by 7 to 10 per cent over the current $140 a tonne, traders said.

"We are shocked at the decision to hike export tax on iron ore as such volatility in policy does not promote India's image as a reliable supplier," said Glen Kalavampara, secretary of the Goa Mineral Ore Exporters' Association. Goa is India's biggest exporter of iron ore.

"Absence of supplies from India will help Australian and Brazilian suppliers to consolidate their domination of the global market."

Indian exports were already down around a third from last year primarily due to legal wrangling over stalled shipments from a key producing state and efforts to conserve supplies.

Shares in Indian exporters Sesa Goa and NMDC slid on Monday after the announcement of the tax hike but closed up on Tuesday on fund buying at lower levels.

Deutsche Bank sharply reduced its earnings estimates for Sesa Goa -- by 29 per cent this fiscal year and by 24 per cent for 2012/13 -- on Tuesday, factoring in the increase in iron ore export tax among other reasons.

Steel companies continued Monday's gains. Tata Steel Ltd rose 6.1 per cent to 361.85 rupees. Credit Suisse upgraded the world's No. 7 steelmaker to 'neutral' from 'underperform', citing valuation comfort at current levels.

The government has shown an inclination to conserve resources, though it does not support a blanket ban on exports, largely because the domestic steel industry does not have the technology to use ore fines. India mostly ships fines to China.

New Delhi also hopes that sustained Chinese demand means buyers would be willing to pay a slightly higher price.

"We think global demand will be able to absorb a slight adjustment in prices on the upside, which leaves a bit of room for us to adjust duties," an Indian ministry official said.

GLOBAL PRICES Chinese steel mills had been expected to replenish stockpiles before their New Year holidays, which start on Jan. 22. Chinese markets are closed on Jan. 2.

China's iron ore imports are expected to rise 6 per cent to a record 720 million tonnes in 2012, according to a Reuters poll conducted in December.

India's government is trying to cut down on illegal iron ore mining and shipments but favours better tracking and monitoring along with higher taxes rather than blanket bans on exports. It last raised the export duty in February 2011.

In April, the Supreme Court overturned an export ban imposed by Karnataka's state government in July 2010, but shipments have yet to pick up because of administrative delays.

The court has itself banned mining in some parts of the state due to environmental worries and allegations of illegal mining, allowing only state-run NMDC to mine in the areas.

Such regulatory uncertainty deflates industry confidence of India being a stable supplier.

Indian exports could slump below 10 million tonnes within three years as more ore is earmarked for domestic consumption, according to David Flanagan, managing director of Australian iron ore miner Atlas Iron.

Indian ore exporters say the government policy makes little sense as domestic steelmakers can hardly use fines.

Moreover, India's steel demand is likely to grow by only 6 per cent in the current fiscal year, nearly half the earlier forecast, as higher interest rates squeeze demand from the automobile and construction sectors.

"Low-grade iron ore should have been free for exports," Kalavampara said.

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Cotton exporters back in market as cotton prices decline

Madhvi Sally, ET Bureau

29 Dec, 2011, AHMEDABAD: Cotton exporters are making brisk purchases across Gujarat and Maharashtra as prices weaken to Rs 33,800 to Rs 34,000 a candy (of 356 kg each). Simultaneously, demand from local mills has begun flowing thanks to requirement from garment manufacturers.

Cotton prices are still volatile with a movement of Rs 500-1,000 a candy a day, say traders. "Robust demand from China is expected to ensure cotton export of over 85 lakh bales (of 170 kg each) and more this year, similar to the 2007-08 figure. Our prices are the lowest in the international market," said Cotton Association of India president Dhiren N Sheth.

Coimbatore-based cotton broking house JG Pujara and Sons owner Baldev Pujara said major buying was being done by Bhadresh Trading Corporation, Louis Dreyfus Commodities India, Gill & Co, Jaydeep Cotton Fibres, Olam Agro India, Cargill India and others. "Contracts of over 46-48 lakh bales have been signed while actual shipments are at 29 lakh bales. By January, we should export 50 lakh bales," he said.

Owing to the delayed availability of cotton crop and with farmers holding the yield, exports have been slow this year and gradually picking up. "We will be able to achieve our export targets. But we must address the concerns of buyers over the low micronaire value -- a measure of fibre fineness and maturity -- and the mix of low and high variety cotton this year," he added.

In the domestic market, ginners are getting orders and queries from Ludhiana, Kolkata, Tirupur and Coimbatore mills. "There is a movement in finished goods like fabrics and garments," said Saurashtra Ginners Association president Bharat Vala who added that demand from mills varied from 500 to 1000 bales.

Ludhiana-based Vardhman Textile, a textile conglomerate, expects buoyancy in trade for the next few months. "There is improvement in yarn prices due to the increased offtake in export and domestic markets. Spinning mills have booked good orders and we expect the business to revive," said Vardhman group chai-rman SP Oswal, who is exporting 5,000 tonne yarn per month.

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Centre urged to raise import duty of tapioca starch

S. Ramesh, The Hindu

1 Jan, TAMIL NADU, ERODE,: Increase in import has led to drastic fall in prices The farming community has appealed to the Centre to raise the duty on the import of tapioca starch and modified starch to protect tapioca growers and domestic starch and sago manufacturing industry in the State.

The increase in the import of tapioca starch from Thailand and Vietnam had led to the drastic fall in the prices. “The prices, which stood around Rs. 9,000 a tonne, had come down to Rs. 2,700 now, due to the massive import of tapioca starch,” Lower Bhavani Farmers Association President, S. Nallasamy, says.

Since tapioca starch and modified starch are agricultural products, the bound rate of customs duty on these items could go up to 150 per cent, Mr. Nallasamy says.

Over four lakh growers and farm labourers in the State depend on the income from tapioca cultivation. Farmers in Erode, Salem, Namakkal, Dharmapuri and Krishnagiri are the major cultivators of the crop.

These areas are home to most of the sago and starch manufacturing units.

“The government should consider slapping safeguard duty on the import of tapioca starch and modified starch in the country. Though banning the import may not be possible under the WTO regime, it is very much possible for the government to slap safeguard duty and raise the tariff on the import to 150 per cent,” Mr. Nallasamy says.

The raise in the tariff will check the import and enable the farmers to get remunerative prices for their produce.

But the government seems to have taken no notice of the issue, which has been highlighted by the farmers from different parts of the State for a long time, Tamil Nadu Farmers Association district secretary T. Subbu alleges.

Mr. Subbu has appealed to the Tamil Nadu government to take this issue to the notice of the Centre. The extensive use of chemicals for the production of sago led to the fall in the demand, which resulted in the decline of the prices of tapioca.

The government should also take measures to control the use of chemicals in the sago production, he says.

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'Darjeeling Tea' tag: EU-India meet in February

Sutanuka Ghosal, ET Bureau

KOLKATA: The European Union is all set to clear the air over its decision to allow some European blenders a five-year transition period for selling 100% Darjeeling tea in packet. EU lawyers will engage in a discussion with the Darjeeling tea industry, commerce ministry and Tea Board officials on February 10 to work out a solution to this issue which has irked Darjeeling tea producers.

The EU notification says that for the existing blends mixing Darjeeling tea with non-Darjeeling tea, the EU regulation foresees a five-year transition period during which the term can continue to be used. After this period, these blends would have to be renamed.

"This notification has come into effect from November 10, 2011. We had been pursuing the matter with the Union government as well as with lawyers in Germany, France and the UK for a review of the decision," said Sanjay Bansal, chairman, Ambootia group.

The blenders have been handed a caveat in the sense that only those people whose products were in the market five years before October 14, 2009 can continue selling their blended product as Darjeeling tea for the next five years.

EU has registered the term Darjeeling as a protected geographical indication (PGI) for black tea originating from the West Bengal region. It is the seventh non-EU product name to get a protected status within Europe, following Columbian coffee and five Chinese products.

At least one of the stages of production, processing or preparation must take place in the specified area for the industry to obtain the label. EU's decision to grant PGI is being considered as a defining moment because nearly three-four million kg of made Darjeeling tea is exported to European countries.

The 80-odd gardens in Darjeeling produce around 10 million kg of made tea annually but industry officials estimate that around 40 million kg gets sold as Darjeeling tea across the globe a year.

In this light, the EU's decision is considered important. The process of granting a geographic indicator began with India according the GI status to Darjeeling tea in 2003. This was after the World Trade Organisation approved the Trade Related Intellectual Property Rights in 1995.

Darjeeling tea has been added to over 1,000 names of agricultural products and foodstuffs protected as PGI in the EU. Meanwhile, Darjeeling tea industry has clocked a 12% increase in production in 2011

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Copper inflated by $6.3 billion in unending exports mystery

Rishi Shah & John Samuel Raja D, ET Bureau

Dec 26, 2011, NEW DELHI: Earlier this month, the government admitted to overstating export numbers for the first seven months of 2011-12 by $9 billion because of computation errors and said it would review the data. While it is rechecking, it may want to review the 2010-11 export numbers too. ET probed deeper into the astonishing 80% increase in engineering exports for that year, and found no explanation for the highest increase by category - 350% - in copper.

In value terms, that is $6.3 billion - increase to $8.1 billion, from $1.8 billion - of unexplained copper exports. Higher copper prices don't fully explain it as that increase in 2010-11 was only 33%. So, ET went top-down and knocked on each of the four links in the copper chain, but neither data nor officials could justify this sharp rise. Not copper manufacturers, not makers of an essential input, not traders, not even the government.

When we showed data on copper exports to Shakeel Ahmed, chairman and MD of Hindustan Copper, he said: "There has been some mis-reporting in data, knowingly or unknowingly."
As per the commerce ministry website, 781,000 tonnes of refined copper was exported in 2010-11. But, asks Ahmed: "How could so much be exported when India's entire production that fiscal was an estimated 650,000 tonnes?"

Emails and calls to Anup Pujari, the director-general of foreign trade, who heads the body that looks after trade policy formulation, went unanswered. An October 10 report by Kotak Institutional Equities that analysed overall export data alludes to the possibility of money laundering.

Its authors, Sanjeev Prasad, Sunita Baldawa and Amit Kumar, write: "Given limited available data, we are cautious about drawing definitive conclusions...(but) some reports have alleged that some individuals may have been compelled to bring back funds through the 'official' route by over-invoicing exports or even resorting to fraudulent exports."

STOP 1: ENGINEERING EXPORTS BODY

To make sense of the copper export numbers, our first stop was the Engineering Exports Promotion Council (EEPC), a body set up by the ministry of commerce and industry to drive engineering exports.

Suranjan Gupta, senior joint director, attributes the spike in copper exports to a policy change. In February 2010, the government increased the incentive for Indian copper refiners to import scrap copper, process it and export it.

Value-addition norms eased

The government reduced the minimum value-addition requirement for copper cathodes (essentially sheets) and wires made from scrap copper to 8%, from 15% earlier. So, if an Indian refiner imported $100 of scrap copper, the earlier policy mandated a minimum finished-product price of $115 for it to be exported. This was now reduced to $108. Gupta says "it is likely" that Indian companies imported scrap copper in large quantities, converted it into sheet and wire, and exported those to China in a big way. China consumes about one-third of the world's copper production. According to Gupta, in 2010-11, China faced a 40% deficit in copper products.

The same year, he adds, India's scrap copper imports increased by 161% and its exports of copper sheets to China rose 917%. Ruling out suggestions of over-invoicing, Gupta says: "We should be celebrating the role of our exporters rather than blaming them for over-invoicing." However, the ministry of commerce trade data for that period does not support Gupta's assertion. That data shows a 77% increase in imports of copper waste and scrap - to $625 million, from $352 million. Even at a minimum of 15% value addition, the older norm, $8 billion of exports seems far out.

STOP 2: SCRAP COPPER IMPORTERS

ET asked four active traders, based in Mumbai and Punjab, if there was a spike in scrap copper imports. "There is no surge in demand for scrap copper," says Suresh Mehta, director in Mumbai-based Asha Mercantile Private Limited. "In fact, it's only declining. I have stopped importing scrap copper, and others too are either importing at the same level or trying to opt out of copper."

Traders, say Mehta, are struggling to cope with the spike in copper prices, which means they need more money to buy the same amount of copper. In the past five years, he says, the price of scrap copper has jumped from $2,200 per tonne to $7,300 per tonne. According to Mehta, in 2010-11, the rise in price of scrap copper was relatively muted - from 370 per kg in March 2010 to 450 per kg in March 2011.

STOP 3: INPUT PROVIDERS

Another way to ascertain whether copper smelting in large numbers has occurred or not is to check the demand for borax, or boric acid. There are many ways in which copper can be smelted and using borax is one such. If the volume of copper smelting increased by more than 300%, the demand for borax should have increased too. There are two listed companies that sell boron products in India: Borax Moraji Limited and Indo-Borax & Chemicals Limited. There's no estimate in India for the market size of boron products, but two industry officials said these two were the largest.

According to the annual report of Indo-Borax & Chemicals, "boron materials are not found in India. The basic inputs have to be essentially imported". Indo-Borax's revenues increased by 15% in 2010-11, while Borax Moraji posted a 6% rise. The annual reports of both the companies attribute the growth primarily to higher prices. Borax Moraji, which is the bigger of the two, registered a volume growth of 0.3%. Officials of both companies could not be reached for comments.

STOP 4: COPPER MANUFACTURERS

Lastly, we asked producers if they produced more. Public sector undertaking Hindustan Copper has a monopoly in copper mining. However, its annual production of 3.6 million tonnes of iron ore meets about 4% of domestic requirement. With 1% copper content, it takes 100 tonnes of ore to make 1 tonne of finished copper.

In other words, Hindustan Copper's 3.6 million tonnes of ore can produce 36,000 tonnes of finished metal - about 5% of 2010-11 production. Thus, copper refiners such as Sterlite Industries (India) and Hindalco - the two biggest - rely on copper imports to meet demand. It's not known how much ore or scrap copper they imported. However, numbers on their copper sales are available. Let alone a spike, these show a fall in production in 2010-11. Sterlite, India's largest producer, posted a 9% drop in production of copper cathode and a 5% fall in copper rods.

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Government to investigate on carbon black import from China

PTI

18 Dec, 2011,NEW DELHI: The government has decided to investigate whether the increased import of carbon black, used by the tyre and the rubber industries, from China was hurting the local manufacturers who are seeking imposition of a safeguard duty on inbound shipments.

A country imposes safeguard duty to give temporary relief to domestic producers while they adjust to the pricing tactics of competitive foreign players.

The domestic industry has requested the Directorate General of Safeguards (DGS) for immediate imposition of safeguard duty on imports of carbon black originating from China for a period of four years.

"The application has been examined and it has been found that prima facie increased imports of carbon black have caused and are threatening to cause market disruption to the domestic producers of carbon black and as such it has been decided to initiate an investigation...," the DGS said.

The application has been filed by the Association of Carbon Black Manufactures on behalf of two of its member companies Phillips Carbon Black Limited (Kolkata) and Hi-Tech Carbon (Sonebhadra). The companies account for more than 80 per cent of the total production of carbon black in India.

The imports from China have increased phenomenally from 13,944 MT in 2008-09 to 70,193 MT in 2011-12, an increase of 429 per cent. Besides, the import from China with respect to domestic production was 3 per cent in 2008-09, which has increased now to 11 per cent in 2011-12.

The profitability of the domestic industry has steeply deteriorated due to the increased imports and the domestic industry is now suffering financial losses, the application said.

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India extends ban on milk imports from Chinese

PTI

26 Dec, 2011, NEW DELHI: India has extended ban on import of milk and its products from China for another six months, according to the foreign trade office.

The ban was in effect till December 24. "Prohibition on import of milk and milk products (including chocolates and chocolate products and candies/ confectionery/ food preparations with milk or milk solids as an ingredient) from China is further extended till 24.6.2012 or until further orders, whichever is earlier," Directorate General of Foreign Trade (DGFT) said in a notification.

Imports of milk and milk products from China have been prohibited since September 2008.

Though the DGFT has not cited any reason for the ban, it is understood it was over fears of Chinese milk containing melamine, a deadly chemical, a source said.

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Tyre dealers seek removal of anti-dumping duty

Dilip Kumar Jha, Business standard

Mumbai December 26, 2011: Squeezed between falling demand from local auto sector and depreciating rupee making imports costlier, domestic tyre dealers have urged the government to immediately notify the removal of anti-dumping duty.

On August 2, the Customs, Excise and Service Tax Appellate Tribunal had set aside the anti-dumping duty levied by the government. The tribunal directed the government to immediately withdraw anti-dumping duty on tyre imports from China and Thailand.

Today, All India Tyre Dealers' Federation (AITDF) said the notification is yet to be published in the official gazette, although the government has honoured the order of the tribunal. "Hence, anti-dumping duty continues to be levied even now," according to S P Singh, AITDF convener.
"We, therefore, urge the government to immediately notify the withdrawal of the duty."

The designated authority, anti-dumping and allied duties, Department of Commerce had imposed duty of $32 to $90 on import of truck or bus radials. A steep decline in the rupee by 23 per cent in last two quarters has crippled the tyre import even for passengers car radial and two and three-wheeler tyres as well.

The inordinate delay in issuance of tyre quality standard certification by Bureau of Indian Standard (BIS) to the more than two dozen foreign tyre brands according to the Quality Control Order, 2009, implemented on May 13, too has further reduced the import of tyres from Brazil, South Africa, Europe, China, Korea, Japan, Taiwan, Malaysia and Indonesia.

This has been exploited to the hilt by the domestic tyre majors causing hardships to local tyre dealers, road transporters and, in turn, high tyre prices and domestic short supply due to steep increase in tyre exports is resulting in higher transportation caused and consequently pushing up the inflation, Singh added.

Depreciating rupee at 52.84 against the US dollar with 23 per cent decline in last five months has caused a drastic drop in tyre imports, coupled with tariff and non-tariff barriers — high prices and shortage of various categories of tyres and tubes despite onset of traditionally low domestic demand winter seasons in the country.

Consequently, the domestic tyre industry is facing huge difficulty on import of various categories of tyres used for commercial vehicles, passenger cars and SUVs, mining equipment and two, three-wheeler vehicles. Since April 2011, tyre imports in the replacement market have dropped by over 70 per cent and the rupee depreciation has raised the exports 30 per cent, leading to high domestic tyre prices and shortage of various categories of tyres and tubes even during winter season in which the demand traditionally falls 5-10 per cent.

Tyre imports for replacement bus and truck markets has slumped to nearly 10,000 units in November as compared to nearly 125,000 units early this year.

The most shocking is the stubborn behaviour of oligopoly of domestic tyre majors refusing to relent voluntarily by rolling back the tyre prices to January 2011 level as natural rubber price has dropped to Rs 200 per kg now from the peak Rs 240 per kg in May this year. Instead, the tyre prices of various categories since January 2011 have gone up by 15-20 per cent.

The removal of anti-dumping duty, according to a tyre dealer, will help the trade and the users of the good. What's more, it would contain runaway inflation, which is being contributed by increasing truck freight for past two years, he added.

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Apparel exporters fail to gain from falling rupee on poor demand

Shramana Ganguly Mehta, Economic Times

AHMEDABAD, 20 December: Apparel exporters have failed to turn the rupee's slump into big orders largely because western retailers have cut orders for the 'Spring Summer 2012' season on fears of a slump in demand after the Christmas season.

More than 80% of India's $11-billion apparel business depends on the US and European markets where consumers are currently not spending much on clothes, thanks to the crisis in Europe.

"A falling rupee is good for exports, but poor sentiments are not helping business," said Premal Udani, chairperson of Apparel Export Promotion Council, the official body of apparel exporters. The rupee, the worst performing currency in Asia this year, has dropped more than 16% against the US dollar since July.

On Monday, the currency closed at Rs 52.88/90 to the dollar. A fall in currency normally helps exporters because they can sell more for fewer dollars to make themselves more competitive in international markets. However, Indian exporters are unable to gain because western buyers are buying less. Since October, sourcing is down 15%.

"There is lot of nervousness in the West. People are buying close to the season and retailers are going slow with their orders," said Udani. UK-based textile economist Robin Anson of Textiles Intelligence expects consumers to tighten their belts after the Christmas season. "Even the affluent consumers are feeling the pinch," he said.

US-based market research firm Consumer Edge Insight has indicated that spending inclinations of consumers are at a two-year low. The euro crisis and a looming recession outside Germany too may depress sales at clothing stores in 2012. So, instead of celebrating he fall in rupee value, many small exporters are struggling to survive due to lackluster demand, an AEPC official said.

"Chiffons and georgettes are increasingly replacing cotton, their proportion has gone almost threefold to 40% in last four months," said New Delhi-based export house Dimple Creations MD Praveen Nayyar.

Dimple Creations is working on mass production styles that have less value-addition in terms of embellishments and hence, would be economical to buyers. Frugal consumers are restraining high-fashion buys and opting for garments that cost cheap and many small exporters are unable to cater to the new requirements.

"Only big players with substantial capacities would be able to meet those needs and survive the crisis," said KH Gopal of Alok Industries, which has won several orders for home furnishing to apparel. India's apparel export basket has always been heavily tilted in favour of cotton, but now the presence of man-made fibres like polyester, viscose or lycra is on the rise.

There are more blends in export categories like women's blouses and shirts, men's shirts, scarves, mufflers, mantillas, veils and so on, said Technopak VP, Fashion, Amit Gugnani. Challenging times has made Ahmedabad-based home textiles exporter Pradeep Overseas introduce a new product category. "We have introduced cotton-viscose-cotton fabrics which are 20-45% cheaper than the former," said Kamal Garg, marketing VP of the firm.

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$33 billion export target set for textiles sector

Special Correspondent, Livemint

2 December 2011: With industrial production taking a dip and the labour-intensive textiles sector witnessing a slowdown, the Government on Monday announced that Commerce, Industry and Textiles Minister Anand Sharma would hold consultations with the industry representatives on how to deal with the emerging situation.

An official spokesman said here that in the backdrop of negative growth in industrial production, the government had decided to hold consultations on December 19 with industry leaders. Mr. Sharma will hold government-industry consultation on the issue on December 19 after his return from the WTO Ministerial, an official statement said here. Industrial output registered a negative growth of 5.1 per cent in October, the lowest in over two years, mainly due to rising interest rate, high prices and global uncertainties.

Speaking in the Lok Sabha, Mr. Sharma expressed serious concern over the slowdown in the textiles sector and said the government was apprised of the situation and working on solutions to meet the new challenges due to global economic slowdown.

Mr. Sharma said that despite the damp economic global trend, the Government had set an export target of $33 billion for the textiles sector next year against the current year target of $28 billion.

The textiles sector had witnessed a slowdown due to various factors, including poor global economic situation, he said.

Mr. Sharma said the Government had constituted six high-level inter-ministerial committees with representation from various ministries and departments, including the Planning Commission, to review and evaluate the performance of the textiles industry.

On the issue of dumping of Chinese silk, Mr. Sharma said the government had not received any complaint of dumping of Chinese raw silk in the Indian market and maintained that natural calamities in China had reduced production of silk in that country. The issue was raised by Basudeb Acharya (CPM).

The Minister maintained that Chinese silk was helping weavers in India as the production of raw silk had come down. He said the establishment of 21 new integrated textile parks was approved in October this year at a cost of Rs. 2,100 crore to create world-class infrastructure for the textiles industry. On the issue of handloom census, Mr. Sharma said the handloom sector was facing competition from the mechanised sector and also from cheap imported fabrics.

He said the flow of credit to the handloom sector had been characterised by high costs and low disbursement levels. Mr. Sharma said the Cabinet Committee on Economic Affairs recently approved a Rs.3,884 crore loan waiver package for the handloom sector. He said the package would reopen choked credit lines for handloom weavers and their societies and would benefit three lakh handloom weavers.

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Anti-dumping duty imposed on opal glassware from China, UAE

PTI

New Delhi, Dec 6: India has imposed anti-dumping duty on cheap imports of opal glassware from China and the United Arab Emirates for a period of five years.

The duty would be in the range of 41. 6 - 110. 17 per cent of the landed cost of consignments from China, while UAE-imported opal glassware would attract duty at 36.73 per cent of the cost.

Opal glassware is a milky white glass used in lighting fixtures and tableware.

"The anti-dumping duty imposed shall be levied for a period of five years (unless revoked, superseded or amended earlier) from the date of imposition of the provisional anti-dumping duty, that is, August 9, 2011, and shall be payable in Indian currency," the Department of Revenue has said.

The levy was imposed after the designated authority, the Directorate General of Anti-Dumping and Allied Duties (DGAD), a nodal agency under the Commerce Ministry, recommended its imposition following an investigation.

In its probe, the DGAD concluded that the domestic industry had suffered a material injury on account of dumping of the product by both nations.

Earlier, in August, the DGAD had imposed provisional anti-dumping duty on opal glassware from China and the UAE for six months.

Anti-dumping duty is recommended by the Commerce Ministry, while the Finance Ministry imposes the same.

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Before knocking on WTO doors, India seeks talks with US on steel duty

Amiti Sen, ET Bureau

Dec 3, 2011,NEW DELHI: India has decided to seek consultations with the US on the 'wrongful' imposition of penal duties on its steel exports, a first step that a country takes before dragging another to the dispute settlement mechanism of the World Trade Organsiation or WTO.

The US imposes steep penal levies in the form of countervailing and anti-dumping duties on Indian steel companies such as Essar, Tata, Jindal and Sail making exports from these companies unviable.

Earlier this week the US initiated fresh investigation against steel pipes from India despite New Delhi objecting to such duties on other steel products on the ground that the basis for calculating domestic prices of steel for imposing penalties was faulty. Commerce secretary Rahul Khullar, who is on an official visit to Washington, is likely to ask the US to begin consultations with India on the issue, a government official told ET.

"We have had our legal firms examine the issue and we are sure that the basis for their calculation of the penal levies is faulty," the official said.

Once bilateral consultations begin, India will give its legal views to the US on the issue and if the talks are unsuccesful, it could take the next step of discussing the issue at the WTO. If bilateral consultations at all levels fail, a country can then ask for setting up of a dispute settlement panel to settle the issue.

"The US is continuing its practice of faulty pricing calculations and if not checked India will never be able to export any steel products to the country," said a representative from a steel company that has stopped all exports to the US.

The US has been imposing countervailing duties or CVD, a levy to neutralise government subsidies, on steel for the last decade. Duties on Indian companies range from about 18% on Essar to over 500% for companies such as Tata and Jindal.

It also imposes antidumping duties, a penal levy on imports that are sold at higher prices in the home market of the exporter, of over 20%. India wants to challenge the US department of commerce's assumption that the iron ore sourced by Indian steel makers from NMDC is supplied at subsidised rate because it is a public body.

"This is a wrong assumption as NMDC always sells at the prevailing market prices which is determined by their exports to Japan and South Korea," the official said.

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Indian basmati rice consignments held in US being cleared

Press Trust of India

New Delhi December 02, 2011:The US government is in the process of clearing Indian consignments of basmati rice held at its ports for traces of pesticide called tricyclazole, a senior official of the agri-export promotion body, the Agricultural and Processed Food Products Exports Development Authority (Apeda) said.

Tricyclazole is a widely used pesticide in rice-growing countries, including India, Thailand, Japan and China.

“The US has cleared the maximum containers of basmati rice. It is in the process of examining the remaining few. The problem is easing," the official added.
As some containers of basmati rice had presence of a pesticide named tricyclazole, the US Food and Drug Administration (USFDA) had detained all consignments without physical examination, he said.

Tricyclazone, a pesticide manufactured by a US company, is, however, not registered and not found in the pesticide list that USFDA checks while detecting pesticide residues in the imported food items. If not a registered pesticide, the USFDA considers it illegal and not safe for human consumption.

According to the government sources, out of 150 containers (20 tonnes each) of basmati rice from India that have been detained since July at various ports of the US, 85 per cent have been cleared.

Noting that domestic exporters have been facing hurdles in shipping basmati rice to the US due to the pesticide issue, the Apeda official said: “There is no panic situation. The issue is being resolved."

Meanwhile, the All India Rice Exporters Association (AIREA) has taken up the issue with the US authority and has requested it to consider registration of tricyclazole.

“About 10-15 per cent of our detained containers have traces of tricyclazole, which is not registered in the US. We have informed them the traces of tricyclazole found in our containers are much lower as compared to other countries," AIREA President Vijay Sethia said.

The presence of tricyclazole in the aromatic grains are within safety levels of 0.02-0.04 ppm (parts per million) set by the Indian government. In comparison, Japan and Europe allows a maximum pesticide residual level of one and three ppm, respectively, he said.

India exports around 80,000 tonnes of basmati rice to the US annually. 50,000 tonnes has been shipped this year.

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India, EU reach an understanding over not detaining generic drugs from India

India Pharma News

9 December 2011, New Delhi: Jyotiraditya M. Scindia, Minister of State for Commerce & Industry informing Rajya Sabha, the upper house of the Indian Parliament, said that India and European Union (EU) reached an 'Understanding' to guide border enforcement of intellectual property in the EU and thus will not detain Indian generic medicines while in transit through EU.

It may be noted that India had initiated dispute settlement consultations on May 11, 2010 at the World Trade Organisation (WTO) with the European Union (EU) after several rounds of discussions directly with EU could not produce any results. The issue was taken up by India when generic medicines while in transit through EU were detained invoking the EC's Regulation 1383/2003 against goods suspected of infringing intellectual property rights (IPRs).

As per the understanding reached between the two parties, EU has agreed to replace Regulation 1383/2003 with a new regulation. The European Commission has already approved a proposal for a new regulation and said that the proposed new regulation is being reflected upon in EU's Parliament.

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New telecom policy to have reservation for local manufacturers

The Economic Times

10 December 2011: ET had reported last month that India has decided to give preferences, including tax cuts, to indigenously manufactured telecoms equipment, despite concerns raised by the United States and the European Union, which had said that such concessions would violate WTO commitments.

Last month, the department (DoT) committee, examining the issue, had concluded that these concessions as well as reservations for local mobile equipment manufacturers were necessary from a national security perspective. This committee has cleared the proposal that mandates domestic operators to source 65% of their annual hardware and network-related equipment from Indian companies by 2020.

The reservations for domestically-manufactured equipment will be part of the new telecoms policy 2011,that is scheduled to be unveiled by December this year.

Earlier this year, sector regulator Trai had proposed that mobile phone companies be mandated to source 80% of their network equipment and other related infrastructure from domestic manufacturers by 2020. But this also includes network and other hardware produced by the manufacturing units of foreign vendors located in India.

Trai had also recommended that companies owned by Indians and located here get 65% of all telecom network orders by 2020. Put simply, the regulator had sought that manufacturing arms of international vendors such as Ericsson, Huawei, Nokia, Siemens and Alcatel-Lucent amongst others to account for only 15% of all equipment orders by 2020.

Trai also sought that these proposals be implemented in a phased manner. For instance , it had said that by 2015, mobile phone companies be mandated to source 45% of all telecoms equipment domestically. Off this, Trai wants Indian companies to account for 25%.

In addition to recommending that domestically manufactured products be given preferential market access, it had also proposed a slew of incentives to kick-start telecoms equipment manufacturing in India.

The five-member DoT committee has endorsed Trai's proposals.

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Palmolein import tax unlikely to be raised

Bloomberg

New Delhi December 1, 2011: India, the world's second-biggest user of cooking oil, will resist calls from local processors to increase tax on refined palmolein imports, as a plunge in the rupee makes overseas purchases abroad more expensive, according to two government officials.

The government will keep $484 a tonne as the base price for taxing imports at 7.5 per cent at least the next three months, said the officials, who have direct knowledge of the matter. An increase in the base rate would have raised the prices of imported oil, fuelling inflation, they said. The rate may be raised in the annual budget in February, they said.

India's rupee fell to a record 52.73 per dollar on November 22, on concern Europe's debt crisis would hurt demand for emerging market assets. The 14.6 per cent slump in the currency this year threatens to boost import costs, fueling inflation. The food price index has stayed above nine per cent for the last 16 weeks.

"If the current base price continues, refined oil imports will likely increase and hurt domestic refiners," said BV Mehta, executive director of the Solvent Extractors' Association of India, a grouping of processors. "Unfortunately, the government is more concerned about the food inflation."

The processors in September asked the government to increase the base price and import duty on refined palmolein after Indonesia, India's biggest supplier, cut export tax on refined palm oil and raised export duty on crude palm oil.

Food minister K V Thomas declined to comment. India set the base price for various cooking oils more than five years ago, while the actual cost of imported fats have surged, according to processors' group. Refined palmolein is imported at about $1,080 a tonne, while buyers need to pay tax only at $484 a tonne, it said. The benchmark prices, introduced to prevent traders from paying lower import duties by understating edible oil prices, are revised in line with international edible oil prices.

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Telecom manufacturing policy sends negative signals, says EC

Thomas K Thomas, Hindu Business Line

New Delhi, Nov. 21: The European Commission has told the Communications and IT Minister, Mr Kapil Sibal, that the move to give preferential treatment to domestic manufacturers of telecom equipment raised questions about India's commitment to open and fair conditions of doing business.

In a letter to Mr Sibal, European Commission's Vice-President, Ms Neelie Kroes, said that the proposed manufacturing policy sent negative signals to the international business community and warned India of losing out on future innovations.
“The proposals fail to appreciate the way research and development is conducted and intellectual property developed, in today's world of widely distributed knowledge. By imposing local registration of IPR, India risks losing out on future innovation by shutting doors on innovation taking place interdependently across our economies,” Ms Kroes said in the letter.

Second letter

This is the second letter from the European Union on the issue. In September, the Ambassadors of Italy, Finland, Denmark, France, Germany and Sweden had raised concerns against the proposed telecom manufacturing policy on grounds that it may flout WTO norms.

The Ministry of Communication and IT had floated a proposal to reserve 30 per cent of all electronic equipment procurement to items manufactured in India. This includes telecom gear and IT peripherals. When the policy is announced, telecom companies, both private and public sector, will have to buy 30 per cent of their hardware from those that have manufacturing base in the country or face penalty. This goes up to 80 per cent by 2020. The policy also gives fiscal benefits to local products in terms lower taxes.

If implemented, it will have major impact on European manufacturers, including Nokia Siemens, Ericsson and Alcatel-Lucent.

“We strongly believe that implementation of these proposals will not only have the potential to harm the EU and its ICT industry, but it will not be in India's own interest. Indian consumers and SMEs will pay higher prices than needed if domestically manufactured telecom products are given preferential market access,” the latest letter from EC said.

The US Government had also raised similar concerns over this issue earlier as the proposed policy will also impact American manufacturers such as Cisco, HP, Motorola and Dell.

Local manufacturers

On the other hand, local manufacturers are pushing for more concessions in the proposed policy. According to the Telecom Equipment Manufacturing Association of India, the Government should be concerned about the huge import bill arising out of importing telecom gear.

They have also presented a case for creating an R&D fund that will be used to creating Indian IPR. Indian products account for just two per cent of the overall demand in the market estimated to be worth Rs 54,700 crore.

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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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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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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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Nylon traders oppose levy of anti-dumping duty

The Times of India

23 October 2011 SURAT: South Gujarat Nylon Traders Association (SGNTA) and South Gujarat Wrap Knitting Association (SGWKA) have jointly opposed levy of anti-dumping duty on nylon filament yarn by the central government.

Sources said the ministry of finance and the ministry of textile have jointly decided to review the levy of anti-dumping duty on nylon filament yarn. Five years ago, the government had levied anti-dumping duty ranging between Rs 40 and Rs 50 per kilogram on the import of nylon filament yarn. This is likely to be increased.

Industry leaders said anti-dumping duty on nylon filament yarn will lead to large-scale unemployment following shut down of weaving units and will have a serious impact on weaving and knitting sectors.

The country's biggest man-made fibre industry in the city, which contributes 40 per cent of the man-made fabric demand in the country, houses about 6 lakh weaving machines, out of which 1.5 lakh machines are using nylon filament yarn as their main raw material. Moreover, the city houses about 750 warp knitting units - there is a total investment of Rs 300 crore in this sector -- using nylon filament yarn as their main raw material.

The monthly requirement of nylon filament yarn is about 5,000 tonnes, out of which 3,300 tonnes, is supplied by the domestic nylon spinners and the rest is imported from countries like China, Taiwan, Malaysia, Indonesia and Korea.

President, SGNTA Vishnu Goenka told TOI, "There should be a level playing field for the importers and end users of nylon filament yarn in the city. We have urged the concerned ministries in the central government to adopt a neutral approach by fixing anti-dumping duty on the goods imported below certain fair value. If we are importing nylon filament yarn at $3 per kilogram and the same is available on similar price in the domestic market then anti-dumping duty should not be levied."

He said about 1,400 tonnes of nylon filament yarn needs to be imported every month to satisfy the manufacturing needs in the city.

"The domestic knitters are facing stiff competition from China as about 250 to 300 tonnes of knitted fabrics is imported per month. The government should impose anti-dumping duty on such products," Goenka said.

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India plans to move WTO against US over imposition of penal duties on steel import

Amiti Sen & Meera Mohanty, ET Bureau

Oct 22, 2011, NEW DELHI: India plans to approach the World Trade Organisation over the imposition of 18% to 500% penal duties by United States on imports of hot-rolled steel, a move that has priced Indian producers out of the US market. The move follows India's failure to sort out the issue with the US bilaterally.

The commerce department is shortlisting legal firms to formally lodge a complaint at the WTO against the countervailing, or anti-subsidy, duties, a government official told ET.

The US has imposed levies on steel exports from Indian companies over the past three years, arguing that it considers as subsidies incentives such as duty exemptions to units in special zones, loans from state-owned banks and purchases from government bodies. Coupled with an anti-dumping duty of over 20%, Indian producers of hot-rolled steel, such as Tata Steel, Jindal, Essar and SAIL, have become totally uncompetitive in the US.

"We have not been able to export at all to the US for over three years now," a representative of a top steel-producing company told ET on condition of anonymity.

The WTO allows imposition of countervailing duty on imports if it is proved that the government of the exporting country has subsidized the products.

India wants to challenge the US department of commerce's assumption that the iron ore bought from NMDC is supplied at subsidised rate because it is a "public body''. "This is a totally absurd assumption as NMDC always sells at the prevailing market prices and the government does not control the pricing," the official said.

Commerce minister Anand Sharma has taken up the issue with commerce department officials in the US during his recent visits to the country, but the response has not been favourable.
"We have no option now other than approaching the WTO. We have examined the issue closely and are certain that we have a good case against the way the US calculates CVD," the official said.

Once India formally complains to the WTO, it will be directed to hold consultations with the US to see if the issue could be resolved without starting a dispute.

If the consultations fail, India will then request the dispute settlement board of the WTO to set up a panel to decide on the matter.

A WTO panel's recent verdict in favour of China against US imposition of CVD where it ruled that merely because an entity is owned by the government does not mean that the pricing is subsidised could help India in proving its point as well.

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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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Anti-dumping duty on caustic soda imports

Anindita Dey & Rutam Vora, Business Standard

Mumbai/ahmadabad October 16, 2011, 0:42 IST: In a major blow to the manufacturing industry, the finance ministry has imposed an anti-dumping duty on the use of caustic soda till 2013.

The duty will be levied on all imports originating from Saudi Arabia, Korea and the US. While the notification issued by the anti-dumping directorate has not spelt out the duty amount, it has clarified that it would be based on the reference rate which is around $400 and landed cost of the commodity.

Companies such as Hindustan Unilever, Procter & Gamble Hygiene and Health Care, Colgate-Palmolive, Godrej Consumers Products, Nirma, Reckitt Benckiser and Henkel SPIC (India) Ltd are some of the major consumers of caustic soda, besides the paper industry, textiles and pharma sector.

The decision of the Union finance ministry to impose an anti-dumping duty on imports of caustic soda, have failed to impress the domestic industry.

Caustic soda makers termed the quantum of duty “very low” against the already lower international prices, while consumer industries including soap makers, textiles and paper industry cried foul over the sudden spike in caustic soda prices in the domestic market, while import option will be more costly once the government decision comes into effect.

An official with one of the petrochemical companies said: “Caustic soda is a major chemical ingredient and domestic manufacturers have been suppressing a price rise for some time, since import was cheap. Many domestic manufacturers of this chemical refrained from a price rise, even at the cost of lower margins or loss and many industries have leaned down production. But now, with this anti-dumping duty, chemical manufacturers can increase prices which could trigger a price rise of its end products.”

Despite representations by domestic soap makers, including Hindustan Unilever, that their requirements are not met by supplies from domestic companies and they have to resort to imports, the anti-dumping directorate has advocated that the duty is required to provide level-playing field for domestic manufacturers vis- a vis imports.

Caustic soda is a soapy, strongly alkaline, odourless liquid widely used in paper, viscose yarn and staple fibre, aluminium, textiles, toilet and laundry soaps, detergents, dyestuffs, drugs and pharmaceuticals, vanaspati and petroleum refining industry, among others.

Caustic soda companies also see the size of the duty as lower than expected. “The imposition of duty on caustic soda imports is not going to benefit the domestic industry as the quantum of the duty seems to be very low. This duty fails to settle the prevailing disparity between international and domestic prices of caustic soda. Even after paying the duty, international prices would continue to remain lower,” said an industry source.

According to industry insiders, companies that are dependent on imported caustic soda may have to shell out more. Domestic supplies of caustic soda may also get costlier.

It is evident from the fact that soon after the imposition of the duty, the sentiments have already turned bullish as the prices of caustic soda in the domestic markets have started showing upward signs. In the past one week, caustic soda prices have jumped by Rs 3,000 t o Rs 4,000 per tonne.
Caustic soda liquid was priced in the range of Rs 28,000 to Rs 29,000 per tonne, while flax prices hovered around Rs 31,000 to 32,000 per tonne.

“Caustic soda prices have already started rising in the domestic market as a fallout of the imposition of import duty. But it is less likely that consumer industries would pass on this price hike to its finished products, because they are already faced with low demand. Rather they (consumer industry) are more likely to adopt a wait-and-watch strategy for prices to fluctuate,” said an Ahmedabad-based leading caustic soda trader.

But to some, the imposition of import duty may prove to be irrelevant. “We have our own caustic soda plant, with all the in-house raw material supplies available. Hence we do not depend on other companies for our requirements. So it is irrelevant to us if the anti-dumping duty stays or goes,” said a source at Nirma Limited, India’s largest detergent maker.
Meanwhile, sources from Tata Chemicals, India’s leading caustic soda maker, maintained that the imposition of duty would benefit the Indian caustic soda industry. “The move will surely help domestic manufacturers. Going forward, there could be some impact on prices as imports would get costlier,” said a company official, requesting anonymity.

The anti-dumping directorate was conducting a sunset review of the duty which had expired in 2008.

The initial appellants were Gujarat Alkalies & Chemicals Limited, Grasim Industries Limited , DCM Shriram Consolidated Limited, SIEL Industrial Complex and Bihar Caustic & Chemicals Limited

Later, the petition had been supported by a host of other companies, including Reliance Industries Limited, Kanoria Chemicals & Industries Limited, Gujarat Fluorochemicals Limited, Solaris Chemtech Limited, DCW Limited and Jayshree Chemicals Limited.

Officials said the views of all stakeholders, including importers were taken before the decision was made. Some of the major importers who have responded are National Aluminium Company (NALCO) and Hindusthan Level Ltd.

The anti-dumping duty on imports from Indonesia, European Union and Taiwan had been levied between 2006 and 2008. The directorate initiated a review of the duty in 2010 following representations from the industry.

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Safeguard duty recommended on chemical used in plastic mfg

PTI

New Delhi, 9 October 2011: The Revenue Department has recommended the re-imposition of a safeguard duty on imports of a chemical used in plastic manufacturing with a view to protect the interest of domestic producers.

Earlier, the government had imposed a safeguard duty of 25 per cent on Phthalic Anhydride (PAN) in January, 2009, for six months and subsequently, at 15 per cent till December, 2009.

The Directorate General of Safeguards (DGS), which is under the Revenue Department, after a preliminary investigation, found that increased imports of Phthalic Anhydride have caused grave injury to domestic producers and it will be in the public interest to impose a safeguard duty.

"... Safeguard duty at the rate of 10 per cent ad-valorem, which is considered to be the minimum required to protect the interest of domestic industry, is hereby recommended to be imposed on imports (of PAN)...," the DGS said.

A slowdown in the markets of Europe and America from 2009 onward and worsening global conditions in the last five months due to the crises in some European nations has resulted in surplus production of the chemical worldwide.

"This has resulted in heavy surpluses for the industry, which are being channelled into India, noticing India's growth prospects amidst a looming global recession," the DGS said.

The DGS had conducted a probe into the imports on the basis of a complaint by three of the five domestic producers, which account for 86 per cent of the total country's production.

The chemical is imported from a number of countries, mainly Korea, Israel, Iran and Taiwan. Imports of PAN have shown an increasing trend in absolute terms and also had an impact on the market share of domestic producers, the DGS said.

The imports increased from 28,098 MT in 2009-10 to 61,965 MT in 2010-11, an increase of nearly 221 per cent in absolute terms, "which is phenomenal", it said.

The domestic industry had informed the DGS that their market share had increased in the year 2009-10 due to the imposition of a safeguard duty, but the same declined after the duty expired.

The DGS will hold a public hearing on October 18 before making a final determination on the imposition of a safeguard duty.

PAN is used to produce Phthalate esters, which function as plasticisers. It is an important chemical intermediate in the plastic industry.

In accordance with WTO norms, safeguards protect domestic producers temporary relief while they adjust to the pricing tactics of competitive foreign players. PTI N

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Apple issue brings Cong, BJP at loggerheads

Anand Bodh, TNN

Oct 14, 2011: The apple issue has brought the Congress and the BJP at loggerheads in the state. The BJP since three years has been demanding inclusion of apple in the special product list of the central government, besides a hike in its import duty. But, a recent letter from the Union minister for commerce, industry and textiles, Anand Sharma, who belongs to Shimla, has made it clear that at present both the demands cannot be met because of different reasons.

Horticulture minister Narinder Bragta on August 4 had written to Sharma on the issue. In response, Sharma through a letter dated September 16 made it clear that after getting the matter examined, it was found that the present import tariff was 50% which was also a "bound rate of duty agreed in general agreement on tariffs and trade (GATT) and World Trade Organization (WTO)".

Sharma added that scope for further increase in the tariff rates without further negotiations under the WTO regime seemed unlikely at the moment.

On the letter, Bragta said the central government has failed to protect the interests of apple growers of Himachal, Uttrakhand and Jammu and Kashmir. "Import duty during NDA rule at the Centre was 30%. When we had taken up the issue with then prime minister Atal Behari Vajpayee, the import duty was increased to 50%. But what has UPA done for the apple growers?" said Bragta.

Expressing surprise, he said the Union minister made it clear through the letter that Union ministers from Himachal Pradesh have no clouta¦ they have failed to protect the interests of the state. "When for other fruit products import duty can be 300%, then why is it not being increased for apple," he added.

As both the parties know that apple production directly affects the livelihood of over 1.6 lakh families in the nine districts of 12 in the state, they keep on raising issues concerning apple growers in the state from time to time.

BJP leaders in the state, especially chief minister Prem Kumar Dhumal and horticulture minister Narinder Bragta, had been raising the issue of "increasing import duty on apple and including it in the special product list to safeguard the interest of domestic fruit growers" as they are facing stiff competition from apple imported from the US and China. The state government claims that as compared to 35,832 tonne of apple imported in 2006-07, import increased to 1.15 lakh tonne in 2010-11, while during current financial year it is expected to be around 2 lakh tonne which is directly affecting the interest of domestic producers.

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India needs to develop better standards in electronics manufacturing: CII

Economic Times,

25 September, NEW DELHI: India needs to develop better standards to push the domestic manufacturing of electronic products in line with international practices, the Confederation of Indian Industry (CII) said Sunday.

CII said the trade of information technology and electronic products would increase, as the World Trade Organsiation (WTO) had eliminated all import duties on a wide range of items, but it also meant they would also come under increased scrutiny for quality.

"Under the WTO-ITA-I agreement, with tariffs being reduced to near zero, international electronic and electrical products trade would increasingly be subjected to higher technical regulations and conformance standards," said CII.

"Already, the number of these regulations and standards has increased significantly in recent years, especially relating to consumer protection, national interest, quality, environment protection, and corporate social responsibility," it added.

The lobby urged the government to revise regulations and ensure conformity of standards for developing the domestic information communication technology and electronics (ICTE)manufacturing sector.

"Standards, testing, labelling and certification requirements for quality are also rising. Electronics companies must conform to these standards or risk loss of business," said CII.

Globally, the electronics industry is valued at about $1.75 trillion and is one of the largest and fastest growing manufacturing sectors in the world.

Electronics products are among the top three globally traded products with robust value chains linking factories across the world.

The ICTE sector in India has been growing at a compounded annual growth rate of 16 percent in the last five years, but in comparison to global levels, its value at $26.6 billion remains considerably small.

About 60 percent of India's demand for ICTE products is met through imports.

According to a report of the task force of department of information technology, ICTE production in the country could grow to $400 billion by 2020, including $80 billion of exports.

"There is need to develop and mandate conformance standards for locally manufactured as well as imported ICTE products in harmony with international practices and benchmarks. Offering incentives to companies to adopt such standards would help integrate Indian companies with the global supply chain," added Inderdeep Singh, chairman, CII national committee on ICTE manufacturing.

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Now, EU raises concerns over telecom manufacturing policy

Business Line (The Hindu)

30 September 2011: The European Union has raised concerns against the proposed telecom manufacturing policy on grounds that it may flout WTO norms.

In a letter to the Secretary, Department of Telecom, the EU said that though India has the right to define a domestic manufacturing policy, it should respect the obligations under international law.

The Ministry of Communication and IT had floated a proposal to reserve 30 per cent of all electronic equipment procurement to items manufactured in India. This includes telecom gear and IT peripherals. When the policy is announced, telecom companies, both private and public sector, will have to buy 30 per cent of their hardware from those that have manufacturing base in the country or face penalty. The policy also gives fiscal benefits to local products in terms lower taxes.

If implemented, it will have major impact on European manufacturers, including NokiaSiemens, Ericsson and Alcatel-Lucent.

"The proposed preferential access measures favouring Indian manufactured products appear to run counter to Article III:4 of the GATT 1994, as such measures would result in imported products facing a less favourable treatment than that given to domestic like products," the EU letter said.

The letter signed by the Ambassadors of Italy, Finland, Denmark, France, Germany and Sweden has also been sent to the Commerce Ministry.

US seeks clarification

The US Government had also raised similar concerns over this issue earlier as the proposed policy will also impact American manufacturers such as Cisco, HP, Motorola and Dell. The US has specifically objected to bringing procurement by private companies within the ambit of the new policy.

The US has asked, "Could India please clarify how the preference regimes for domestic purchases carried out by private sector enterprises that are licensed by the Government qualify as 'products purchased for Governmental purposes' so as to constitute government procurement under the terms of the GATT Article III-8a?"

The US has asked this as part of the fifth Trade Policy Review of WTO. Under international trading protocols, WTO members are not allowed to give protection to local products except when procured by governmental agencies.

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Europe threatens to break off India free-trade talks

Agence France Presse

27 September 2011: European governments are threatening to break off negotiations with India on a free-trade deal the EU had hoped would be worth 175 billion euros a year, an EU report revealed on Tuesday.

Four years after talks began with New Delhi, frustrated European Union trade ministers have taken the decision to signal a fixed deadline for the deal of February 2012, at an already delayed bilateral summit.

Otherwise, they say, the offer would come off the table.

"A message will be passed to India that if by the time of the summit there is no agreement, there would need to be a pause in the negotiations," ministers agreed according to an official report on the talks seen by AFP.

An EU official confirmed the drastic threat, and said that of the 27 EU states, only Denmark spoke out against the high-risk strategy during the talks on Monday.

EU Trade Commissioner Karel De Gucht debriefed the ministers on a plan for fall-back positions which could see the EU accept less than it wanted in certain core areas.

Painstaking negotiations have been dragged down by big disagreements over "cars, wines, spirits and services," according to an official who attended the talks.

Given the mounting scale of the problems, the ministers backed the commission negotiators' so-called "landing zones" idea, but insisted that such "concessions will prejudice the EU in the long term," the official report read.

De Gucht hinted at a press conference on Monday that "at a certain point, it requires pragmatism" to reach an agreement.

His spokesman, John Clancy, said De Gucht only took the ministers' "general positions" on this fallback planning.

In an effort to jump-start the flagging negotiations, European Commission chief Jose Manuel Barroso will meet Indian Prime Minister Manmohan Singh on the sidelines of the G20 summit in Cannes, France, in

November, and will also travel to Asia before the end of 2011.

Thirteen rounds of talks have been held since India and the EU started discussing a comprehensive market-opening pact in June 2007 to boost bilateral commerce.

The two sides originally hoped to conclude a wide-ranging deal by 2010 that could boost bilateral trade to $237 billion (175 billion euros) annually by 2015 from around $92 billion currently.

But India and the EU have already been at odds over intellectual property rights involving life-saving generic HIV/AIDS drugs and other medicines which are produced by Indian companies.

UNAIDS, the Joint United Nations Programme on HIV and AIDS, has expressed fears that EU proposals for the agreement could make generic HIV drugs unaffordable -- something that New Delhi has pledged to resist.

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New policy to earmark purchases from domestic electronics firms

Surabhi Agarwal, Livemint

14 September 2011, New Delhi: India is considering a move that would make it mandatory for all government departments to make at least one-third of the annual purchases of computers and other electronic equipment from domestic manufacturers, according to an official at the department of information technology (DIT) who did not want to be identified.

The move is aimed at giving a boost to electronic manufacturing in India. While parts of the initiative may be in breach of international trade rules, the government is looking at ways of ensuring compliance, the official said.

The government is one of the biggest buyers of hardware in India. According to market research firm International Data Corp., 6-8% of the $10 billion (Rs. 47,000 crore) that will be spent on computers, servers and other hardware in India in the current fiscal to March will be accounted for by the government.

The idea has been welcomed in some quarters, but several experts said it’s impractical because India lacks the electronic components industry backbone that would make local manufacturing work. Most companies that manufacture in India merely assemble components imported from China and Taiwan.

There are several who consider the move a bad idea and some of them, according to the DIT official, have begun lobbying against it. Mint couldn’t independently ascertain this.

In 2009-10, India’s electronics import bill was $29 billion and this is expected to rise to $323 billion (at current growth levels of 16%), which in turn will lead to a trade deficit of $296 billion in fiscal 2020, according to a report by Avendus Capital Pvt. Ltd.

The draft DIT policy has been sent out for comments to other ministries, the DIT official said.
The ministry’s policy note is based on recommendations by the Telecom Regulatory Authority of India. A government task force on manufacturing also said in a report that India will spend $400 billion on electronics in 2020, up from around $45 billion in 2009. In a recent interview to Business Standard, minister of state for planning Ashwani Kumar said that it was possible that by 2030, the import bill for electronic equipment will outpace the petroleum, oil and lubricants segment unless domestic manufacturing kicks in. India spent around $106 billion on oil imports in 2010-11.

According to the same newspaper report, the Planning Commission had proposed 30% preferential access, or reservation, be given to domestic manufacturing in government procurement.

According to the policy being considered, companies that are selling products not based on patents registered locally, can sell to government departments only if the products have had 25% of their value added locally in the first year. This has to increase to 45% by the fifth year. In the case of companies selling products based on local patents, the corresponding proportion has to be 40% and 60%.

Although most technology multinationals have research and development facilities in India, few make products locally and even those that do, will be hard-pressed to meet the criteria laid out in the policy.

“Even companies that manufacture in India are mostly assembling components imported from mainly China and Taiwan. No company manufactures everything themselves or has all suppliers in one country,” said an executive at one of the top IT companies operating in India, who spoke on condition of anonymity.

The executive added that there are hardly any component makers in India and that in the case of some products, such as servers, there is little scope for localization.

“The maximum localization that can be done in any product is 10%,” said a second executive at another IT company, who too didn’t want to be identified. He added that even though India has a large domestic market and cheap labour, the reason IT manufacturing isn’t a thriving activity is because of poor infrastructure and logistics, besides the tax regime and labour laws. “Why is the government forcing companies to set (up) shop; they should just fix these issues and companies will come on their own.”

The DIT official said that the government would aim to ensure that the support systems are also established.

“We are setting up semiconductor fabs (fabrication units), which command 10-40% of the value of the product, giving incentives to the industry and setting up clusters, which will be islands of good infrastructure,” countered the DIT official. “And for the rest, there are electronic manufacturing services companies such as Foxconn, Flextronics, which manufacture products across the board in bulk. Currently, their operations are very small in India, but if they expand, then the industry can procure from them.”

The department’s only concern is that some aspects of the policy could violate World Trade Organization (WTO) norms. “Government procurement is exempt from the WTO framework,” the DIT official said. “However, private procurement is not. Some of the government-licensed agencies may fall into that category, so we have to figure out how to include them in the policy.”

Poornima Shenoy, founder and former president of the India Semiconductor Association, said the proposal does not look like it violates any of WTO terms. “The government is only saying that if it gives business worth thousands of crores to these companies, then some part of it has to be returned to the country in the form of investment,” she added.

This isn’t the first time the government is trying to give a push to the domestic manufacturing of electronic equipment. In 2007, it unveiled the Special Incentive Package Scheme to turn India into a chip production hub. Under the policy, the government offered to underwrite 20-25% of the capital expenditure. Not only was the policy ill-timed—it coincided with the global economic crisis—but domestic industry found the threshold limits for investment unreasonable.

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India, Saudi Arabia talks on PP anti-dumping tax next month

PTI

Dubai, August 23, 2011-- Saudi Arabia and India will resume talks next month on the prospects of lifting an anti-dumping tax imposed on the kingdom's polypropylene exports, a news report has said, quoting informed sources.

Saudi Arabia's Commerce and Industry Minister, Abdullah Zainal Alireza, will lead the Saudi delegation for new talks in New Delhi, the Indian trade mission in Geneva said, adding that Finance Minister Pranab Mukherjee will lead the Indian team.

According to the Arab News report, analysts have assigned utmost importance to the next round of talks, as previous bilateral negotiations have failed to reach an agreement.

New Delhi imposed an anti-dumping tax on Saudi PP exports in July, 2009.

India imports 25,000 tonnes of polypropylene from Saudi Arabia annually.

Before imposing the anti-dumping tax of 1.5 per cent per tonne, or USD 20-22, Saudi polypropylene was the lowest priced product in the market, the report said.

Saudi Export Development Centre (SEDC) Executive Council Chairman Abdul Rahman Al-Zamil described the 22 per cent tax as "unreasonable" and urged New Delhi to reconsider the decision in the light of the strategic trade relations between the two countries.

According to Al-Zamil, India imposed anti-dumping taxes on Saudi polypropylene exports, saying it had cheaper feedstock.

"The availability of cheap feedstock in the kingdom is quite natural as a result of abundant local gas supply and the location of petrochemical plants closer to gas pipelines," he said.

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Govt may lift ban on onion export

The Pioneer

Mumbai, Sept. 18 -- Under mounting pressure from the agitating onion growers and various political parties in Maharashtra, the UPA Government is likely to reconsider its decision to impose a ban on the onion exports on Tuesday.

During his visit to the city on Saturday, Union Finance Minister Pranab Mukherjee assured Chief Minister Prithviraj Chavan and his deputy Ajit Pawar that Empowered Group of Ministers, headed by him, would discuss the situation arising out of the Centre's decision to ban the onion exports, at its meeting is scheduled for Tuesday. "We will take an appropriate decision on that day," the Minister reportedly assured Chavan and Pawar.

Mukherjee, who was in the city for a meeting with Chief Ministers in the west zone States, took stock of the situation pertaining to onion, sugarcane and cotton crops in the State, at a meeting he had with Chavan, Pawar, Ministers and senior bureaucrats of various departments concerned. Among the crops, he discussed at length the issue of farmers affected by the Centre's ban on onion exports.

On a day when reports from the maximum onion growing district suggested that nearly 40 per cent of the total 9 lakh onion stored in various godowns had begun to rot, Chavan and Pawar urged the Finance Minister once again to lift the ban on exports of the perishable commodity.
Saturday's was the second occasion in the last three days, when the ruling politicians in the state made a detailed presentation before the Union Finance Minister and stressed on the need for lifting the ban on onion exports without any further delay.

Earlier on Wednesday, the State's ruling DF Ministers had met Mukherjee, Union Agriculture Minister Sharad Pawar, Energy Minister Sushil Kumar Shinde, Commerce and Industry Minister Anand Sharma and Food Supplies and Public Distribution Minister of State(Independent Charge) KV Thomas in the capital and made a strong case for withdrawal of the onion exports ban.

Chavan told the Union Minister that lifting the ban on onion exports was the only way to ensure remunerative to the farmers for their produce during the rabi season.

Meanwhile, the agitation of onion growers entered the ninth day on Saturday. As many as 14 wholesale onion markets continued to remain closed in Nashik district, which alone contributes to over 60 per cent of total onion produced in Maharashtra.

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India, EU ink deal to end drug seizure for now

TIMES NEWS NETWORK, The Times of India - Mumbai Edition

29 July 2011, New Delhi: India and the European Union have reached an interim settlement to ensure that none of the 27 members of the economic and trading bloc will detain 'Made in India' consignments of generic medicines, which are transiting through Europe.

"Finally, EU has come around and we have agreed on an interim settlement... which means EU will not make any detention within its territory of pharmaceutical products coming from India.We will wait for the final settlement but we have not lost our right to agitate on the matter again," Rajiv Kher, additional secretary in the commerce department, told reporters.

This means that India will not withdraw its case against the European Union in the World Trade Organization's dispute settlement body. India had moved the WTO after consignments of generic or non-patented medicines shipped to Latin America were seized by European customs authorities on charges of intellectual property rights violations. Subsequently, Brazil joined the discussions.

About 17 detentions took place between October-December 2008 at Schiphol Airport at Amsterdam. These consignments, destined for Latin American countries, were initially detained and later destroyed or returned to India."Mere transit does not give you the right to detain (a consignment) when it is not meant for you," Kher said.

Kher said that as per the bilateral understanding, EU would not only stop such detentions but also amend its regulation under which its member countries resorted to such an action. The settlement is interim as the EU Parliament is expected to take about 12-18 months to amend the legislation and then India will examine that law."We will finally withdraw the dispute only after getting convinced," Kher, who is India's negotiator at the WTO said.

India is not completely satisfied with the draft amendment prepared by EU and has taken up the matter with the authorities. But New Delhi is convinced that given the backlash from the civil society and support from members of European Parliament there should not be any hurdles in passage the amendment.

Though European customs authorities have not seized any consignments since December 2008, Indian drug makers are under constant fear of seizure of consignments meant for Latin America, the largest market for locally-produced generic drugs. Indian companies have also started using alternate ports such as Johannesburg for transit. Indian pharmaceutical exports total about $10 billion per annum, most of which are generic drugs.

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India exempts Japan from anti-dumping duty on PVC Paste Resin

New Delhi, July 28 (PTI) India has exempted Japan from the anti-dumping duty imposed on chemical used in manufacturing of leather products, while confirming that the levy will remain on China, South Korea, Russia, Thailand, Malaysia and Taiwan.

The imposition of duty, which is for a period of five years, is aimed at protecting the interest of domestic players from cheap inward shipments into the country.

The duty ranges from USD 1,471 to USD 1,707 per million tonne of the Poly Vinyl Chloride (PVC) Paste Resin.

"The product had been exported to India from the subject countries (except Japan) below their associated normal values," the Department of Revenue said.
The dumped imports of PVC Paste Resin have caused a material injury to the domestic industry, it said.

In June 2010, the Directorate General of Anti Dumping and Allied Duties (DGAD) had imposed a provisional duty on imports of these products from countries, including Japan.

Now, the DGAD again reviewed the situation and concluded that the duty will be imposed for a period of five years (unless revoked, superseded or amended) with a retrospective effect from July 26, 2010. This would not be applicable for Japan.

The chemical is used in artificial leather (Rexene), coated fabrics, tarpaulins, toys, automotive sealant and adhesives. PTI TA RK TVS 07281554

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Govt lifts restrictions on cotton exports

New Delhi, July 31 (PTI) Amid abundant availability and a crash in prices, the government today removed restrictions on the export of cotton and permitted shipments under open general licences (OGL) for the remainder of the current season.

The cotton season runs from October to September. Cotton exports for the remaining two months (August and September) have now been put under OGL, Commerce Secretary Rahul Khullar told PTI.

"Now, exporters only have to register with the Directorate General of Foreign Trade (DGFT)," he said.

The issue came in for review at a meeting of secretaries in the ministries of commerce, textiles and agriculture, convened by Commerce and Industry Minister Anand Sharma here last week.

In October last year, the government had capped cotton exports at 55 lakh bales (170 kg each) to protect the domestic textiles industry in the face of rising raw material prices. An additional 10 lakh bales were permitted for export in June, after prices had corrected sharply.

Prices have declined to about Rs 31,000 per candy (356 kg) now from the peak of Rs 62,500 per candy in March-end.

The restrictions on cotton yarn were removed from April 1, after the manufacturers found themselves saddled with big inventories following the curbs on exports.

Besides the changing dynamics in the market, administering the restriction has proven to be "a big headache" for the Commerce Ministry, especially after the recent allocation of 10 lakh bales, as some exporters have taken the issue to different courts, sources told PTI.

They said it was in this context that Sharma reviewed the situation with the three secretaries on the weekend.

According to the estimates of the Cotton Advisory Board (CAB), the cotton surplus at the end of the current season would be 52.5 lakh bales on account of lower industry demand. In February, the CAB had estimated it at 27.5 lakh bales.

Likewise, the projection for domestic consumption of cotton this season has been lowered to 236 lakh bales, as against the earlier estimate of 265 lakh bales, on account of high inventories.

The cotton production projection, however, has been increased to 325 lakh bales for the current season.

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No blanket ban by EU on ayurvedic medicines: Azad

New Delhi, August 02 (PTI): The European Union has not imposed any blanket ban on Ayurvedic medicines. It has, however, formulated a directive on traditional herbal medicinal products (THMPD), which has restrictive impact on India's exports of herbal medicinal products to EU, Health Minister Ghulam Nabi Azad said in the Rajya Sabha today.

In reply to a written question, the minister said Ayurvedic products are currently exported as dietary supplements, for which as of now, there is no registration requirement in most of the countries.

However, some countries require notification of such products. Many products have been notified in different countries (Italy, Belgium, Finland and others) by some Indian companies, he said.

The minister said India has been doing bilateral consultation with the European Union on Traditional Herbal Medicinal Products Directive since 2004 and has raised its concerns on this issue in the Technical Barriers to Trade (TBT) Committee of the WTO.

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DGAD probes dumping of bonded wood, fibre boards

Press Trust of India

New Delhi, Jan. 9: The Government has initiated a probe into alleged dumping of certain types of organic substances — bonded wood and fibre boards — by China, Indonesia, Malaysia and Sri Lanka with a view to protect domestic players from cheap shipments through the levy of anti-dumping duty. Countries initiate anti-dumping probes to check if the domestic industry has been hurt by a surge in cheap imports.

As a counter-measure, they impose duties as permitted under the multilateral WTO regime. The Directorate-General of Anti-Dumping and Allied Duties (DGAD) has initiated the probe into alleged dumping of "resin or other organic substances — bonded wood or ligneous fibre boards of thickness below 6mm, except insulation boards, laminated fibre boards — originating in or exported from China, Indonesia, Malaysia and Sri Lanka," a notification by the Commerce Ministry said.

Sufficient evidence

On finding sufficient evidence of dumping of the product by these countries, the DGAD "hereby initiates an investigation into the alleged dumping, and consequent injury to the domestic industry... to determine the existence, degree and effect of alleged dumping and to recommend the amount of anti-dumping measure, which, if levied, would be adequate to remove the injury to the domestic industry," it said. The investigation is focused on the April 2010-June 2011, period, it added.

Balaji Action Buildwell had filed an application for the probe on behalf of the domestic industry. The applicant accounts for more than 50 per cent of total Indian production of bonded wood and ligneous fibre boards.

India has so far initiated 149 anti-dumping cases against China, which account for over half of such actions taken by the country against foreign nations.

Unlike safeguard duties, which are levied in a uniform way, anti-dumping duties vary from product to product and from country to country.

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Textile exports rise 11% in FY12

Sharleen D'Souza, Business Standard

Mumbai April 11, 2012: Textile exports increased 11 per cent in the last financial year, despite turbulent times in major economies. While demand from the euro zone continued to be low, demand still poured in from the US and other non-traditional markets that saved the day for exporters.

In 2011-12, the total export of apparel is expected to be $13 billion, compared to $11.4 billion in 2010-11, a rise of 14 per cent, according to the Apparel Export Promotion Council (AEPC). “Apparel exports have shown growth in terms of price due to the depreciation of the rupee, but the volume remained the same,” said A Sakthivel, chairman of AEPC.

Overall textile exports (including apparel) in the last financial year are expected to be $30 billion, compared to $27 billion last year, indicating a growth of 11 per cent, according to the Confederation of Indian Textile Industry (CITI).

“The US and the euro zone still remain the major export markets. Although economic uncertainties plague the euro zone, it still imports textiles from India,” said D K Nair, secretary general of CITI.

“Exports orders for the current financial year are expected to pick up pace in the next two months but due to a cash crunch it may not be possible for exporters to execute these orders,” Nair added.

Cotton yarn exports were also up in the later half of the year, which helped boost exports.

“Despite the slowdown in major economies, which are major export destinations for India, textile exporters have done well due to good demand from brands, coupled with the rupee depreciation,” said Mitesh Shah, vice-president, Mandhana Industries. The denim fabric sector has also done well in exports. There was slowdown in November and December, but it eventually picked up. Currently, denim manufacturers have their order books full for the next three to four months.

“There is a steady growth in orders. The euro zone is not importing heavily, but the central and south US are,” said UtsavPandvar, CFO of Aarvee Denim.

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Iron ore exports decline 60% in Feb on high duties

Business Standard

12 April 2012, Mumbai: Miners' association urges cancellation of December increase in export duty; says development hitting long-term interests

Export shipments of iron ore declined 60 per cent in February on high duty levied by the government to discourage supply to steel mills abroad.

Data compiled by the Federation of Indian Mineral Industries (FIMI) showed the overall export fell to 4.22 million tonnes in February, compared to 10.58 mt in the corresponding period last year. The overall export in the first 11 months of 2011-12 recorded a decline of 36 per cent to 55.8 mt as compared to 87.3 mt in the same period last year.

The drastic decline in February's shipment showed the government succeeded in its aim of discouraging these to make more available for domestic use. On December 30 last year, the government had raised export duty from 20 per cent to 30 per cent. About 90 per cent of India's iron ore export goes to Chinese steel mills.

FIMI has renewed its demand for a rollback in export duty so that mining companies would be able to sell low-grade ore to steel mills abroad. In a recent letter to the Prime Minister and finance minister, FIMI argued, "Iron ore exports have become unviable and a loss-making proposition after the hike in export duty and sharp fall in international prices by more than $60 a tonne from its peak. With a logistics cost of 45 per cent of the net realisation (39 per cent railway freight and the other six per cent on movement from mines to sidings and demurrage), 10 per cent royalty on the price declared by the India Bureau of Mines (IBM) and 10 per cent port cost, margins have turned negative for the industry."

Exports are expected to be half of last year's, while there is no corresponding increase in domestic demand and lower production, so the respective state governments are getting less royalty. Moreover, there will be lower economic activity, said R K Sharma, secretary-general of FIMI.

He said fines were co-produced with lumps while mining ore, in a 70:30 ratio. So, for every production of a tonne of lumps, about 2.5 tonnes of fines are produced.

There is not enough demand for fines in the domestic market and, hence, these have to be exported. Around 90 per cent of iron ore exports are fines; lumps are eight per cent. If export of fines is not allowed, this may lead to closure of mines or lower production. This would mean the prices of lumps may rise in the domestic market, hampering the steel industry and inducing inflationary pressure. Hence, says Fimi, there's also a need for better utilisation of fines in the domestic market through pelletisation and ensuring that future steel plants are fines-oriented.

Data collated by the IBM showed that between 2005 and 2010, the Geological Survey of India discovered 2,300 mt of new iron ore reserves, estimated at only 997 mt five years before, adds FIMI.

Sharma also contends the extra levy has led India to lose its competitiveness in the international market, with the share of our exports 11 per cent of the total in 2011 from 20.4 per cent in 2007.

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Imports of sensitive items up 44.7% in April-Dec '11

PTI

1 Mar, 2012: Imports of sensitive items, including fruit and vegetables and edible oils, went up by 44.7 per cent to Rs 75,948 crore in April-December, 2011.

Imports of sensitive items stood at Rs 52,492 crore in the year-ago period.

Fruit and vegetables imports soared to Rs 7,406 crore during the period from Rs 3,833.8 crore in April-December, 2010, a Commerce Ministry statement said.

Items such as foodgrain, automobiles, milk and beverages fall in the sensitive category and the import of these goods is monitored by the government to see if there is any adverse impact on the domestic industry.

Imports of edible oils rose by 67.6 per cent to Rs 34,854 crore in April-December 2011, from Rs 20,791.50 crore in the year-ago period. India is the world's largest importer of edible oil and one of the largest consumers.

"The increase in edible oil imports is mainly due to substantial increase in imports of crude palm oil and its fractions," it said.

During the first nine months of the current fiscal, the import of items such as alcoholic beverages and spices also increased by 55 per cent and 70.3 per cent, respectively.

Imports of products of small scale industries such as umbrellas, locks, toys and glassware went up by 44 per cent to Rs 1,623 crore, compared to the year-ago period.

Automobile imports jumped by 71 per cent year-on-year in April-December 2011 to Rs 2,838.8 crore.

However, imports of food grain and milk and its products contracted by 93.6 per cent and 3.7 per cent, respectively.

Imports of sensitive items from Indonesia, China, Malaysia, Argentina, Germany, Korea, US, Canada, Japan, Thailand, UK have gone up, while those from Brazil and Australia have gone down.

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Iron ore exports to hit a new low in FY13

MaheshKulkarni, Business Standard

Bangalore, Feb 10, 2012:India's iron ore exports are likely to hit a new low during the 2012-13 financial year and settle at about 40 million tonnes (mt), a drop of close to 35 per cent over the current year's estimates. Exports are estimated to decline to about 60 mt in 2011-12 from 100 mt in 2010-11, a fall of 40 per cent.

"The decline in exports is mainly due to rise in export duty to 30 per cent and railway freight, which is highly discriminatory for exports compared to domestic freight rates. Before 2003, nobody bought low-grade ore from India. In the future, too, apart from China, nobody will buy low-grade ore," said BasantPoddar, chairman, Federation of Indian Mineral Industries, South.
For example, the railways charge Rs 600 a tonne as freight for movement of ore for domestic consumption and Rs 2,800 a tonne for ore meant for exports. This has discouraged miners from exporting, he said.

Another major factor for low exports is the ban in Karnataka. In addition, the stoppage of mining in Karna-taka, following the Supreme Court order in July, added to a decline in exports during the current financial year.

Orissa's exports have come down mainly due to differential railway freight rates. Goa's exports have also declined substantially this year and may settle at about 34 mt, down from 55 mt last year, he said.

Karnataka's share in national exports was about 35 mt till 2009-10. Since August 2010, there have been no exports from the state. Next year, India's exports will touch the lowest level in the past decade.

"Demand from China is steady, but they are also getting ore from Australia and Brazil also. Australia and Brazil are together adding about 500 mt of exportable capacity in the next five years. Whereas, in India, we are closing our mines and losing our status as the third-largest exporter of ore in the world. We may drop to sixth or seventh position," Poddar said.

During the current year, India's share of exports in the world market is set to decline to about 10 per cent. In the next year, it is likely to further drop to about five per cent, at 35-40 mt.
Prices of 63 Fe grade iron ore, presently at $130-135 a tonne on a FoB basis in the international market, are likely to go up 8-10 per cent during the current quarter, as the demand from China is picking up after the beginning of the new year. At the same time, Indian miners are losing their position due to various reasons, said Praveen Kumar, chairman, Maya Iron Ores, a derivative commodity brokerage firm.

"If the Supreme Court accepts the Central Empow-ered Committee's (CEC) recommendation and puts a cap on the production of iron ore at 30 mt in Karnataka, investments in the steel sector will not only be affected, but it would also lead to loss of market share for India in the export market," he said.

The loss means future investments to the tune of about $5-10 billion in the ports and railway sectors taken up on a public-private partnership basis will be in jeopardy, Poddar noted.

"The Indian steel industry uses high grade ore and there is no market for low-grade ore, due to poor technology with steel mills. So, why stop low-grade ore exports , which has huge demand from China? If we can't export it, there will be a problem in managing low-grade fines and it would cause environmental damage," he added.

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Drug exports up 30% in first half of FY12

Joe C Mathew,Business Standard

New Delhi Jan 30, 2012: An analysis by the Pharmaceutical Export Promotion Council (Phar-mexcil) early this month showed exports of basic drugs, finished medicines and fine chemicals jumped 30 per cent to Rs 24,661 crore during April-August 2011 as compared to Rs 18,967 crore recorded over the same period the previous year.

The rupee depreciation had some impact on the figures, as revenue growth was 19 per cent in dollar terms.

The US market, which grew 13.6 per cent (in dollar terms) to $1,199 million (Rs 5,902 crore) during this period, continues to be the biggest export destination for Indian drugs, with 23.2 revenue share of the total.

Exports to most other regions grew. Several African, CIS, South Asian and European countries recorded 39 per cent growth, said P V Appaji, executive director, Pharmexcil.

He said the market access programmesorganised by the ministry of commerce in CIS and African countries, and the economic cooperation treaty with Japan, were beginning to show positive results for the pharmaceutical industry.

Exports to Japan, the 26th largest destination for Indian drugs on Sunday, grew 36.7 per cent to $217 million (Rs 1,065 crore) during April-August as compared to 10.9 per cent growth in the same period of 2010. Export revenue from Japan during April-August 2010 was $158 million (Rs 779 crore).

“The UK is the second best destination, with a high growth rate of 29.9 per cent. Exports to Germany, Russia, Vietnam, Canada, Spain, Australia and Japan have grown exceptionally well and are between 30 and 61 per cent,” said Appaji.

Industry experts said the effect was greater due to the low growth in pharma exports in 2010-11.

“The impact of global recession hit pharma companies very late. Hence, last year’s export growth was very low, giving rise to a higher growth percentage this year,” a Mumbai-based analyst said.

Appaji agreed the recent slowdown in the European economy may not have yet impacted the sector.

Though the ministry of commerce gets monthly updates on export figures from the Directorate General of Commercial Intelligence and Statistics without much delay, export promotion councils access the data with a lag of four to five months.

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Basmati export price may be cut by $200

Bloomberg

New Delhi Feb 01, 2012: India, the world's second-biggest rice grower, may cut the minimum export price (MEP) of the basmati variety by $200 a tonne to boost shipments, according to a government official with direct knowledge of the matter.

A ministerial panel on February 7 will consider a proposal to reduce the minimum price from $900 a tonne, or may scrap the floor, the official said, asking not to be identified, citing government policy.

Basmati shipments may increase 14 per cent to 2.5 million tonnes in the year ending March 31, should the government abolish the minimum export price, Vijay Setia, president of the All India Rice Exporters' Association, said in a phone interview on Tuesday. If the price stays unchanged, exports may drop to 1.9-2 million tonnes in the year ending March, he said. The panel may consider cutting the benchmark export price or dismantling it, food minister K V Thomas told reporters on Tuesday. Indian traders have contracted to ship 3.5 million tonnes of basmati rice as of yesterday since the financial year began on April 1, 2011, according to the rice association.

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Additional export duty likely on deoiled rice bran

AninditaDey, Business Standard

Mumbai, Feb 01, 2012**:** The ministry of agriculture has proposed imposition of additional export duty on deoiled rice bran, to ease the supply of animal feed and bakery ingredient, in the domestic market. Production of deoiled rice bran in 2011-12 was estimated at 8-8.5 million tonnes of which around 170,000 tonnes or two per cent would be exported.

“The export currently carries a duty of 10 per cent but the domestic price of animal feed is increasing, a significant input in composition of prices of milk and poultry. On the other hand, domestic prices of milk and poultry are consistently increasing. Therefore, there is no reason why India should export deoiled rice bran when the demand in the domestic market is high, going by the prices of animal feed,” explained an official source.

This is based on the recommendation of the department of animal husbandry under the ministry of agriculture. Besides rice milling, animal feed is also extracted from oil cakes after oil extraction. India imports crude oil and the refining edible oil. Thus, when this is domestically marketed, it will be at a premium compared to in-house supply of animal feed. So, exports should be discouraged.

De-fatted or deoiled rice bran is obtained after extraction of oil from either raw or parboiled bran and contains a higher percentage of protein (17-20 per cent), vitamins (A and E) and minerals than full-fatted bran obtained from raw and parboiled paddy.

Meanwhile, to increase milk production and strengthen dairy co-operatives, the National Dairy Plan (NDP) proposes to set up producer firms under the Companies Act. The objective is to facilitate co-operatives to retain their 50 per cent share in milk production, amidst stiff competition from the private sector. Officials explained that a producer company would be registered under part XI of the Companies Act and set up to cover the entire value chain in the milk production process.

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Tea exports up 13% in November 2011, but output down 4%

PTI

6 Jan, NEW DELHI: India's tea exports rose by 13 per cent during November last year to 17.47 million kg, but output fell by 4 per cent to 90.30 million kg, according to the latest government data.

During November, 2010, the country's tea exports stood at 15.41 million kg, while production stood at 93.92 million kg, according to Tea Board data.

Tea exports from North India rose by 7 per cent to 10.46 million kg in November, 2011, from 9.82 million kg in the year-ago period.

Overseas shipments from South India increased by 25 per cent to 7.01 million kg in November last year from 5.59 million kg in the corresponding period of the previous year.

India is the world's second-largest producer and the biggest consumer of tea.

Tea production in North India fell by 7 per cent to 65.79 million kg in November, 2011, from 70.82 million kg in November, 2010.

Output in South India, however, increased by 6 per cent to 24.51 million kg in November last year from 23.10 million kg in November, 2010.

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Cotton exporters back in market as cotton prices decline

Madhvi Sally, ET Bureau

29 Dec, 2011, AHMEDABAD: Cotton exporters are making brisk purchases across Gujarat and Maharashtra as prices weaken to Rs 33,800 to Rs 34,000 a candy (of 356 kg each). Simultaneously, demand from local mills has begun flowing thanks to requirement from garment manufacturers.

Cotton prices are still volatile with a movement of Rs 500-1,000 a candy a day, say traders. "Robust demand from China is expected to ensure cotton export of over 85 lakh bales (of 170 kg each) and more this year, similar to the 2007-08 figure. Our prices are the lowest in the international market," said Cotton Association of India president Dhiren N Sheth.

Coimbatore-based cotton broking house JG Pujara and Sons owner BaldevPujara said major buying was being done by Bhadresh Trading Corporation, Louis Dreyfus Commodities India, Gill & Co, Jaydeep Cotton Fibres, Olam Agro India, Cargill India and others. "Contracts of over 46-48 lakh bales have been signed while actual shipments are at 29 lakh bales. By January, we should export 50 lakh bales," he said.

Owing to the delayed availability of cotton crop and with farmers holding the yield, exports have been slow this year and gradually picking up. "We will be able to achieve our export targets. But we must address the concerns of buyers over the low micronaire value -- a measure of fibre fineness and maturity -- and the mix of low and high variety cotton this year," he added.

In the domestic market, ginners are getting orders and queries from Ludhiana, Kolkata, Tirupur and Coimbatore mills. "There is a movement in finished goods like fabrics and garments," said Saurashtra Ginners Association president Bharat Vala who added that demand from mills varied from 500 to 1000 bales.

Ludhiana-based Vardhman Textile, a textile conglomerate, expects buoyancy in trade for the next few months. "There is improvement in yarn prices due to the increased offtake in export and domestic markets. Spinning mills have booked good orders and we expect the business to revive," said Vardhman group chai-rman SP Oswal, who is exporting 5,000 tonne yarn per month.

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Car exports grow 22% in April-August period this fiscal

Economic Times

12 September, NEW DELHI: Domestic car sales may be on a downhill drive, but exports from India have risen 22.39% in April-August period this fiscal over the same period last financial year.

According to the latest data from Society of Indian Automobile Manufacturers, passenger car exports in April- August period this fiscal stood at 2,17,409 units as against 1,77,634 units in the same period last year. The growth in exports is mainly on account of newcomer Nissan clocking good volumes, while Ford India has also managed to increase its overseas shipments by over three- folds during the period. Nissan Motor India, which sells hatchback Micra mainly in Europe, exported 42,540 units during the period. In the same period previous year it had not started exports from India.

Ford India managed to increase its exports, mainly on the back of compact car Figo to 10,118 units during the April-August period against 3,168 units last fiscal. Hyundai Motor saw 1.77% increase in its exports to 1,07,572 units as against 1,05,699 units in the year-ago period.

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New policy to earmark purchases from domestic electronics firms

SurabhiAgarwal, Livemint

14 September 2011, New Delhi: India is considering a move that would make it mandatory for all government departments to make at least one-third of the annual purchases of computers and other electronic equipment from domestic manufacturers, according to an official at the department of information technology (DIT) who did not want to be identified.

The move is aimed at giving a boost to electronic manufacturing in India. While parts of the initiative may be in breach of international trade rules, the government is looking at ways of ensuring compliance, the official said.

The government is one of the biggest buyers of hardware in India. According to market research firm International Data Corp., 6-8% of the $10 billion (Rs. 47,000 crore) that will be spent on computers, servers and other hardware in India in the current fiscal to March will be accounted for by the government.

The idea has been welcomed in some quarters, but several experts said it’s impractical because India lacks the electronic components industry backbone that would make local manufacturing work. Most companies that manufacture in India merely assemble components imported from China and Taiwan.

There are several who consider the move a bad idea and some of them, according to the DIT official, have begun lobbying against it. Mint couldn’t independently ascertain this.

In 2009-10, India’s electronics import bill was $29 billion and this is expected to rise to $323 billion (at current growth levels of 16%), which in turn will lead to a trade deficit of $296 billion in fiscal 2020, according to a report by Avendus Capital Pvt. Ltd.

The draft DIT policy has been sent out for comments to other ministries, the DIT official said.
The ministry’s policy note is based on recommendations by the Telecom Regulatory Authority of India. A government task force on manufacturing also said in a report that India will spend $400 billion on electronics in 2020, up from around $45 billion in 2009. In a recent interview to Business Standard, minister of state for planning Ashwani Kumar said that it was possible that by 2030, the import bill for electronic equipment will outpace the petroleum, oil and lubricants segment unless domestic manufacturing kicks in. India spent around $106 billion on oil imports in 2010-11.

According to the same newspaper report, the Planning Commission had proposed 30% preferential access, or reservation, be given to domestic manufacturing in government procurement.

According to the policy being considered, companies that are selling products not based on patents registered locally, can sell to government departments only if the products have had 25% of their value added locally in the first year. This has to increase to 45% by the fifth year. In the case of companies selling products based on local patents, the corresponding proportion has to be 40% and 60%.

Although most technology multinationals have research and development facilities in India, few make products locally and even those that do, will be hard-pressed to meet the criteria laid out in the policy.

“Even companies that manufacture in India are mostly assembling components imported from mainly China and Taiwan. No company manufactures everything themselves or has all suppliers in one country,” said an executive at one of the top IT companies operating in India, who spoke on condition of anonymity.

The executive added that there are hardly any component makers in India and that in the case of some products, such as servers, there is little scope for localization.

“The maximum localization that can be done in any product is 10%,” said a second executive at another IT company, who too didn’t want to be identified. He added that even though India has a large domestic market and cheap labour, the reason IT manufacturing isn’t a thriving activity is because of poor infrastructure and logistics, besides the tax regime and labour laws. “Why is the government forcing companies to set (up) shop; they should just fix these issues and companies will come on their own.”

The DIT official said that the government would aim to ensure that the support systems are also established.

“We are setting up semiconductor fabs (fabrication units), which command 10-40% of the value of the product, giving incentives to the industry and setting up clusters, which will be islands of good infrastructure,” countered the DIT official. “And for the rest, there are electronic manufacturing services companies such as Foxconn, Flextronics, which manufacture products across the board in bulk. Currently, their operations are very small in India, but if they expand, then the industry can procure from them.”

The department’s only concern is that some aspects of the policy could violate World Trade Organization (WTO) norms. “Government procurement is exempt from the WTO framework,” the DIT official said. “However, private procurement is not. Some of the government-licensed agencies may fall into that category, so we have to figure out how to include them in the policy.”

PoornimaShenoy, founder and former president of the India Semiconductor Association, said the proposal does not look like it violates any of WTO terms. “The government is only saying that if it gives business worth thousands of crores to these companies, then some part of it has to be returned to the country in the form of investment,” she added.

This isn’t the first time the government is trying to give a push to the domestic manufacturing of electronic equipment. In 2007, it unveiled the Special Incentive Package Scheme to turn India into a chip production hub. Under the policy, the government offered to underwrite 20-25% of the capital expenditure. Not only was the policy ill-timed—it coincided with the global economic crisis—but domestic industry found the threshold limits for investment unreasonable.

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FTA with EU soon, to benefit textile exports

Dilip Kumar Jha & Sharleen D'Souza, Business Standard

July 11, Mumbai: In a move that could improve the weakening sentiment in the Indian textile industry, the government is set to sign a free trade agreement (FTA) with the European Union (EU) by the end of the current calendar year.

Revealing this on the sidelines of the 55th National Garment Fair organised by the Clothing Manufacturers Association of India (CMAI), Kiran Dhingra, secretary, ministry of textiles, said, “We hope the FTA with the EU would be signed by November– December.”

The EU accounts for 49 per cent India’s annual apparel exports of $13 billion. Hence, it is significant for the domestic textile industry. The economic slowdown in the EU has pulled down India’s apparel exports by over 50 per cent to that region in the last few years. As a consequence, readymade garment manufacturers are now exploring other destinations, such as South America, West Asia and East Asia for compensating at least a part of the decline in the export business.

Asked about details of the FTA, Dhingra said, “The FTA with the EU is different from those signed with other countries. The textile industry will see a major boost once the FTA is signed.”

Elaborating, Textile Commissioner A B Joshi said, “India’s readymade garments will be priced on par with competing countries, including Bangladesh and China. Since the quality of Indian garments is on a par with its competitors, we see no reason why exports would not see a warm response.”

Indian goods cost 10 to 15 per cent more than Chinese products and 15 to 20 per cent higher than Bangladesh’s products.

Apparel exports have been the worst hit during the ongoing global slowdown. During the first half of the current financial year, these are likely to remain lower than they were in the same period last year. But, the second half is expected to be better, due to the efforts by garment manufacturers on new markets, Dhingra added.

According to Rahul Mehta, president of CMAI, once the FTA is signed, the cost of apparel originating from India would be the same as that from China and Bangladesh. Bangladesh falls under the category of least developed country due to which it benefits from duty-free exports to the EU. China, on the other hand, produces cheaper garments.

“Indian exporters will definitely benefit with the FTA. between India and the EU. Currently, we lose market to China, which will change as soon as the FTA comes into play,” said D K Nair, secretary general of the Confederation of Indian Textile Industries.

India’s total textile exports in the last financial year stood at $33 billion, of which 49 per cent was exported to the EU. There is an import duty of 9.6 per cent per garment and five per cent on other textile items, which will be abolished as soon as the FTA is signed.

In a similar response as Nair, Premal Udani, chairman of CMAI, said, “The FTA with EU will put Indian exporters on a par in pricing with China, as well as Bangladesh.”

The targets set for textile exports year-on-year has not been met for the past several years. After the FTA, however, India would be able to achieve this, as Indian businessmen continue to have entrepreneurial skill for exploring new markets and new means for strengthening the business sentiment and going forward.

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Scotch, European wines to get cheaper after FTA

Amiti Sen, Economic Times

16 July, New Delhi: Prices of Scotch whisky and exotic European wines may almost halve in the country after India and the European Union sign a bilateral free-trade deal currently being negotiated.

New Delhi has expressed its willingness to reduce duties from 150% to 40% on whiskies priced more than $7 per litre and wines above $4 per litre if the European Union gives more access to Indian services industry and labour-intensive goods, a government official told ET. This will make them 44% cheaper.

"We are ready to open our markets wider for European liquor. But the duty cuts will be above the stipulated threshold levels to avoid competition from the cheaply priced variety," the official said.

The offer, however, is contingent upon India getting its due in the area of services where it sees great opportunities in Europe, and gets more access for labour-intensive goods such as textiles and leather.

While European liquor, like all other domestic and imported alcohol sold in the country, will continue to attract state taxes-which ranges from 30% to over 100%-the incidence will be less as the taxes are mostly applied on landed price of alcohol in states, said analysts.

"Most state government levy taxes on alcohol on the price at which they land in the states, which also includes the import duties. So, if import duties are slashed the incidence of state taxes will also go down," said S Madhavan, partner affairs in charge at PwC India.

For instance, the landed price of a bottle of French wine priced $4 per litre is $10 after levy of 150% import duty. If a particular state imposes 100% state duties on it, the price that the consumer pays for the brand is $20 per bottle, or about Rs 1,100. Now, if India slashes import duties to 40%, then the landed price of the same wine will be $5.6. After levying 100% state duty it will be available to the customer at $11.2, or about Rs. 616, which is 44% less than the current prices. This will also make it comparable with several Indian wine brands.

While lowering of duties could give some competition to the country's wine producers, industry sources say that imported whisky from Europe will not impact local whisky producers as they cater to different segments.

"There is a wide gap between the most expensive Indian whisky and a standard Scotch whisky," a spokesperson of the Indian unit of Pernod Ricard, world's second-largest spirits maker, said. "For instance, a 12-year Scotch Whisky is priced at Rs 3,400 in Delhi vis a vis the most expensive Indian whisky at Rs 800. Even if the duty comes down, the Scotch whisky will be priced at more than Rs 2,500," the person said.

Of the total 240 million cases of alcohol sold in India, just about a million cases are imported.

Both India and the EU are keen to sign the FTA, formally known as the bilateral investment and trade agreement, by the end of this year. But for that to happen, a number of contentious issues including visas for professionals, recognition of India as a data secure country and easing of government procurement rules in India have to be ironed out.

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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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India escalates US steel duties dispute at WTO

Reuters

July 13,Geneva: India has asked the World Trade Organization to set up a panel to adjudicate on its dispute with the United States over US duties on some imports of Indian steel products, the WTO said on Friday.

India complained in April that Washington had wrongly slapped punitive tariffs, so-called countervailing duties, on certain hot rolled carbon steel flat products from India.

Countries impose countervailing duties when they believe their manufacturers are suffering because of competition from unfairly subsidised imports.

In its complaint India challenged countervailing duties going back to April 2001, as well as the United States Tariff Act of 1930 and the US Code of Federal Regulations, which it said were inconsistent with WTO rules.

By asking for a dispute panel to be set up, India is indicating that it has failed to resolve the issue via consultations with the United States.

The United States is also in dispute with China over the US use of countervailing duties on a range of imports, including several types of steel products. China requested consultations on May 25 but has not yet asked for a panel to be set up.

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India may protect some stainless steel against China imports

Tom Miles, Reuters

July 9, Geneva, - India is investigating a flood of Chinese imports of some types of stainless steel and may restrict the trade if it finds its own steelmakers have suffered as a result, according to a document published by the World Trade Organization (WTO) on Monday.

The probe into imports of the "300 series" of hot-rolled flat products was prompted by a complaint from Indian steel company Jindal Stainless Ltd, after China's share of India's import market for the products leapt from 10 percent to 50 percent over the past three years.

Under WTO rules, countries can temporarily hike tariffs for specific products if they can prove their own manufacturers risk being damaged by an unexpected increase in imports.

Before introducing these emergency restrictions, known as "safeguard" measures, they must investigate the circumstances and notify the WTO they are doing so.

India made its notification on July 4 and will decide whether or not to impose the duties within eight months. If it does so, China could challenge the safeguards at the WTO, although the two countries have never fought a fully-fledged trade dispute at the WTO since China joined the global trade body in 2001.
China's steel sector, which produces almost half the world's steel, has frequently been blamed for trade friction, especially by U.S. steelmakers irked by China's cheap exports.

Citing figures from India's steel industry, India's statement said imports from China ballooned to 36,183 tonnes in the 2011-12 financial year from 5,364 tonnes in 2009-10. Over the same period, imports from other countries fell from 45,120 tonnes to 37,071 tonnes.

India's own production of the relevant products grew to 181,512 tonnes from 138,139 tonnes during the period, but actual sales were much lower, totaling 72,831 tonnes in 2011-12, and Indian firms' sales stagnated over the three years.

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Govt initiates probe into chemical dumping by China

PTI

New Delhi, July 15: India has initiated a probe into alleged dumping of a chemical, mainly used in photography and medical applications, by China following complaints by domestic players. The commerce ministry's designated authority, the Directorate General of Anti-Dumping and Allied Duties (DGAD), has started an investigation into alleged dumping of 'Meta Phenylene Diamine' (MPDA).

In a notification, the DGAD said that it has sufficient evidence of dumping of the product from China "to justify initiation of an anti-dumping investigation.

"... the authority (DGAD) hereby initiates an investigation into the alleged dumping and consequent injury to the domestic industry ... to determine the existence, degree and effect of any alleged dumping and to recommend the amount of anti-dumping duty, which, if levied, would be adequate to remove the injury to the domestic industry," the commerce ministry said in a notification.

The period of investigation is from October to December 2011. However, for the purpose of analysing injury, the data of previous three years of 2008-2009, 2009-2010 and 2010-2011 would also be considered, it said.

After completion of the probe, the commerce ministry would recommend the duty and the finance ministry would impose the restrictive duty.

Countries initiate an anti-dumping probe to see whether their domestic industries have been hurt because of a surge in cheap imports. As a counter-measure, they impose duties under the multilateral regime of the WTO.

The duty also ensures fair trading practices and creates a level-playing field for domestic producers vis-a-vis foreign producers and exporters resorting to dumping.

Unlike the safeguard duty, which is levied in a uniform way, anti-dumping duty varies from product to product and country to country.

India has initiated 275 anti-dumping investigations between 1992 and March 2012, involving 42 countries.

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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India, Pakistan explore ways to boost petroleum trade

Sujay Mehdudia, The Hindu

July 16, New Delhi: In a bid to give a big push to trade in petroleum products, India and Pakistan have decided to have focussed approach to identify possible supply routes, source and point of supply, regulatory framework and enhancement of direct banking and postal services.

It was decided to chalk out a road map to take the talks further in a focussed manner. Pakistan has been invited to send a team to New Delhi this month-end to work out all parameters for giving petroleum trade a new direction.

In the previous round of talks held in Islamabad held last month, the Indian side offered a range of products, including pet coke, sulphur, bitumen, lubricants as per quality requirements of Pakistan.

It was decided that before operationalising a formal trade in petroleum products, harmonisation and recognition of standards/procedures and regulatory framework in vogue need to be examined in detail. Both sides felt that banking services should be enhanced to facilitate business through letters of credit. Direct routing of postal/courier services was also discussed.

It was felt that the SAARC Preferential Trading Arrangement (SAPTA) certificate recognition system be made online; multi-city and multiple entry non-reporting visas for businessmen on both sides be introduced and warehousing and tankage facilities with infrastructure facilities such as cranes, fork lifts and other machinery be set up at the Wagah border.

The meeting also discussed the possibility of import of petroleum, oil and lubricant (POL) products from India and specifications for furnace oil, diesel, Jet-I and petro. The Pakistan side sought to know the capacity and supply position of India for exports.

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Agro Trade: India's policies have boosted Pakistan's earnings at the cost of Indian exports

Economic Times

July 12: India has unwittingly pursued policies and actions that have helped and promoted Pakistan's foreign trade in agro commodities. Since 2006, trading trends in non-basmati rice, wheat, sugar, soymeal and onions lend confirmation to this fact.

The government virtually granted special status to Pakistan when it first restricted and then prohibited export of Indian non-basmati rice in 2007.

Pakistan was then free to exploit and substitute 3-4 million tonnes - of the seven million tonnes of its milled rice output - of west Asian and African markets fostered by India for four years. Today, it is well established as a competing country. Non-basmati rice is not the staple food of Pakistan; only 45% is consumed locally, and the rest is exported. Basmati rice is their preferred cuisine.

Likewise, our neighbour also developed new capacities for parboiled rice to cater to special requirements of Bangladesh and South Africa. After India's aggressive re-entry in September 2011, Pakistan's export of parboiled rice is down to a trickle; parboiled rice capacities are shut, but capabilities to reinvent them at a short notice do exist.

Now an established competitor, Pakistan is desperately seeking to match Indian prices of white rice, suggesting that their trading operations may either become more efficient or less profitable. Indeed, a unique parallel where the absence of competition provides market access and business rivalry contributes to greater adaptability.

In 2008, India crossbred a new hybrid basmati variety of Pusa 1121 with 8.2-mm grain length (against 6.2 mm of parmal range) that became an elite acquisition of Iranian market consuming 0.8-1 million tonnes per annum at almost $1,000 per tonne fob - which is double the value of non-basmati rice. No patent exists for 1121. Pakistan has cloned its strain. Surely, Pakistan will improve upon this hybridisation and effectively compete in coming years.

Likewise, five years of prohibition on Indian wheat export enabled Pakistan to ship around two million tonnes wheat in two years (2010-11 and 2011-12). After lifting of India's embargo in September 2011, their business has declined significantly. USDA estimates Pakistan wheat export reduced to merely 0.3 million tonnes in 2012-13. A continued prevarication on subsidised export of Indian wheat may be advantageous to the competing origins in general.

On a request from Bangladesh in 2010, the government notified export of 0.5 million tonnes of FCI's wheat and rice to Bangladesh on a government-to-government basis. India and Bangladesh failed to arrive at mutually-acceptable commercial conditions. Indian exports were abandoned. Pakistan substantially filled the gap by private exports and made good Indian failure.

India's wheat gift of 0.25 million tonnes to Afghanistan in 2011-12, most of which was recently loaded from Kandla to Karachi port and then dispatched to Kabul via road, enabled Pakistan handling and transportation earnings. Due to grossly insufficient milling facilities in Afghanistan, Pakistani flour millers would have also been remunerated for tolling wheat flour by government of Afghanistan.

In 2012, the government negotiated the rupee payment arrangement for trade with Iran, in which, apart from other commodities, wheat figures as the prime commodity to be bartered against Iranian crude. Pakistan is also negotiating supplies of its wheat to Iran in return for Iranian urea. Wheat deals are currently held in abeyance due to quarantine concerns between Iran and India. India is proactively seeking its resolution with Iran. Pakistan may benefit automatically as phytosanitary apprehensions are common in the subcontinent.

On May 2-3, 2012, the government cleared quota-free sugar for export on open general licence without quantitative restrictions in pursuance to pleadings of the Indian Sugar Mills Association for better realisations abroad.

It may not be a coincidence that Pakistan Sugar Mills Association met President Asif Zardari the very next day (May 4, 2012) and sugar export quota from Pakistani mills was enhanced from one lakh tonnes to two lakh tonnes. A clear case of policy imitation!

Erroneous estimation of Indian annual sugar output in 2010 led to upward revision of production estimates from 14 million tonnes to 19 million tonnes. Local prices tanked. The government permitted re-export of 1.3 lakh tones of imported sugar lying at ports due to high-priced open general licence imports.
In the same year, Trading Corporation of Pakistan (TCP) was also importing sugar to mitigate shortages in Pakistan. Singapore traders arranged to ship one lakh tonnes of Indian sugar out of re-export allocation from Kandla to Karachi in a matter of days while TCP was facing default with Dubai traders.

Demand of high-protein feed rations is increasing in Pakistan. India is meeting full demand of 0.4 million tonnes of soymeal to mixers of cotton and rapeseed meals to augment the nutrition content of livestock in that country. Imports of soymeal from Argentina and US would be prohibitively costly.

At the end of December 2010, India faced supply constraints of onion. The only country that could immediately fill the supply-demand gap was Pakistan. Indian PSUs imported onion via sea route at prices around $700 per tonne cif. It was an opportunity and advantage for Pakistan for non-conventional items, even though for a small value. Had Pakistan permitted import of onion via land route, values would have been much larger.

Despite apparent political confrontations between the two countries, this invisible trade competition and cooperation goes on unseen and unnoticed.

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Sugar exporters await price rally in global markets

Rituraj Tiwari, Economic Times

New Delhi: Indian sugar exporters are going slow on shipment in anticipation of better global prices ahead of Ramzan and concerns over a delay in Brazilian cane harvest.

India has exported 25 lakh tonne this year, of which 5 lakh tonne was shipped out in the last two months after exports were freed up. Shipments of around 5 lakh tonne are in the pipeline.

"Exporters not in a hurry. There is good demand from West Asia and African countries ahead of the Ramzan season. With tight global supplies due to the late arrival of Brazilian sugar, they are expecting a better realisation," said a food ministry official.

However, Indian Sugar Mills Association (ISMA), a sugar industry body, said exports were smooth in view of a tight global supply and a weak rupee. Global prices have risen from $550 per tonne in May -- when exports were freed up -- to $662 per tonne towards the closing of August delivery.

"Demand is pouring in at a brisk pace from Sri Lanka, Bangladesh and West Asia. With a surplus production, there is no supply constraint in domestic as well as global market," said Abinash Varma, director general, ISMA.

"We have shipped over 2.5 million tonne. We expect to export at least 3.5 million tonne sugar by the end of this season. Prices have now stabilised as Brazilian sugar will soon hit the market," Varma said.
Wet weather over Brazil's cane belt has delayed supply from the world's largest sweetener producer. According to the estimates of Brazilian milling industry association Unica, the output has been 29% down in the April-June quarter helping prices to firm at global market.

"Brazil could produce only 6.69 million tonne in the first quarter as compared with 9.4 million tonne produced over the same period last year. There won't be any drop in prices even if Brazilian sugar floors the global market. The deficit can't be recovered easily leading prices to stabilise," he said.

Indian sugar prices are firm on concerns over production due to a poor rainfall and a lower quota for the September quarter. Indian sugar futures jumped 2% on Monday to hit a contract high on National Commodity and Derivatives Exchange at Rs 3,269.

The quota released for the September quarter was lower than market expectation. The government has allowed millers to sell 4.5 million tonne from July to September - a deviation in the usual practice of releasing extra sugar in the festival season.

"Demand has gone up and so have the prices a bit. But prices are going to stablise now," he said.
After a record output of 26 million tonne this year, the next marketing season (October 2012-Septemeber 2013) is likely to begin with a stock of 7.5 million tonne. ISMA estimates an output of 25 million tonne - down by 1 million tonne from this year due to a bad monsoon.

"We have factored in the crop losses in Maharashtra due to an erratic monsoon. We have trimmed down cane production estimated from 90 million tonne to 76 million tonne in Maharashtra. We expect a surplus production next year too providing enough room for exports," Varma said.

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India to ship wheat on bilateral basis

Rituraj Tiwari,Economic Times

13 July, New Delhi: The ministry of external affairs (MEA) is exploring opportunities for exporting 10 million tonne wheat on bilateral basis.

"Twelve countries including Japan, Indonesia, Iraq, Nigeria and the Netherlands have shown interest in buying wheat from us. Diplomatic representatives of these countries have enquired about the quality, export mechanism and phyto sanitary of the food grain," said a food ministry official on anonymity.

The overflowing granaries have allayed all concerns over the grain availability even if monsoon is deficient this season. "We are in a comfortable position as far as food grain stocks are concerned. There is no threat to export even if rains are deficient," said Union Agriculture Minister Sharad Pawar. Iraq needs 1 million tonne wheat, Indonesia 5.2 million tonne and Vietnam requires 1.5 million tonne to meet their domestic demand.

The food ministry is in talks with Iran for exporting up to 3 mt. The sanction-struck gulf country had stopped importing Indian wheat since 1996 over complaints of Karnal Bunt, a fungal disease.

An Iranian delegation visited India last month for checking phyto sanitary measures and quality of wheat. "Out of 100 samples collected, only 56 had Karnal Bunt. We are hopeful of import orders from Iran," another official said.

With a record wheat production followed by an unprecedented procurement of 82 million tonne, the government is now ready to enter the export market in a big way. It had allowed 2 million tonne wheat export from FCI godowns earlier this month to cut down the stocks.

"We have never promoted food grains exports till now in view of food security. But now, we can contribute to global food security. India will be a consistent player in the market," the official said. Due to consecutive bumper production, the grain stocks have exceeded domestic requirement prompting the government to lift grain exports ban in September 2011.

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FinMin proposes changes in imported edible oil tariff

Anindita Dey & Dilip Kumar Jha, Business Standard

Mumbai, July 15: The finance ministry has proposed to revise the tariff rate for imported edible oil shortly, after almost six years of freezing it at $ 420 per tonne.

According to officials close to the development, the rate will be linked to the market to align it with international prices. The rate hike is likely to be effected primarily for palm oil, which is mainly imported into India.

Tariff rate is the base rate upon which custom duty is charged on imports. The officials, however, cautioned that it will not have any impact on the crude or raw edible oil imported since customs duty on this category is zero. It will only have an impact on the import of refined palm oil to the extent of 7.5 per cent of the total value.

As per data compiled by the Solvent Extractors' Association of India (SEAI), share of refined oil (RBC palmolein) has increased to 19 per cent in June, while crude oil has decreased to 81 per cent and reported at 5.047 million tonnes (mt) compared to 4.31 mt during corresponding period of previous year.

Further, the SEAI report is of the view that the share of RBD palmolein is likely to increase as current Indonesian inverted duty structure encourages larger export of refined oils (nine per cent export duty) over crude oil (18 percent export duty). Also, the gap between cure and refined palm oil has reduced to just $28 from $73 a year back, discouraging local refining.

Explaining this, officials said the tariff rate may be hiked to around $900-1000 per tonne which would translate into a duty of around $35-40 per tonne. In rupee terms, the increase in tariff value at the current exchange rate will translate into a duty of Rs 1,800-2,200 per tonne. Earlier the ministry of food had recommended for increase in import duty of refined oil.

According to officials, edible oil prices are already high in the retail market, as around 50 per cent of the demand has to be met by imports. Indonesia, from where a majority of the edible oil is imported by India, has raised the duty for export of both crude and processed refined palm oil.

However, the increase in export duty on crude oil is much more than the rise in duty on processed or refined oil, which is why Indian importers are preferring import of refined oil.

Import of vegetable (edible and non edible) oil declined in June by 9.18 per cent due to traders' shifting from fresh purchases to use existing inventory.

During November 2011 to June 2012, import of refined oil (RBD palmolein) nearly doubled to t 1.21 mt, compared to 638,715 tonnes in the same period the year before.

Besides, the drastic depreciation in the rupee against the dollar has proved as a barrier for import of veg oil into India. The rupee averaged at 55.94 against the dollar in June 2012, compared to 44.81 in the corresponding month of the previous year.

Meanwhile, traders opted to use more quantity from the existing inventory instead of focusing on fresh purchases. Consequently, the overall stocks in the pipelines declined to 1.5 mt as on July 1 compared to 1.56 mt about a month ago, SEAI report suggested.

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Re slide halts apparel import from Dhaka

Sharleen D'Souza, Business Standard

13 July, Mumbai: While textile exporters have been cheering the rupee's depreciation, it is now also helping the domestic apparel industry in a big way.

Direct import of apparel from Bangladesh had picked up since September last year, when the government removed all tariffs on import of 48 textile items from this eastern neighbour. From September to March this year, textile items worth $1.8 billion were imported from Bangladesh, compared to $587 million in the full year, before duty-free imports were allowed. Lower labour cost there and removal of the duty had made the imported goods cheaper by 15-20 per cent, compared to buying apparel from domestic producers.

However, this benefit has since been negated by the rupees' slide; it has depreciated 20 per cent since last September. In the past couple of months, apparel import from Bangladesh is estimated to have fallen by 60-70 per cent.

"Retailers are now looking at sourcing from domestic manufacturers instead of Bangladesh, as imports have turned costlier due to the fall in the rupee. The domestic sector has definitely benefited, as retailers are now sourcing from domestic manufacturers," said Rahul Mehta, president of The Clothing Manufacturers Association of India. With the rupee's depreciation, there is now no difference, it appears, between Indian manufactured apparel and that made in Bangladesh.

Harminder Sahani, managing director of Wazir Advisors, a retail consultancy, confirmed, "Due to the depreciation in the rupee, even many big retailers have cut their sourcing from Bangladesh."

When duty-free imports were allowed, many retailers had thought of setting up a base in Bangladesh, as the cost of production there is lower. These plans are on hold till the rupee stabilises.

"Going ahead, imports from Bangladesh will witness a further fall due to the fall in the rupee, as there is barely any difference now between importing from Bangladesh or sourcing from India," said D K Nair, secretary general of the Confederation of Indian Textile Industry.

Bangladesh had also been eating into India's export market share in finished textile products since 2009. Its apparel exports are growing at 16 per cent yearly, while India's in 2010-11 grew by only four per cent.

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You may have to pay just 10% duty on Porsche and BMW

Amiti Sen, Economic Times

New Delhi, July 30, 2012: Cars manufactured in the European Union, including luxury makes such as Porsche and BMW, could be available in India at prices only marginally higher than in Europe as the government is likely to agree to a 10% duty on a fixed quota of cars imported from the EU as part of a free-trade agreement being negotiated between the two sides.

India is considering allowing imports of 2.5 lakh cars on which only a 10% tariff will be levied, compared to the normal rate of 60%, marking the first significant challenge the heavily protected Indian automobile industry has had to face from imports. The imports will be spread over five years, starting with 40,000 cars in the first year and rising by 5,000 units every year thereafter.

"We may bring down tariff to a low level of 10% for a fixed quota of cars every year for five years. We think our industry can deal with this," a government official told ET.

New Delhi is also considering reducing import tariffs by half from 60% to 30% for cars outside the quota once the proposed India-EU free trade agreement is implemented.

The European Union is keen that India commit itself to extending the liberalized import regime for the quota of 2.5 lakh cars beyond five years, but New Delhi has said that it will review the situation after five years.

"We want to keep some room for maneuver if the need arises,' the official said. Greater market access for automobiles, wines & whiskies is on top of the EU's wish list for the FTA, formally called the bilateral trade and investment agreement.

In exchange, India expects to get more visas for its professionals, a relaxation of EU norms that require manufacturers keep elaborate database on chemicals used in their products.

India's wishlist also includes recognition as a data secure country for carrying out off-shore operations, a quality certificate for its herbal products and lower duties on labour intensive products such as leather and textiles.

The concessions on automobiles and alcohol, if they form part of the final agreement, will be unique as they are absent in similar agreements it has entered so far with countries like Singapore, Japan, Malaysia, South Korea, Sri Lanka and the ten-member Asean.

The Indian automobile industry has criticized the government's move to liberalise imports.

SIAM has warned that imports will deter investments as foreign car makers would prefer to export their cars to India rather than set up manufacturing facilities.

French carmaker Peugeot has put off its plans to invest in India, reportedly, in the hope of reaping benefits of lower duties once the India-EU FTA gets implemented.

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RBI fiat on forward bookings upsets cashew exporters

K. A. Martin, The Hindu

19 July 2012: Cashew exporters want Director-General of Foreign Trade (DGFT) to take up with the Finance Ministry the issue of a Reserve Bank of India circular on foreign currency forward bookings.

The RBI circular to banks providing export credit said that all forward currency bookings by exporters and importers should fully be on deliverable basis. Any exchange gain from the forward booking, in case of cancellation of an export order, should not be passed on to the exporter.

Cashew exporters submitted before the DGFT that single product exporters faced a big disadvantage as their only hedge against currency fluctuation was forward booking. Multiple-product exporters might not be affected by the RBI directive because credit availed for a particular shipment could be set off against another immediate shipment.

Alternatively, the exporters have suggested that forward foreign currency bookings and cancellation be allowed for exports and imports. They also submitted that the depreciation of the rupee was a result of the current international economic scenario and not because of speculation by the exporters.

Exporters have also sought benefits, in addition to the current incentive, under Vishesh Krishi Gram Udyog Yojana for value-added products such as roasted and salted cashew. The exporters' submission is that the share of value-added products in exports from the country is limited.

Value-added products accounted for just Rs.16 crore out of the total export earnings of Rs.2, 700 crore during 2010-11, they said.

Additional 2 per cent incentive under VKGUY would help encourage long-term investments in value addition, they added.

Another issue that was taken up by cashew exporters at their meeting with the DGFT was that of withdrawal of Market Development Assistance (MDA) for participation in fairs and delegations abroad. The exporters said that for a small export council such as theirs with a membership of 200 plus, MDA was important.

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Gold imports fall 35% in July on near-record prices

Bloomberg

Mumbai, July 29, 2012: Gold imports by India, the world's biggest buyer, probably declined as much as 35 per cent this month as near-record domestic prices trimmed demand, an industry group said.

Purchases may drop to 40 tonnes to 50 tonnes in July, Prithviraj Kothari, president of the Bombay Bullion Association, said without giving figures for last year. "Inflation is high, the equity market is negative and the real estate market is on the downside, so it all impacts the purchasing power."

Buying in India may fall for a second year as consumers cut spending and switch to cash because of concern about the economy, Ajay Mitra, managing director, Middle East and India at the World Gold Council said July 16. The economy grew 5.3 per cent in the first quarter, the slowest pace in nine years, and inflation exceeded seven per cent for a fifth month in June. Poor monsoon rains will also cut demand in a country where according to UBS AG rural areas account for about 60 per cent of gold buying.

"Demand may see some improvement by the first week of September because of festivals, but not in a great way," said Bachhraj Bamalwa, chairman of the All India Gems & Jewellery Trade Federation. The festival season, which runs from August end to November, is the peak demand period as buying gold is considered auspicious.

Weak monsoon

Prices rallied after the rupee depreciated against the dollar and the government doubled the import duty on the metal, Kothari said. The rupee fell to a record 57.3275 per dollar on June 22, lifting the cost of commodities priced in the greenback.

The country's monsoon, which accounts for more than 70 per cent of annual rainfall, may be below normal for the first time in three years at 92 per cent of a 50-year average, D S Pai, head of long-range forecasting division at the India Meteorological Department, said July 24. Rains were 21 per cent below average since June 1, the forecaster said on its website.

“Demand from rural India is very poor right now,” Bamalwa said. A weak monsoon and high prices will weigh on purchases, and total imports will be much lower this year, he said.

India imported a record 969 tonnes of gold last year, while domestic demand was 933.4 tonnes, down from 963.1 tonnes in 2010, according to the World Gold Council.

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Cheap steel imports to flood market

Probal Basak & Ishita Ayan Dutt, Business Standard

Kolkata, July 20, 2012: The Comprehensive Economic Partnership Agreement (Cepa) with Korea and Japan is turning out to be the latest trouble for the Indian steel industry, already grappling with mining and land issues.

Imports of hot rolled coil (HRC), a benchmark product, from Korea surged 125 per cent and from Japan, 72 per cent, in 2011-12 over the previous year. While the flood is likely to continue further, experts say this is not just hurting the domestic steel industry in a weak market, but, in the short term, could be a disincentive for foreign direct investment (FDI).

A slew of Japanese companies — Kobe, JFE, Sumitomo and Nippon — are either a part of the India story, in some way or other, or are actively looking at it, while South Korea's Posco is still waiting in the wings. All these companies are in a way incentivised to sell the steel produce in their country and flood the Indian market. It will act as disincentive for these global steel majors to invest in producing steel in India.

"The trade pacts are not helping India, while affecting the industry adversely. Production and employment are taking place in those countries. We should encourage FDI instead," said Jayant Acharya, director, commercial & marketing, JSW Steel.

Consider this: Maruti Suzuki India Ltd (MSIL) has been importing steel from Japan and Korea much before the bilateral agreement came into existence. But it would stand to lose significantly if steel is moved to the sensitive list for exclusion under the CEPA, as is being demanded by the steel companies. The impact of withdrawal from Korea would be Rs 7.7 crore and from Japan, Rs 10 crore.

"We have imported over 190,000 tonnes in 2010-11 and over 200,000 tonnes in 2011-12, which are about 29 per cent and 28 per cent of our total requirements. Import quantity is dependent on demand changes and not on the bilateral agreement," said S Maitra, chief operating officer (supply chain), MSIL.

Steel industry representatives feel the onslaught of imports could lead to loss of jobs for Indians. "It might lead to idling of steel capacity. Most of the plants without captive iron ore are operating at much less than full capacity," they pointed out.

In view of the pressure the industry is facing, the government had increased the import duty on most steel products from five per cent to seven per cent in the budget. However, it doesn't quite affect the imports from Korea and Japan since under the provisions of Cepa the rate is subsidised at 3.125 per cent for Korea, while Japan attracts 3.3 per cent for 2012-13. The rate will reduce to zero by the beginning of 2017.

"I don't understand why these countries should enjoy concessional rates," asked Nitin Johri, director (finance) Bhushan Steel. Johri's sentiments were echoed by Essar Steel Executive Director (strategy & business development) Vikram Amin. "There is a definite case to exclude steel products from the ambit of the Free Trade Agreement (FTA) with Korea and Japan. Considering the high value addition in the steel industry and employment generation potential, it makes immense sense to export steel rather than exporting iron ore and importing steel," Amin said.

Though cumulative imports from these countries constitute more than 40 per cent of all flat steel imports into India, during November-December, the rise was as high as 400-600 per cent.

Industry representatives said, the Federation of Indian Chambers of Commerce and Industry (Ficci) has already taken up the matter with the government.

According to Acharya, it should be a level playing field. While cost of production in India is more or less at par with Korea or Japan, the financing cost is more conducive in those countries.

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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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U.S. Blocks India's Request for WTO to Rule on Steel Duty

Jennifer M. Freedma, Bloomberg

July 23, 2012: The U.S. blocked a request by India for World Trade Organization judges to investigate the legality of American countervailing duties on some Indian steel products. A second request would be automatically accepted.

India complained at the Geneva-based WTO on April 24, saying U.S. anti-subsidy duties on certain hot-rolled carbon- steel flat products violate global trade rules. India is challenging a U.S. finding that Indian steel producers got an illegal subsidy by paying too little for iron ore from a state- owned producer.

The U.S. first imposed the tariff in December 2001 and extended it six years later. The duty is fixed at 102.7 percent, according to a notification submitted by the U.S. to the WTO. The two governments held consultations in an unsuccessful bid to resolve the dispute without resorting to a panel.

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Indian drug firms lobby against EU’s new directive

Vidya Krishnan, Mint

July 24, 2012: Indian drug companies are lobbying against a move by the European Commission to check the import of counterfeit drugs through a directive that comes into effect in about a year from now.

According to the Pharmaceuticals Export Promotion Council of India (Pharmexcil) lobby group, the country’s drug exports to the European Union (EU) were worth $1.93 billion (around Rs.10,769 crore) in 2010-11. If India fails to get an EU equivalence certificate by 2 July 2013, when the rule is set to go into effect, 30% of this could be affected, the lobby group said.

Industry and government officials say they don’t have the manpower or the resources to be able to comply with the new directive.

Under the EU falsified medicines directive, each shipment of active pharmaceutical ingredient (API) or drug raw materials from India should be accompanied with a written confirmation, vouching that the quality of the exports conforms to EU standards. The legislation was adopted by the EU Council in May 2011 with the objective of preventing the entry of fake drugs.

Failure to provide this “equivalence certificate” would mean loss of business for India, said D.G. Shah, secretary general of the Indian Pharmaceutical Alliance (IPA) lobby group.

“The EU initiative is protectionist and while they are citing safety and public health as reasons, it is clear that they want to protect their domestic pharmaceutical companies from competition,” he said. “We can only hope that the Indian government will respond appropriately, keeping this in mind.”

The EU and the Indian drug companies have been in conflict before. In 2008, the Netherlands seized Indian drug consignments on the ground of patent infringement, triggering a trade dispute between India and the EU. The incident had prompted the Indian government to approach the World Trade Organization (WTO).

The term “falsified medicinal product” in the European Commission’s directive is of particular concern in India.

“While the directive is pertaining to API, the word ‘falsified’ could be used broadly to apply to generic drugs made in India,” said C.M. Gulati, editor of the *Monthly Index of Medical Specialities*, a journal on prescription drugs available in India. “If an Indian company makes a generic version of a drug patented by a multinational pharma company, it could come under this directive and be treated as a ‘falsified’ or spurious drug and be confiscated.”

At a meeting with industry representatives on Monday, the department of pharmaceuticals (DoP) sought a response from the Drug Controller General of India (DCGI) about the feasibility of training Indian drug inspectors on EU standards.

“We have sought DCGI’s position on the matter and we are concerned by the use of ‘falsified’. We have also proposed a meeting with representatives from the commerce and health ministries on the matter. We do not want to delay this any further as our exports will be adversely affected,” said Raja Sekhar Vundru, joint secretary, DoP.

The government appears to be convinced that the Indian drug companies have a case.
“We are looking at various alternatives, including approaching WTO...,” said a commerce ministry official who didn’t want to be named. A questionnaire sent by *Mint* to the European Commission did not elicit a response at the time of going to press.

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